MOODY'S INVESTORS SERVICE

CREDIT OPINION
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BNP Paribas Fortis SA/NV - Mortgage Covered Bonds

Belgian Covered Bonds

Ratings

Cover Pool (EUR)	Ordinary Cover Pool Assets	Covered Bonds (EUR)	Rating
757,816,743	Residential Mortgage Loans	500,000,000	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

Summary Rating Rationale

We have assigned a long-term rating of Aaa to the covered bonds issued under the mortgage covered bond programme (residential mortgage *Pandbrieven* programme) of BNP Paribas Fortis SA/NV (BNP Paribas Fortis or the issuer; Aa3(cr)). The covered bonds are full recourse to the issuer and secured by a cover pool of assets consisting of residential mortgage loans located in Belgium.

The rating takes into account the following factors:

» The credit strength of the issuer (Counterparty Risk Assessment Aa3(cr)).

» The credit quality of the cover pool as of 31 August 2016, which is reflected in the collateral score of 6.4%, and the expected initial level of over-collateralisation (OC) of 51.6%.

» The support provided by the Belgian legal framework for covered bonds.

Credit Strengths

» *Recourse to the issuer*: The covered bonds are full recourse to BNP Paribas Fortis (Aa3(cr)). See "Covered Bond Analysis".

» *Support provided by the Belgian legal framework*: The covered bonds are governed by the Belgian covered bond legislation, which includes several strong features. See "Covered Bond Description".

» *High credit quality of the cover pool*: The covered bonds are supported by a cover pool of high-quality assets. The assets are residential mortgage loans backed by properties in Belgium. The collateral quality is reflected in the collateral score, which is currently 6.4%. See "Cover Pool Analysis."

» *Refinancing risk*: Following what we call a covered bond (CB) anchor event, refinancing risk is mitigated by liquidity matching requirements. In addition, the covered bonds may have a soft bullet repayment at maturity, with a 12-month maturity extension in case the issuer fails to redeem a series on the scheduled maturity date. A CB anchor event occurs when the issuer ceases to service the payments on the covered bonds. See "Covered Bond Analysis".

» *Interest rate and currency risks*: Interest rate risk is mitigated by the legal 5% over-collateralisation (OC) requirement. Currency risk is well matched in this programme. All assets and liabilities are expected to be denominated in euros. See "Covered Bond Analysis."

Credit Challenges

» *High level of dependency on the issuer:* As with most covered bonds, before the insolvency of the issuer, the issuer can materially change the nature of the programme. For example, the issuer can add new assets to the cover pool, issue new covered bonds with varying promises, and enter into new hedging arrangements. As with most covered bonds in Europe, there are few restrictions on the future composition of the cover pool. These changes could affect the cover pool's credit quality as well as the overall refinancing risk and market risks. Further, If the quality of the collateral deteriorates below a certain threshold, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. See "Structural Analysis."

» *Market risks*: Following a CB anchor event, covered bondholders, to achieve timely principal payment, may need to rely on proceeds being raised through the sale of, or borrowing against, cover pool assets. Following a CB anchor event, the market value of these assets may be subject to high volatility. In addition, covered bondholders may be exposed to interest rate and FW risk. See "Covered Bond Analysis."

» *Time subordination:* After issuer default, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds prior to later-maturing covered bonds. This could lead to OC being eroded before any payments are made to later-paying covered bonds. See "Covered Bond Analysis."

