Prime RMBS
Belgium
New Issue

Bass Master Issuer N.V.- S.A. Series 0-2008-I

After Second Tranche

Ratings

Class	Amount (EURm)	Final Maturity	Rating	CE (%)
A	15,750	Jul 2052	AAA	10.90
B	525	Jul 2052	AA	7.90
C	525	Jul 2052	A	4.90
D	700	Jul 2052	BBB	0.90
E	157,5	Jul 2052	NR	-

Each rated class in this transaction has a Stable Outlook.

Closing Update

Closing (issuance of first tranche) occurred on 23 June 2008.

Issuance of second tranche occurred on 15 December 2008

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Summary

This EUR2,522,500,000 issuance is the second tranche of Series 0-2008-I and is consolidated with the EUR15bn first tranche of Series 0-2008-I, issued on 23 June 2008 to form a single Series 0-2008-I. This Series 0-2008-I is part of a EUR30bn programme to securitise Belgian real estate loans originated by Fortis Bank N.V. – S.A. (the seller, see *Origination and Servicing* for further details), rated 'A+/F1+', Rating Watch positive. Each loan in the portfolio has the benefit of either a first-ranking mortgage and/or a lower-ranking mortgage and/or a mandate. The initial portfolio consists of mainly first-ranking mortgage loan receivables secured over residential property in Belgium.

The Bass programme, which will feature continuous issuances and purchases of mortgages on an ongoing basis, is similar in its principle to Dolphin Master Issuer B.V., Beluga Master Issuer B.V. and Goldfish Master Issuer B.V., into which Dutch residential mortgages originated by the Fortis group are securitised. Fitch Ratings has assigned ratings to the series of notes issued by Bass Master Issuer SA. (Bass, or the issuer) as indicated at left.

Bass Master Issuer N.V. - SA. is a special-purpose company that qualifies as a "institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht/société d'investissement en créances institutionnelle de droit belge" (Belgian institutional company for investment in receivables) in accordance with the Belgian Securitisation Act and was registered as such with the Federal Public Service Finance (Federale Overheidsdienst Financiën/Service Public Fédéral Finances).

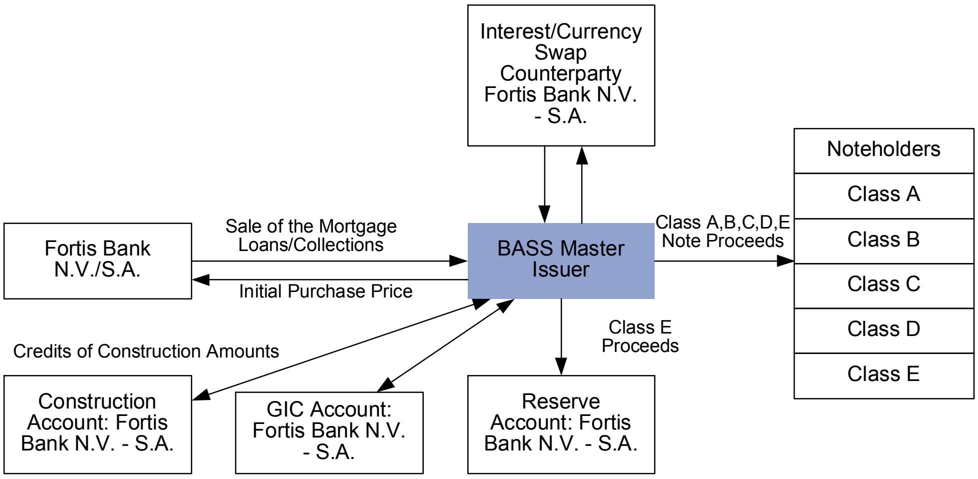
The ratings address timely payment of interest and ultimate repayment of principal at legal final maturity in accordance with the terms and conditions of the notes. (see *Principal Deficiency Ledgers and Interest Deficiency Ledgers* below).They are based on the quality of the collateral; available credit enhancement and excess spread; the sound legal structure; and underwriting and servicing of the mortgage loans. At closing, credit enhancement, provided by subordination and a reserve account, totals 10.9% for class A, 7.9% for class B, 4.9% for class C and 0.9% for class D, rated respectively 'AAA', 'AA', 'A' and 'BBB'. The proceeds from the issuance of the class E notes representing 0.9% of the total outstanding initial collateral funds the reserve account up to the reserve account required amount.

Please refer to the table entitled *General Working Principles of the Programme* on page 4 for a detailed explanation on this master trust structure.

Counterparties

- **GIC Provider:** Fortis Bank N.V. - S.A. rated 'A+/F1+', Rating Watch positive
- **Construction Account Provider:** Fortis Bank N.V. - S.A.
- **Reserve Account Provider:** Fortis Bank N.V. - S.A.
- **Interest Swap Counterparty:** Fortis Bank N.V. - S.A.
- **Originator:** Fortis Bank N.V. - S.A. or any subsidiary or predecessor thereof
- **Servicer:** Fortis Bank N.V. - S.A.
- **Auditors:** KPMG Bedrijfsrevisoren
- **Administrator:** Fortis Intertrust (Netherlands) B.V.