Key Characteristics

Exhibit 2
Covered Bonds Characteristics

Issuer:	BNP Paribas Fortis SA/NV
Covered Bond Type:	Mortgage Covered Bonds
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Belgium

Entity used in Moody's EL and TPI analysis:	BNP Paribas Fortis SA/NV
CR Assessment:	Aa3(cr)
CB Anchor:	CR assessment +1 notch
Senior unsecured/deposit rating:	A2/A1

Total Covered Bonds outstanding:	EUR 500,000,000 (first series)
Main Currency of Covered Bonds:	EUR (100%) (first series)
Extended Refinance Period:	Yes
Principal Payment Type:	Soft bullet (1 year extension period)
Interest Rate Type:	Fixed rate covered bonds (100%) (first series)
Committed Over-Collateralisation:	5.0%
Current Over-Collateralisation:	51.6%

Intra-group Swap Provider:	No swaps
Monitoring of Cover Pool:	David de Schacht and Jurgen de Raedemaeker (cover pool monitors)
Timely Payment Indicator:	Probable
TPI Leeway:	4

Source: Moody's Investors Service

Exhibit 3
Cover Pool Characteristics

Size of Cover Pool:	EUR 757,816,743
Main Collateral Type in Cover Pool:	Residential loans (100%)
Main Asset Location of Ordinary Cover Assets:	Belgium (100%)
Main Currency:	EUR (100%)
Loans Count:	8,022
Number of Borrowers:	5,601
WA unindexed LTV: Whole loan / Senior loan:	71.97%
WA indexed LTV: Whole loan / Senior loan:	67.79%
WA Seasoning:	18 months
WA Remaining Term:	214 months
Interest Rate Type:	Fixed rate assets (92.6%) Floating rate assets (7.4%)
Collateral Score:	6.4%
Cover Pool Losses:	31.9%
Pool Cut-off Date:	31 August 2016

Source: Moody's Investors Service

Covered Bond Overview

The covered bonds benefit from recourse to both the issuer and the cover pool, as well as the legal framework under the Belgian covered bond legislation. Our rating reflects these features.

Covered Bond Description

The covered bonds issued under the mortgage covered bond programme of BNP Paribas Fortis are full recourse to the issuer. Upon a CB anchor event covered bondholders will have access to a cover pool of residential mortgage loan receivables.

Structure Description

THE BONDS

Covered bonds issued may have an extended maturity date of 12 months.

ISSUER RECOURSE

The covered bonds are full recourse to the issuer. Therefore, the issuer is obliged to repay principal and pay interests on the covered bonds.

RECOURSE TO COVER POOL AND OVER-COLLATERALISATION

If the issuer becomes insolvent, the covered bondholders will have priority claims over a pool of assets (cover pool). See "Cover Pool Description" for the cover pool characteristics and Cover Pool Analysis for our analysis of the pool.

As of the issuance of the first series under this programme, the level of nominal over-collateralisation (OC) is expected to be 51.6%.

Based on data as of 31 August 2016, 13.0% of OC is sufficient to maintain the current covered bond rating. This shows that our analysis currently relies on OC that is not in committed form.

Although the issuer has the ability to increase the OC in the cover pool if collateral quality deteriorates below a certain threshold, the issuer does not have any obligation to do so. The failure to increase OC following a deterioration of the collateral could lead to a negative rating action.

LEGAL FRAMEWORK

The covered bonds are governed by the Belgian legal framework. There are a number of strengths in the Belgian covered bond legislation, including the regulation and supervision of the issuer by the National Bank of Belgium (NBB), as well as certain minimum requirements for the covered bonds and cover pool. A description of the general legal framework is contained in Moody's special report on the Belgian legal framework for covered bonds (see Moody's related research).

Covered Bond Analysis

Our credit analysis of the covered bonds primarily focuses on the issuer's credit quality, refinancing risk, interest rate risk and currency risk, as well as the probability that payments on the covered bonds will be made in a timely fashion following a CB anchor event, which we measure using the Timely Payment Indicator, explained further below.

Primary Analysis

ISSUER ANALYSIS

Credit quality of the issuer: The issuer's CR assessment is Aa3(cr). For a description of the issuer's rating drivers, please see our Credit Opinion, published February 2016 (see Moody's related research).

The reference point for the issuer's credit strength in our analysis is the "CB anchor", which for covered bond programmes under the covered bond law in Belgium is the CR assessment plus one notch.

Dependency on the issuer's credit quality: The credit quality of the covered bonds are primarily dependent on the credit quality of the covered bonds issuer. Should the issuer's credit strength deteriorate, there would be a greater risk that a CB anchor event would occur, leading to refinancing risk for the covered bonds; consequently the credit quality of the covered bonds would deteriorate unless other credit risks decrease.

In case of deterioration of the CB anchor, the issuer would have the ability, but not 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.

Reasons for the high level of linkage of the covered bonds with the issuer also include exposure to decisions made by the issuer in its discretion as manager of the covered bond programme. For example, before a CB anchor event, the issuer may add new assets to the cover pool, issue further bonds and enter new hedging arrangements. Such actions could negatively affect the value of the cover pool.

REFINANCING RISK

Following a CB anchor event, 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. Where 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 is in excess of 50% of the cover pool.

Furthermore, following a failure to pay any amount of interest or principal on its due date (which may be the extended maturity date for soft bullet covered bonds), all series of covered bonds can be accelerated if bondholders representing at least 25% of the covered bonds outstanding balance so decide.

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 Moody's related research).

The refinancing-positive factors outweigh negative ones. Refinancing-positive aspects of this covered bond programme include:

» Covered bond law:

  – At the time of the declaration of issuer's bankruptcy, or earlier if the NBB considers it necessary, a cover pool administrator (*gestionnaire de portfeuille*) will take over management responsibility of the covered bond programme. The cover pool administrator has the ability to sell all or part of the cover pool, with or without all or parts of the liabilities attached.

  – Opening of bankruptcy proceedings with respect to the issuer will not automatically give bondholders the right to declare the acceleration of covered bonds.

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

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

Refinancing-negative aspects of this covered bond programme include the absence of any swap agreements to hedge interest rate risk, which is typical for Belgian covered bond programmes. However, if sufficient OC is in place, it may be considered positive that this transaction would not need to resolve swap terminations.

INTEREST-RATE AND CURRENCY RISK

As with the majority of European covered bonds, there is potential for interest-rate and currency risks, which could arise from the different payment promises and durations made on the cover pool and the covered bonds.

Exhibit 4

Overview Assets and Liabilities

	WAL Assets (Years)	WAL Liabilities (Years)	Assets (%)	Liabilities (%)
Fixed rate	17.7	7.0	92.6%	100.0%
Variable rate	19.3	N/A	7.4%	0.0%

WAL = weighted-average life
n/a = not applicable
Source: Moody's Investors Service

In the case of issuer insolvency, we currently do not assume that the special cover pool administrator (*gestionnaire de portefeuille*) 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 model separately assesses 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 rate and currency stresses used over different time horizons are published in our Rating Methodology (see Moody's related research).

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

» No currency risk. Currently, there is no expectation of foreign exchange denominated covered bonds being issued and all of the cover assets are denominated in local currency.

» 92.6% of the cover pool assets pay a fixed rate and 100% of the covered bonds are expected to pay a fixed rate. This creates some level of natural hedging.

» The requirement under the covered bond law that the asset coverage tests and a liquidity test be met and must withstand a sudden and unexpected interest rate and currency movement (set at 2% and 8% respectively, unless the issuer uses its internal stress tests).

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

» 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 (in order to meet due payments on covered bonds following a CB anchor event) could lead to a crystallisation of mark-to-market losses caused by interest-rate movements upon issuer default.

» Most of the cover pool assets are fixed rate (92.6%).

» We do not expect any hedging arrangements to be entered into the cover pool in the near future. The issuer may, from time to time during the programme, enter into interest rate or currency swap agreements and other relevant swap or hedging agreements.

TIMELY PAYMENT INDICATOR

Our Timely Payment Indicator (TPI) assesses the likelihood that timely payments will be made to covered bondholders following a CB anchor event, and thus determines the maximum rating a covered bond programme can achieve with its current structure while allowing for the addition of a reasonable amount of OC. We have assigned a TPI of probable to these covered bonds, in line with the other mortgage covered bonds issued under the Belgian covered bond legislation.