Structure Diagram



Source: Transaction documents

Credit Committee Highlights

- Global master trust structure:
  - This master trust structure is a fully revolving programme. The purchase of new mortgage receivables is subject to a limited set of portfolio performance conditions. No condition has been set for arrears and new mortgages may be purchased as long as the reserve account is sufficient to cover the class D required subordination amount (at the date hereof, 0.9% of the principal amount outstanding of all notes (other than the class E notes)). These purchase conditions are less stringent than in other Fitch rated deals, however, they are the same as the ones of the other master trust programmes set up by the Fortis group. The risk of the deterioration of the pool has been addressed by Fitch in its analysis (see *Credit Analysis, Purchase of New Mortgage Receivables*).
  - Under this structure, subject to the fulfilment of specific conditions (see *Pro Rata Conditions and Trigger Events*), pass-through notes outstanding may be redeemed on a pro rata basis as of day one, as long as loans more than 90 days in arrears form less than 2.5% of the outstanding balance. These pro rata conditions are less stringent than in other Fitch rated deals; however, the agency has taken this into account in its analysis (see *Credit Analysis*).
  - Under this structure, all the notes are cross-collateralised and backed by the entire pool of loans (except the class E notes). The proceeds from the

issuance of the class E notes are used to fund the reserve account.

- Structure relating to the first issuance of notes:
  - Under the swap agreement, the issuer retains, on its payments to the swap counterparty, an excess margin of 20bps on the interest received from the portfolio.
  - The transaction benefits from a reserve account, funded with the proceeds from the issuance of class E notes, which equals 0.90% of the initial class A to D notes' balance.
  - All the notes of this first issuance are "soft bullet" notes: i.e. they are not redeemed until their optional redemption date. If not redeemed on that date, they will become "pass-through notes" and will be redeemed on a pro rata basis as long as the related conditions are fulfilled (see *Pro Rata Conditions and Trigger Events*) but otherwise on a sequential basis. Ratings assigned by Fitch address repayment at the legal final maturity of the notes in July 2052.
  - At closing, this transaction entered into a two-year revolving period during which the issuer purchases new mortgage receivables from the seller. Triggers are in place, which would either stop the purchase of new mortgages receivables, or switch the notes to the amortisation period, if they are breached (see *Trigger Events* below). Fitch has determined a worst-case pro forma pool with characteristics derived by the purchase conditions (see *Purchase of New Mortgage Receivables*) to determine the final credit enhancement needed.
- The portfolio contains a large portion of "all-sums mortgage loans", which consist of loans secured by mortgages that also secure all other amounts that the relevant borrower owes to Fortis Bank. In case of foreclosure, all loans rank pari passu (however, new loans granted and secured by an "all-sums mortgages" are subordinated by law to the loans being securitised). Some adjustments have been made on the original loan-to-value (OLTV) calculation, to take into account the specifics of the "all-sums mortgages", which represent almost all the securities of the pool (see *Collateral*).
- The originator can benefit from a "mortgage mandate" over a certain number of loans in the preliminary portfolio. Fitch did not give credit to these mandates in rating scenarios above Fortis Bank's own rating. However, 'A' and below rated notes rely on Fortis Bank's undertaking regarding the risks related to the mandate (see *Collateral and Credit Analysis*).
- Fitch took the specific characteristic of the loans into consideration in its default probability analysis of the portfolio. The agency increased the default probability for interest-only and construction loans, self-employed, unemployed and Fortis Bank employees (see *Credit Analysis*).
- Debt-to-income (DTI) information was not available for around 25% of the portfolio. However, in light of Fortis Bank's origination procedures, Fitch attributed a class 4 DTI to those missing DTIs.
- Fitch is currently reviewing its swap counterparty criteria. Please refer to the press release, "*Fitch: Counterparty Criteria for Global Structured Finance under Review*", dated 15 October 2008.

Financial Structure

The issuer issued the first series of notes (First Tranche of Series 0-2008-1) on the programme closing date (23 June 2008). The proceeds from the issuance of the class A to D notes were used to purchase an initial portfolio amounting to EUR15bn from the seller. The proceeds from the issuance of the class E notes funds the reserve account. This second tranche (EUR2,522,500,000), issued on 15 December 2008, is the second tranche of Series O-2008-I and is consolidated with the EUR15bn first tranche of Series O-2008-I.

The issuer may make further issuances on a monthly basis, subject to the conditions detailed below. The proceeds from the issuance of the class A to D notes in each series will be used to purchase a new portfolio of Belgian residential loans from Fortis Bank. The proceeds from the issuance of the class E notes in each series will be used to complement the funding of the reserve account (see *Reserve Account* below).

In addition, the proceeds of future class A to D note issuances could be potentially applied to the redemption of the outstanding class A to D notes for which a call option has been exercised. The repayment test (see *Repayment Test below*) applies to such redemptions. Generally speaking, such tests provide that notes may be repaid if sufficient subordination is provided to the remaining classes of notes.

Under this master trust structure, different series of soft bullet notes and pass-through notes might be issued and be outstanding at the same time. The first series issued (Series 0-2008-1) is a soft bullet series with a call option in July 2010 and a legal final maturity in July 2052. This soft bullet series will not be redeemable by the issuer before July 2010, its relevant step-up date. After July 2010, all soft bullet notes of Series 0-2008 will switch to pass-through notes.

General Working Principles of the Programme

- This is a continuous issuance programme: the issuer may issue notes on a continuous basis in the form of either "series 0" notes to Fortis Group or other publicly issued series. The issuance of new notes will be subject to conditions. All series, including series 0, will consist of one or more classes of notes, each of which may be sub-divided into two or more sub-classes. The issuance of notes will be subject to the rating agencies' confirmation that this will not affect the then outstanding rating of existing notes.

- All the notes are cross-collateralised and backed by the entire pool of mortgage receivables.

- This is a fully revolving programme: the issuer may acquire new mortgages by applying either: (i) principal collections under the mortgage loans; and (ii) proceeds from the issuance of further notes. The purchase of new mortgages is subject to conditions (see *Purchase Conditions* below), and the inclusion of new sellers will trigger a review of the programme by the rating agencies.

- The issuance and redemption of the notes can only be made to the extent that the different classes of notes still benefit from a certain amount of subordination after such issuances and redemptions, as defined at closing.

- The rating agencies will review the rating of all classes of notes at least every six months or on the occurrence of specific events. These reviews may result in a revision of the subordination amounts appropriate to maintain the ratings of the notes.

For further details see in *Appendix I*, page. 23, the sections entitled *Further Notes Issuances* and *Portfolio Review by the Rating Agencies*.

Allocation of Principal Collections

The allocation of principal available amount would be shared among all the series of notes outstanding (pass-through notes and soft bullet notes) as follows:

- On each quarterly payment date, the issuer will apply the principal collections due from Fortis to the redemption of the pass-through notes. The repayment of the pass-through notes is equal to the principal receipts received on the mortgage loans, multiplied by the ratio between (i) the amount outstanding on all pass-through notes in the programme (excluding the class E notes), net of principal deficiency ledgers (PDLs) and (ii) the amount of all notes in the programme (excluding class E notes), net of PDLs.

- The issuer may use any remaining principal collections, together with new note proceeds mentioned above, to purchase new mortgages from the seller, subject to the purchase conditions.

Upon the occurrence of a trigger event (see *Trigger Event* below) or an enforcement notice, all the notes will become pass-through and no principal collections may therefore be used to purchase new mortgages. The class of notes will be amortised on a sequential basis.

Redemption of the Class A to D Notes

Soft bullet notes will not be redeemed until their call option date. On the call option date, if the call is not exercised, such notes will become pass-through notes and, as such, will be entitled to repayment on a quarterly basis.

Pass-through notes outstanding will be redeemed on a quarterly basis using principal available amounts.

As long as the pro rata conditions are fulfilled (see *Pro Rata Conditions* below), pass-through notes will be redeemed on a pro rata basis; in this case, each class or sub-class of pass-through notes outstanding will receive for redemption an amount equal to the principal available amount allocated to the pass-through notes (see *Allocation of Principal Collections* above), multiplied by (i) the amount outstanding on pass-through notes of that class as a percentage of (ii) the amount outstanding on all pass-through notes in the programme. Such redemptions will be subject to the fulfilment of the repayment test whereby the amount of subordination benefiting each remaining class must be maintained.

Exercise of the Call Option

On each payment date, the issuer will have the right to redeem all but not some of the notes of the classes or sub-classes that have reached their call option date. To achieve this, the issuer could use the proceeds of a subsequent issuance of class A to D notes, or the proceeds of the repurchase of the mortgage loans.

Redemption upon the exercise of a call option is subject to the fulfilment of the repayment test, as is any event of redemption.

One general principle is that the class A to D notes in each series may only be redeemed up to their principal outstanding amount minus their pro rata share of the balance of the class-related PDL at the time of their redemption.

If the call is not exercised, the notes will receive three-month Euribor plus a step-up margin (increased or not from the level at closing). The first series of notes issued (Series 0-2008-1) will not benefit from an increase in the margin at its relevant step-up date.

Notes may also be redeemed upon realisation of an early redemption event (see *Early Redemption* in *Appendix I*).

Pre-Enforcement Priority of Payments

The priority of payments is based on two separate waterfalls.