Based on the current TPI of probable, the TPI Leeway for this programme is 4 notches. This implies that we might downgrade the covered bonds' rating because of a TPI cap if we lower the CB anchor by more than 4 notches, all other variables being equal.

TPI-positive aspects of this covered bond programme include:

» Refinancing positive factors mentioned in section Refinancing risk above

» The strength of the Belgian covered bond legislation, including:

  – 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 coverage tests are designed to ensure that the cover pool has substantial value at the time of the occurrence of an issuer default.
  - 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 on-going 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 covered bondholders and other creditors.
  - The covered bond law limits commingling, set-off and claw back risk.
  - The covered bonds may have a soft bullet repayment at maturity, with a 12-month maturity extension in case the issuer fails to redeem a series on the scheduled maturity date.
- The credit quality of the cover pool assets, which is evidenced by the collateral score of 6.4%.

TPI-negative aspects of this covered bond programme include

- Refinancing negative factors mentioned in section Refinancing risk above

Additional Analysis

LIQUIDITY

The covered bond programme does not benefit from a designated liquidity facility if cash flow collections are interrupted. However, prior to an issuer default the issuer is required by law to cover potential liquidity gaps for the next six months and to maintain a minimum OC of 5%. After an issuer default, the cover pool administrator has the ability to sell a portion of the cover pool to make timely payments on the bonds.

In addition, the issuer covenants to always include in the cover pool a liquid bond (as defined under the law) with a market value higher than the amount of interest due and payable on the outstanding covered bonds within a period of three months.

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-served basis, paying earlier-maturing covered bonds prior to later-maturing covered bonds. However, under the covered bond law, if it is determined that cover pool assets will not be sufficient to repay covered bonds, the cover pool administrator can liquidate the cover pool and prepay all covered bonds pro rata. This mitigates the risk of OC being eroded before any payments are made to later-paying covered bonds.

Comparables

As shown in Exhibit 5, most characteristics of this covered bond programme are similar to the other two Belgian mortgage covered bond programmes rated by Moody's. In particular, the CB anchors of the three programmes are currently identical and the cover pool quality, as measured by the collateral score, range between 6.4% (for this programme) and 7.9% for ING Belgium's mortgage covered bond programme as of 30 June 2016.

Exhibit 5

Comparison of Belgian mortgage covered bonds

Programme name	BNP Paribas Fortis SA/NV Mortgage Covered Bonds	KBC Bank N.V. - Mortgage Covered Bonds	ING Belgium - Mortgage Covered Bonds
Overview			
Programme is under the law			
Main country in which collateral is based	Belgium	Belgium	Belgium
Country in which issuer is based	Belgium	Belgium	Belgium
Total outstanding liabilities	500,000,000.00	8,060,000,000.00	2,750,000,000.00
Total assets in the Cover Pool	757,816,743.00	12,028,928,890.06	4,519,431,766.52
Issuer name	BNP Paribas Fortis SA/NV	KBC Bank N.V.	ING Belgium SA/NV
Issuer CR assessment	Aa3(cr)	Aa3(cr)	Aa3(cr)
Main collateral type	Residential	Residential	Residential
Collateral assets	Residential 100%	Residential 96.4%, Public-Sector 0.3%, Other/Subsitute assets 3.3%	Residential 93.7%, Other/Subsitute assets 6.3%
Ratings			
Covered bonds rating	Aaa	Aaa	Aaa
Entity used in Moody's EL & TPI analysis	BNP Paribas Fortis SA/NV	KBC Bank N.V.	ING Belgium SA/NV
CB anchor	CR Assessment + 1 notch	CR Assessment + 1 notch	CR Assessment + 1 notch
CR Assessment	Aa3(cr)	Aa3(cr)	Aa3(cr)
SUR	n/a	n/a	n/a
Unsecured claim used for Moody's EL analysis	Yes	Yes	Yes
Value of Cover Pool			
Collateral Score	6.4%	7.1%	7.9%
Collateral Risk (Collateral Score post-haircut)	4.1%	4.7%	5.3%
Market Risk	27.8%	9.2%	27.3%
Over-Collateralisation Levels			
Committed OC	5.0%	9.0%	5.0%
Current OC	51.6%	49.2%	64.3%
OC consistent with current rating	13.0%	9.0%	14.0%
Surplus OC	38.6%	40.2%	50.3%
Timely Payment Indicator & TPI Leeway			
TPI	Probable	Probable	Probable
TPI Leeway	4	4	4
Reporting date	31 August 2016	30 June 2016	30 June 2016