Principal Priority of Payments

The principal available amounts will be allocated, prior to enforcement and a trigger event, according to the following priority of payments:

1. payments of amounts due under the construction account;
2. payments of amounts due under the currency swap, if any;
3. principal amounts due under the class A notes;
4. principal amounts due under the class B notes;
5. principal amounts due under the class C notes;
6. principal amounts due under the class D notes; and
7. payments of the initial purchase price due in respect of the purchase of new mortgage receivables.

This pre-enforcement principal priority of payments is applicable, unless a trigger event or an enforcement event (see below) occurs.

Interest Priority of Payments

The available interest amounts will be allocated, prior to enforcement and the occurrence of a trigger event, according to the following priority of payments:

1. senior fees and expenses (including those payable to the trustee, company administrator and paying agent);
2. payments due under the currency swap agreement, excluding default payments (see below);
3. interest due on the class A notes;
4. amounts to be credited to the class A PDL;
5. interest due on the class B notes;
6. amounts to be credited to the class B PDL;
7. interest due on the class C notes;
8. amounts to be credited to the class C PDL;
9. interest due on the class D notes;
10. amounts to be credited to the class D PDL;
11. interest due on the non-collateralised class E notes;
12. replenishment of the reserve account to its required balance (see *Reserve Account* below);
13. any gross-up amounts due under the currency swap as a result of an event of default or an additional terminal event; and
14. payment of the deferred purchase price to the seller.

Following an enforcement event, when the security agent will declare the notes to be due and payable, all available funds (interest and principal receipts) will be allocated sequentially to interest and principal payments due on the class A to E notes after the payment of certain senior third-party expenses.

Reserve Account

At closing, the issuer issued class E notes in an amount equivalent to 0.9% of the class A to D notes balance to fund the initial balance of the reserve account. The proceeds of further issuances of class E notes will be used to complement the funding of the reserve account, and may allow the transaction to maintain a sufficient level of subordination over time.

The reserve account will neither build up nor amortise during the life of the programme; when the class E notes, at the option of the issuer, become due and payable, the reserve account will be debited by an amount equivalent to the balance of the reserve multiplied by (i) the amount outstanding on the due class E notes as a percentage of (ii) the amount of all class E notes outstanding in the programme. However, any such repayment will be subject to the fulfilment of the repayment tests, ensuring that the appropriate level of subordination for the different classes of notes would be maintained. To this end, further class E notes may be issued to maintain the target level of the reserve account.

The net proceeds of the class E Notes are credited to an account (the "reserve account") held with the guaranteed investment contract (GIC) provider. The purpose of the reserve account is to enable the issuer to meet its payment obligations under items (1) up to and including (11) in the interest priority of payments in the event of a shortfall of the interest available amount on a note payment date.

Principal Deficiency Ledgers and Interest Deficiency Ledgers

A PDL is established for each rated class of notes (class A to class D) by the issuer to record any realised losses on the mortgage receivables.

On each quarterly calculation date, the aggregate outstanding principal amount of the mortgage receivables for which a realised loss is registered during the immediately preceding quarterly calculation period will be debited to the class D PDL so long as the debit balance on such sub-ledger is less than the principal amount outstanding of the class D notes. Thereafter, such amounts will be debited to the senior ranking class (class C until full exhaustion, then class B) until reaching the principal amount outstanding of such higher ranking class. Amounts credited to the PDL will be made available as principal collections. If on a note payment date, the notes of a series and class or sub-class (other than the class E Notes) are redeemed and such notes are repaid in full (for the avoidance of doubt, except for any principal deficiency), then the PDLs of the relevant class will be reduced with the amount equal to the unpaid principal deficiency on such notes of such class or sub-class.

Realised loss means the difference between (i) the aggregate outstanding principal amount of the mortgage receivables after deduction of foreclosure costs during the period, and (ii) the amount of the net proceeds received from the foreclosure of the underlying security or from the purchase price of the mortgage receivables that have been sold.

An interest deficiency ledger will be established for each rated class of notes (class A to class D) by the issuer to record any amounts of unpaid interest on each relevant class of notes. Therefore, interest on the junior notes might not be received for a certain time, but will be received by the legal final maturity date. However under the agency's cash flow analysis and under each stress scenario, there is no temporary interest shortfall on the notes.

Subordination Amounts

The amount of subordination for a given class of notes is: (i) the amount outstanding on all notes junior to it, less (ii) any PDL outstanding on such notes, plus (iii) the balance of the reserve account. At the date hereof, the minimum subordination amount for the class A to D notes is as detailed below:

- 10.9% for the class A notes;
- 7.9% for the class B notes;
- 4.9% for the class C notes; and
- 0.90% for the class D notes.

Interest Rate Risk

At closing, the issuer entered into an interest swap (ISDA) agreement with Fortis. Under this agreement, the issuer is obliged to pay the swap counterparty, quarterly, the actual interest income on the mortgage loans and the GIC, less a margin of 20bp per annum on the principal outstandings of the notes, net of the PDL; and less the senior costs due on that quarterly payment date. The relevant swap counterparty will pay the interest due under the notes reduced for any PDL outstandings.