Ratings and CR assessment as of 24 October 2016 and other information as of the above-mentioned reporting date
Source: Moody's Investors Service, BNP Paribas Fortis and quarterly reporting received from issuers

Cover Pool Overview

The pool as of 31 August 2016 consists of residential mortgage loans. The majority of the cover assets are loans backed by properties located in Belgium.

Cover Pool Description

Pool Description

On a nominal value basis, the outstanding balance of the cover pool as of 31 August 2016 equals €757.8 million. All loans are secured by a mortgage, a mandate or a combination of both on a property (collectively referred to as “mortgage loans” in this report).

For BNP Paribas Fortis' underwriting criteria, see section “Income Underwriting and Valuation”.

As Exhibit 8 shows, 100% of the cover pool consists of loans backed by residential properties.

As Exhibit 11 shows, the properties backing the residential mortgages are located in Belgium, with some geographic concentration in Antwerpen and Vlaams-Brabant. Most of the assets (99.9%) are performing.

The weighted average LTV ratio of the residential loans is 72%.

Exhibits 6 to 11 below show more details about the cover pool characteristics.

Residential Mortgage Loans

Exhibit 6

Cover Pool Summary

Overview	
Asset type:	Residential Assets
Asset balance:	757,816,743.00
Average loan balance:	94,467
Number of loans:	8,002
Number of borrowers:	5,602
Number of properties:	6,745
WA remaining term (in months):	214
WA seasoning (in months):	18

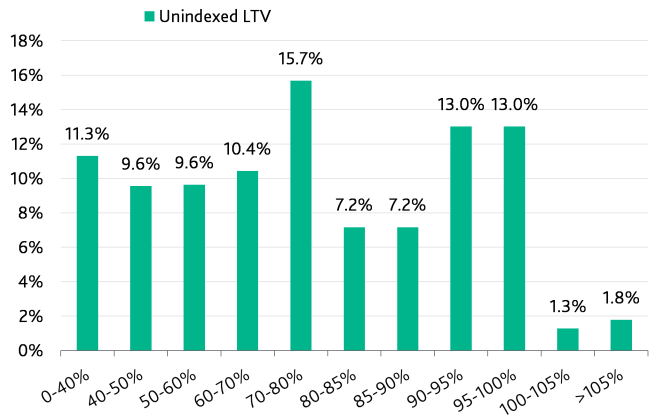
Details on LTV	
WA unindexed LTV(*):	72.0%
WA indexed LTV:	67.76%
Valuation type:	Market Value
LTV threshold:	80%
Junior ranks(**):	50.1%
Prior ranks:	0.0%

Specific Loan and Borrower characteristics	
Loans with an external guarantee in addition to a mortgage:	0.0%
Interest only Loans:	2.5%
Loans for second homes / Vacation:	0.0%
Buy to let loans / Non owner occupied properties:	0.0%
Limited income verified:	0.0%
Adverse credit characteristics:	0.0%

Performance	
Loans in arrears (≥ 2months - < 6months):	0.1%
Loans in arrears (≥ 6months - < 12months):	0.0%
Loans in arrears (≥ 12months):	0.0%
Loans in a foreclosure procedure:	0.0%

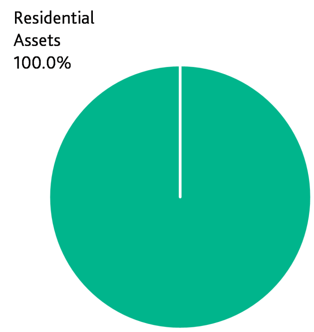
* LTV calculations exclude advances secured by the same all-sums mortgage
** "Junior ranks" refer to advances secured by the same all-sums mortgage.
Source: Moody's Investors Service, BNP Paribas Fortis

Exhibit 7
Balance per LTV-band



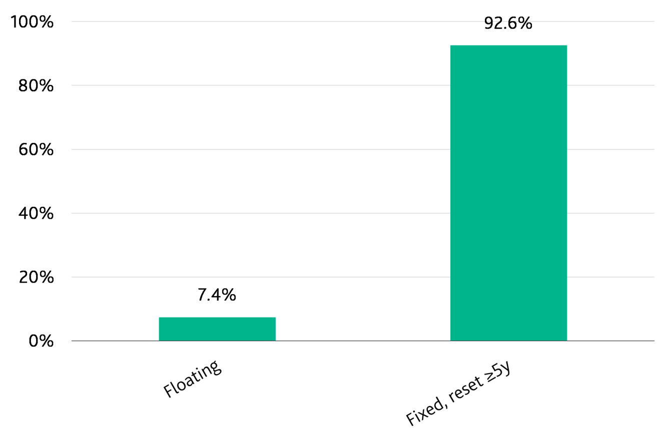
Source: Moody's Investors Service, BNP Paribas Fortis

Exhibit 8
Percentage of Residential Assets



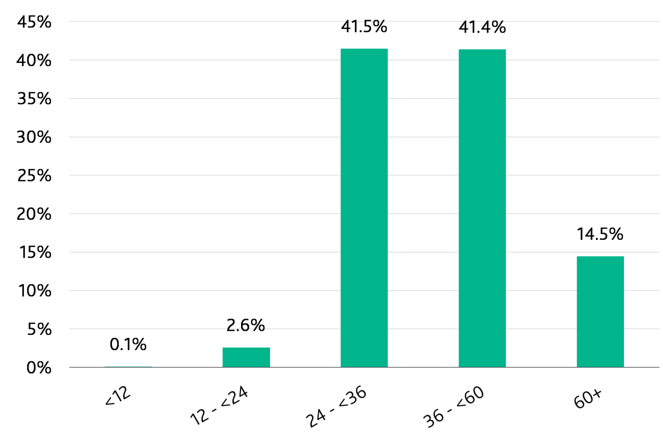
Source: Moody's Investors Service, BNP Paribas Fortis

Exhibit 9
Interest Rate Type



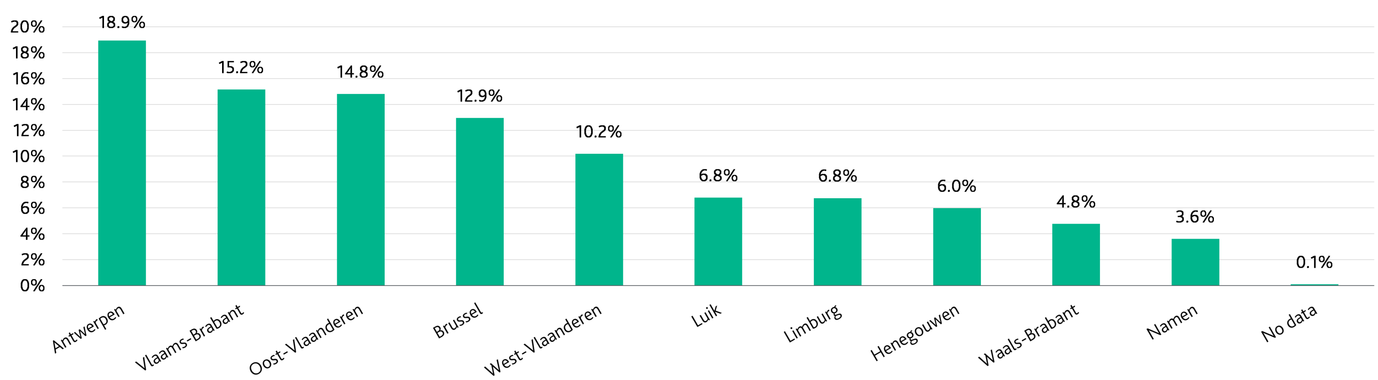
Source: Moody's Investors Service, BNP Paribas Fortis