If the Long-Term Rating of the relevant swap counterparty is lowered below ‘A’ or its Short-Term Rating is lowered below ‘F1’, the swap counterparty will, within 30 days, either be replaced, obtain a guarantee from a third party with a suitable rating, provide collateral to guarantee its obligations or find another appropriate solution to maintain the then-outstanding ratings on the notes.

Main Specific Events

The main events to be considered under this master trust structure follow (see in *Appendix I* other specific events to be considered).

New Purchase Conditions

Purchases of new mortgages by the seller are subject to the fulfilment of certain conditions - please see *Collateral* below.

Pro Rata Conditions

Outstanding pass-through notes will be redeemed on a pro rata basis across all classes, subject to the fulfilment of the following conditions:

- On the preceding quarterly payment date, the balance of the reserve account was at least equal to the amount of subordination sought for the class D notes.
- The principal amount outstanding on the mortgages held by the issuer that are more than 90 days in arrears is less than 2.5% of the total outstanding mortgage balance.

Repayment Tests

Under no circumstances may any note redemption cause the amount of subordination for each class of notes to be lower than the amount of subordination as detailed above (see *Subordination Amount*).

Trigger Event

A trigger event occurs, among others, when the class A PDL is debited or when the seller is in a situation of insolvency.

Upon the occurrence of a trigger event, all the notes will become pass-through and will be redeemed sequentially in order of seniority.

Issuance Tests

Notes may be issued by the issuer on a monthly basis, subject to the following conditions:

- No event of default has occurred.
- No trigger event has occurred or will occur as the result of such issuance.
- No enforcement notice has been served.
- No PDL exists on the previous note payment date or as the result of such issuance.
- The issuance will not result in a lowering in the ratings of the notes.

Legal Structure

The issuer was created at closing under the form of an institutional VBS/SIC. More specifically, it is an *institutionele vennootschap voor belegging in schuldvorderingen naar Belgisch recht/société d’investissement en créances institutionnelle de droit belge* in accordance with the Securitisation Act and has been licensed by the CBFA (Commission Bancaire et Financière et des Assurances) as a mortgage loan institution.

Mortgage loans are transferred from the seller to Bass Master Issuer by way of a true sale. No notification to the borrowers is needed to perfect the true sale. However, if certain events occur, the borrowers will be notified of the sale of their mortgage loans and the pledge to the issuer to avoid any set-off risk, and/or commingling risk or any risk of defences that might be raised by a borrower (see *Notification Events* below). In the latter case, Fitch believes that the undertaking of the seller to indemnify the issuer and the mechanism of notification in place covers adequately this risk.

It is important to note that the notification of the borrowers is needed to ensure that the issuer benefits from a first-ranking charge over the mortgage receivables. However, the seller has undertaken not to transfer or pledge the same mortgage receivables to another party. Fitch also believes that the notification events in place (pledge notification events and notifications events) make this risk remote enough.

Security for the Notes

Pursuant to the pledge agreement, the notes are secured by a first-ranking pledge granted by the issuer to the security agent and the other secured parties over (i) the mortgage receivables and the related security, (ii) the issuer's rights under or in connection with the documents and (iii) the balances standing to the credit of the issuer's accounts.

The pledge agreement provides that the pledge over the mortgage receivables and related security will not be notified to the borrowers or other relevant parties, except in case certain notification events occur, which include the notification events as detailed below and the giving of an enforcement notice and certain other events, (the "pledge notification events").

All notes issued under the programme are secured by the entire pool of mortgage receivables held by the issuer. Therefore, all notes to be issued in the future will be backed by the same mortgage portfolio and are cross-collateralised.

Set-Off Risk

Set-off is allowed by Belgium legislation between amounts owed by borrowers to the seller and vice versa. Fortis, acting as seller, will agree to indemnify the issuer if a borrower, insurance company or provider of additional collateral claims a right to set-off against the issuer. The rights to payment of such indemnity will be pledged in favour of the secured parties.

In case of the insolvency of Fortis, borrowers will be able to invoke set-off only for amounts closely connected or claims accrued prior to the bankruptcy.

Upon certain triggers (see below), borrowers will be notified of the transfer of their mortgage loan. Following such notification, they are no longer entitled to set-off.

Commingling Risk

Fortis Bank as GIC provider and seller will hold the seller collection account, the issuer collection account, the reserve account and the construction account.

Downgrade language in line with Fitch's commingling risk in structured finance transaction criteria apply to Fortis (see *Appendix I* for more details).