Exhibit 10
Seasoning



Source: Moody's Investors Service, BNP Paribas Fortis

Exhibit 11
Regional Distribution for Main Country (Belgium)



Source: Moody's Investors Service, BNP Paribas Fortis

Substitution

Exposure to decisions made by the issuer in its discretion as manager of the cover pool creates additional risk. For example, before a CB anchor event, the issuer may remove assets from the cover pool and/or add new assets to the cover pool. Such actions could negatively affect the value of the cover pool.

As with most covered bonds in Europe, there are few contractual restrictions on the future composition of the cover pool, creating substitution risk. Nevertheless, cover pool quality over time will be protected by, among others, the requirements of the covered bond law which specify what types of assets are eligible (see special report for Belgium in “Moody's related research”, Covered Bond Legal Frameworks).

Cover Pool Monitor

The cover pool monitor (*surveillant de portefeuille*), as an independent agent, is in charge of verifying on an on-going basis that the issuer meets all the legal requirements. For more details on the cover pool monitor's role, see special report for Belgium in “Moody's related research”, Covered Bond Legal Frameworks.

Cover Pool Analysis

Our credit analysis of the pool takes into account specific characteristics of the pool, as well as legal risks.

Primary Cover Pool Analysis

The result of the cover pool analysis is the collateral score. We calculate the collateral score using a scoring model for the residential mortgages in the cover pool. Our analysis takes into account, among other things, the impact of concentration on borrower, regional and country levels, as well as the different types of properties securing the loan.

For this programme, the collateral score of the current pool is 6.4% which is comparable to the average collateral score in other Belgian mortgage covered bonds (see Moody's related research: Moody’s Global Covered Bonds Monitoring Overview).

Factors supporting the credit quality of the pool include:

» 99.9% of the assets are performing;

» interest payment frequency on all loans in the cover pool is monthly and principal payment frequency on 97.2% of the loans is monthly;

» the majority of the loans are single family houses (83.5%) or flats (13.3%);

We view the following portfolio characteristics of the residential mortgage loans as credit negative:

» a mortgage inscription, a mandate or a combination of both can secure home loans. A mandate is an irrevocable power of attorney granted by a borrower to a lender, enabling the latter to create unilaterally a mortgage as security for the loan; see “Additional Cover Pool Analysis”.

» mortgages securing the loans consists of “all-sums mortgage” loans. Certain mortgage loans registered in the cover pool may have equal ranking with other existing advances at the time of their registration; see “Additional Cover Pool Analysis”.

Additional Cover Pool Analysis

MORTGAGE MANDATES

Some loans are only partly secured by a mortgage. Where the mortgage is only partly securing the loan the borrower has granted a mortgage mandate, which is an irrevocable power of attorney to create a mortgage as a security for the loan. However, the benefit of mandates in the transaction might be limited due to the possibility of another lender having registered a more senior ranking mortgage ahead of the originator’s conversion of its mandate.

Mitigants: the benefit given to mandates is limited in the coverage test required by law (see special report for Belgium in “Moody's related research”, Covered Bond Legal Frameworks).

ALL SUMS MORTGAGES

The cover pool consists of 'all-sums mortgage' loans, where the loans are secured by a mortgage or mandate that also secures other amounts that the borrower owes (or in the future may owe) to the issuer. For example, an all-sums mortgage loan registered in the cover pool has equal ranking with advances that existed at the time of such registration and that were secured by the same all-sums mortgage.

Mitigants: (1) the outstanding pari passu loans are taken into account in the calculation of both the default frequency and recovery for each loan; and (2) the provisions of the law and contractual agreement to the effect that an all-sums mortgage loan which is registered in the cover pool ranks in priority to any advance that arises after the date of the registration and that is also secured by the same all-sums mortgage.