Notification Events

Notification events relate, among others, to a breach of the relevant seller's obligations under the documents or a severe economic deterioration on the part of the seller. Notification events include:

- a seller payment default that is not remedied within 10 business days of receiving notice from the issuer or trustee;

- failure by the seller to fulfil or comply with any of its obligations;
- instances where any representation, warranty or statement made by the originator or the seller proves to have been untrue or incorrect in any material respect;
- any corporate action taken by a seller, or steps taken against it, for its dissolution, liquidation, legal demerger, emergency regulations or bankruptcy;
- a pledge notification occurs;
- a downgrade of Fortis below 'BBB-'; and
- a situation whereby, within the 30 days following the downgrade of Fortis Bank below 'A-', Fortis Bank would not have posted collateral for an amount equivalent to the lesser of (i) the total deposits owed to borrowers of the relevant portfolio and held on savings and current accounts at the relevant seller and (ii) an amount equivalent to the next instalment payable under the mortgage loans of such seller or any other solution has been found within 10 days following such downgrade.

Repurchase of Mortgage Receivables

Under the mortgage receivables purchase agreement, the seller will be required to repurchase a loan under the following circumstances, among others:

- breach of any of the representations and warranties, as set out below; and
- amendment of the terms of the mortgage resulting in the loan falling outside the eligibility criteria.

Representations and Warranties

The mortgage sale agreement contains representations and warranties given by the seller in relation to the pool of loans. Following an irremediable breach of any of the representations or warranties, the seller will be required to repurchase the loan(s) in question.

Specifically, the representations and warranties include the following:

- The seller has full right and title to, and the power to sell and assign, the mortgage receivables.
- Each mortgage is secured by (i) a first-ranking mortgage, or, a lower-ranking mortgage, or (ii) a mandate to create such mortgages, or (iii) a combination of (i) and (ii), over the mortgaged assets.
- Each mortgage loan has been granted with respect to a real property located in Belgium.
- Each of the mortgage loans meets the eligibility criteria.
- No mortgage loan has been granted to a borrower registered in the negative database.
- Each of the mortgage loans has been granted in accordance with the relevant seller's standard underwriting criteria and procedures prevailing at the time of origination.
- Other than the construction loans, each mortgage loan has been fully disbursed by the seller.
- No mortgage loan is in arrears for more than 60 days and has a maturity over 40 years.
- The total coverage ratio (mortgage + mandate/ outstanding principal amount of the loans) per borrower is at least 100%.

Origination and Servicing

Fortis Bank (FB) rated ‘A+/F1+’, Rating Watch positive handles the banking business of its 100% shareholder, the Belgian/Dutch banking and insurance group, Fortis. FB is the largest bank in Belgium (with market shares in most customer segments of close to 30%), the fourth-largest in the Netherlands and one of the largest in Luxembourg. While FB is mostly a retail bank, it is also active in two other business lines: commercial and private banking, and merchant banking. Fortis also has a proven track record in bancassurance, using the bank’s branches to distribute insurance products to retail customers, especially in Belgium.

Retail banking focuses on retail customers (individuals, professionals/self-employed and small enterprises). Retail banking originates its residential loans through its 1,098 Fortis Bank branches in Belgium. FB also distributes a limited number of standard products through the Belgian post office network of 1,000 outlets via a joint venture subsidiary called Banque de la Poste. Customers are increasingly being directed to alternative distribution channels (ATMs, telephone banking and electronic banking) for standard transactions while the branch network focuses on more complex transactions such as residential loans. FB is also a significant player in bancassurance (especially in Belgium). For example, 70% of Fortis Insurance Belgium’s individual life gross written premiums were sold through FB.

Origination

As already mentioned, residential loans are only originated through Fortis Bank’s local branches (it has to be noted that 95% of the borrowers who ask for a new loan are already FB clients). The origination process can be divided into two stages: the branch level and the ICO level (ICO, “Industrialised Credit Operations”, is a specific FB entity, in charge of certain origination features, as well as servicing and recovery. At the origination level, ICO has 89 employees):

At FB Branch Level

1. information on existing loans: types of loan, origination dates, total credit amounts, and so on;
2. data relating to the borrower (profession, income, expenses, payslips, income tax, and so on);
3. detailed credit data on the new loan: amount, purpose, repayment schedule, maturity, and so on);
4. data on non-mortgage securities in case of reconstitution loans (type, insurance company, linked loans, and so on); and
5. data on mortgage securities (address, value, rank, and so on).

These data are input into a specific IT system called PILS (Personal Integrated Loan System). In addition to the five points listed above, PILS records for each FB borrower the following elements:

1. customer data (FB accounts, savings, insurance products, and so on);
2. credit data from Fortis (outstanding balance, monthly instalments, collateral, and so on);
3. central bank data (information from negative and positive centres, if any); and
4. the decision taken on the previous and current loan requests (i.e acceptance or refusal).

At ICO Level

The next step consists of verifying that all necessary information is available (completeness of the loan request), consulting risks databases and cross checking available information (using PILS). The complete file is then transferred to ICO, which determines, on the basis of the information received, if the file is complete and acceptable and, if yes, the relevant decision authority. On a general basis, decisions for loan amounts smaller than EUR375,000 are made at the branch level (75% of loans), other decisions being made by ICO. However, loans or borrowers with particular features, such as high DTI (>50%), high LTVs, aged or non resident borrowers and non-mortgage collateral, are systematically studied by ICO.

Moreover, it should be noted that in some specific cases, such as a record in the negative credit register for a non FB borrower, loan requests are systematically disapproved.

Controls

FB branches are controlled on a random basis. The controls are based on the verification of the presence and conformity of all necessary documents/ contracts for the mortgage loan. Moreover, at the ICO level, files are also controlled at random as soon as a loan is closed, just before being archived.

Servicing

Servicing is performed by an ICO specific team composed of 116 people. In addition to managing the borrower's contract (i.e. change of contract, change in interest rates, calculation of new interest rates, renewal of mortgage inscription after 30 years, early reimbursements, etc), they are also in charge of managing collection of interest and principal, which are made through direct debit on the borrower's FB account. Payments are due on the first day of each month. No debit is made in case of insufficient funds to pay the full instalment and, in that case, debit procedures are repeated twice a day. If no payment is made eight days after the due date, the procedure for recouping arrears begins, and is managed by another team at ICO composed of 51 staff in the RSU (Risk Surveillance Unit). From eight to 90 days in arrears, three letters are sent to the borrower from the RSU, and phone calls are made by the local branch (even if not compulsory) to advise the borrowers of their situation and to try to find a solution. Note also that mandates are usually converted into mortgages when loans are 40 days in arrears. After 90 days in arrears, FB notifies the negative central credit database. From 120 to 180 days in arrears, the IC (Intensive Care) team composed of 12 staff will try to find a definitive solution for the clients to regularise their arrears (reconciliation procedure), or if it is not possible, to have a judgement from the court to obtain the right to foreclose the property. On average, a solution is found between the borrower and the IC team in 67% of cases. After 270 days in arrears, an enforcement letter is sent to the borrower and the repossession period begins (from this moment, it takes +/- two years to repossess the property).

Collateral

Fortis Bank provided Fitch with information on a preliminary portfolio composed of 325,024 loans granted to 222,543 borrowers, for a total outstanding amount of EUR17.74bn. Most recent loans have been taken out of the preliminary portfolio to build the final portfolio, whose outstanding amount at the closing date equalled EUR17.66bn. The main characteristics of the preliminary portfolio are detailed below:

Key Characteristics of the Current Portfolio (a)

Outstanding principal balance (EUR)	17,742,363,998
Average borrower balance (EUR)	79,725
Maximum borrower balance (EUR)	1,998,910
Number of borrowers	222,543
Number of advances	325,024
Weighted-average seasoning (years)	3.8
Weighted-average remaining maturity (years)	16.5
Weighted-average coupon (%)	4.7
Weighted-average DTI (%)	42.0
Weighted-average current LTV (Fortis calculation) (%)	63.3
Weighted mortgage coverage ratio (%)	121.3
Employment type (%)	
Employed	51.8
Civil servant	13.34
Self-employed	9.97
Retired	1.22
Unemployed (on unemployment benefit)	1.58
Unemployed	0.57
Disabled state benefit	0.28
Unknown	21.23
Fortis employees (%)	
No	97.5
Yes	2.5
Loan amortisation type (%)	
Annuity	93.78
Linear	4.42
Interest only loans	1.2
Reconstitution loans	0.6
Security type or mandate (%)	
Mandate only	2.34
Mortgage only	76.91
Mortgage + mandate	20.65
Construction loans (%)	0.00
Construction deposit<EUR7,000	0.00
Construction deposit>EUR7,000	

[a] Total preliminary pool including the purchase of new loans as of 15 December 2008.
Source: Fortis Bank / Fitch

Interest-Only Loans

There are two kinds of interest-only loans in the portfolio:

- "classic" interest-only loans, where the borrower pays monthly interest (fixed rate) on the loan and repays in full at maturity, which represent 1.2% of the current portfolio; and
- "reconstitution" loans, where the borrower pays monthly interest on the loan (fixed rate) plus a monthly payment of a premium for an insurance contract. At loan maturity, the capital is paid back by the amount reconstituted by the investment (which may be less, in some cases, than the capital due). These loans represent 0.6% of the current portfolio.

These loans have been limited under the *Purchase of New Mortgage Receivables* defined below.

Construction Loans

A construction loan is one the proceeds of which are typically drawn down by the borrower in several steps over a given period of time and where the borrower thus has the right to further draw down the loan up to the maximum amount without further approval by the originator. Upon certain events including seller's insolvency, the issuer will have no further obligation to Fortis to pay the remaining part of the deposit amount to the seller for the account of the borrower. Any unused deposit amount will be used, thereafter, to amortise the notes.

There are not any construction loans in the current pool, but such products may be purchased by the issuer up to a limited portion (see *Purchase of New Mortgage Receivables below*).

Fixed- and Variable-Rate Loans

The mortgage loans bear interest on a floating-rate basis (32,22% of the current pool with a cap and 2.1% with no cap) or on a fixed-rate basis (65.69% of the current pool).