Methodology and Monitoring

The primary methodology we use in rating the issuer's covered bonds is "Moody's Approach to Rating Covered Bonds", published in August 2015. Other methodologies and factors that may have been considered in the rating process can also be found on http://www.moodys.com. In addition, we publish a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moodys.com/SFQuickCheck.

We expect the issuer to deliver certain performance data to us on an ongoing basis. In the event that 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.

Income Underwriting and Valuation

Exhibit 12

A. Residential Income Underwriting	
1. Is income always checked?	Yes. At least 3 pay slips. Non domiciled revenues must be proven. Income verification is also conducted on the second borrower.
2. Does this check ever rely on income stated by borrower ("limited income verification") ?	No. Income is always checked.
3. Percentage of loans in Cover Pool that have limited income verification	Not applicable
4. If limited income verification loans are in the Cover Pool, describe what requirements lender has in place for these loans.	Not applicable
5. Does income in all cases constrain the amount lent (for example through some form of Income Sufficiency Test ("IST").	A higher decision level is required for applications with an available income after charges below 1250 EUR. Additionally, a reference value (minimum available income after charges) based on the household composition and income level is calculated.
6. If not, what percentage of cases are exceptions.	Not disclosed
For the purpose of any IST	
7. Is it confirmed income after tax is sufficient to cover both interest and principal.	Yes, except for interest only loans for which the repayment of the principal amount at maturity is ensured from the beginning.
8. If so over what period is it assumed principal will be paid (typically on an annuity basis)? Any exceptions?	principal balance divided by the life of the loan
9. Does the age of the borrower constrain the period over which principal can be amortised?	No maximum but special attention is requested for the repayment capacity for retired applicants and applicant that retire during the life of the loan.
10. Are any stresses made to interest rates when carrying out the IST? If so when and for what type of products?	Not disclosed
11. Are all other debts of the borrower taken into account at point loan made?	Yes
12. How are living expenses of the borrower calculated? And what is the stated maximum percentage of income (or income multiple if relevant) that will be relied on to cover debt payments. (specify if income is pre or post tact)	Not disclosed
Other comments	
B. Residential Valuation	
1. Are valuations based on market or lending values?	The sales price in case of a purchase, a combination of the purchase price and the construction/renovation cost or an indexation in case of a re-uptake. If deemed necessary by the underwriting authority an independant valuer is requested to carry out a valuation.
2. Are all or the majority of valuations carried out by external (with no direct ownership link to any company in the Sponsor Bank group) valuers?	Sometimes. Valuations are performed by a partner, who selects and evaluates the performance of their valuers. These valuers must possess the necessary qualifications, ability and experience to execute a valuation and must be independent from the credit decision process and the transaction.
3. How are valuations carried out where external valuer not used?	The underwriting authority decides on the necessity of an independent valuation except for those applications for which the issuer is legally obliged to carry out an independent valuation.
4. What qualifications for external valuers require?	Not disclosed
5. What qualifications do internal valuers require?	Not applicable for mortgage loans
6. Do all external valuations include an internal inspection of a property?	Yes
7. What exceptions?	No applicable
8. Do all internal valuations include an internal inspection of a property?	Yes
9. What exceptions?	No applicable
10. Other comments	None

Source: BNP Paribas Fortis

Moody's Related Research

Rating Methodology

» Moody's Approach to Rating Covered Bonds, August 2015 (SF412595)

Special Comments

» EU Bank Recovery and Resolution Regime Strengthens Belgian Covered Bonds, July 2015 (PBS_1006385)

» Moody's Global Covered Bonds Monitoring Overview: Q1 2016, August 2016 (PBS_1038508)

Credit Opinion

» BNP Paribas Fortis SA/NV

Webpages

» Covered Bonds: www.moodys.com/coveredbonds

» Covered Bond Legal Frameworks: www.moodys.com/Pages/CoveredBondLegalFrameworks.aspx

To access any of these reports or webpages, click on the entry above. Note 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.

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