Variable-rate loans with a cap are either:

- variable-rate loans with an annual interest rate revision and a cap on the interest rate of 3% (i.e. the new interest rate must not increase by more than 3% in relation to the initial rate); or
- variable-rate loans with a period of five to 10 years with a fixed rate followed by a variable-rate period with a quinquennial revision of interest rates, and which benefit from a cap on the interest rate of 4%.

Variable-rate loans without a cap have not been allowed to be granted in Belgium since September 1998, and correspond to pure variable-rate loans.

Credit Facilities

Many mortgage receivables constitute term advances under a revolving credit facility (kredietopening/ouverture de crédit) (credit facility). The mortgages securing such mortgage receivables (some of which may be “all-sums mortgages”) secure all advances made from time to time under such credit facility and, in many cases, in addition all other amounts that the borrower owes or in the future may owe to the seller. Upon transfer to the issuer, an advance shall rank in priority to any advances made under the facility after the date of the transfer. However, a transferred advance will have equal ranking with other advances that existed at the time of the transfer and which were secured by the same mortgage, but those other advances may only represent a maximum portion of 3% of the aggregate outstanding principal amount of mortgage receivables (see *Purchase of New Mortgage Receivables* and the *All-Sums Mortgages* section in the *Credit Analysis* for more details).

Arrears

The current portfolio contains 0.59% of loans in arrears of 1-30 days and 0.2% of loans 31-60 days in arrears. Loans of more than 60 days in arrears cannot be purchased by the issuer.

Employment Status

In the current portfolio, 51.8% of borrowers are employees, 13.34% are civil servants, 9.97% are self-employed, 2.15% are unemployed and Fitch has not been provided with any information for 21.23% of the portfolio, which Fitch considered in its analysis as self-employed on the probability of default side. The remaining 1.40% is composed of retired and disabled state benefit borrowers. It should be noted that among the employed borrowers, 2.5% are employed by Fortis Bank. However, a limit on the portion of Fortis Bank’s employees has been put in place (see *Purchase of New Mortgage Receivables* below).

All-Sums Mortgages

In this transaction, most of the mortgage receivables relate to loans that are secured by a mortgage that is used to also secure all other amounts that the borrower owes or in the future may owe to the seller, a so-called “alle sommen hypotheek/hypothèque pour toutes sommes” (all-sums mortgage).

Mandates

The originator benefits from a "mortgage mandate" over a certain number of loans in the preliminary portfolio. This mandate is a particularity of the Belgian market (market practice driven by the high cost of a mortgage registration). It is not an actual security but it is an agreement between the borrower and a third party (the proxy, usually an employee of the lender or entity affiliated with the lender), in which the borrower gives the proxy the right to unilaterally create a mortgage for the benefit of the lender over a certain property as security.

These mandates are transferred to the issuer on the closing date. However, there are legal issues relating to (i) the transferability of the mandate to the issuer as per the terms of the mandate and, (ii) the ranking of the issuer at the time of the mortgage registration, i.e. conversion of the mandate into a mortgage. However, if it appears that no attorney has or had the power to convert a mandate into a mortgage in favour of the issuer (either because the relevant notaries consider that the relevant mortgage mandate does not permit such interpretation, or following a court decision invalidating the mortgage for lack of power of attorney), this will trigger a repurchase obligation by the seller (to the extent that the seller, i.e. Fortis Bank, is not insolvent) in relation to this mortgage receivable.

Purchase of New Mortgage Receivables

From the closing date and until the step-up date, the issuer may purchase on a monthly basis (the "purchase date") new mortgage receivables as far as the following specific triggers are not breached:

1. No assignment notification event has occurred and is continuing.
2. There has been no failure by the seller to repurchase any mortgage receivable that it is required to repurchase (see *Mortgage Mandates* above).
3. No downgrading of the notes by the rating agencies will occur as a result of such purchase.
4. The reserve account is sufficient to cover the class D required subordination amount (at the date hereof, 0.9% of the principal amount outstanding of all notes (other than the class E notes)).

Moreover, characteristics of new mortgage receivables are subject to the following conditions:

1. The weighted-average current LTV of the portfolio (as calculated by the issuer) does not exceed 75%.
2. The weighted-average mortgage coverage ratio is at least 100%. The mortgage coverage ratio is the ratio between the sum of all the mortgages securing a loan, and the loan amount.
3. At least 70% of the portfolio outstanding amount has a mortgage coverage ratio of at least 100%.
4. No more than 15% of the portfolio outstanding amount has a mortgage coverage ratio of less than 50%.

Purchase of New Mortgage Receivables Conditions

Purchase conditions	Max/min portion of portfolio (%)
Weighted-average LTV	Max 75
Weighted mortgage coverage ratio	Min100
Fortis employees	Max 5
Interest-only loans	Max 5
Reconstitution loans	Max 1
Mandate-only	Max 5
Mortgage coverage ratio >100%	Min 70
Mortgage coverage ratio <70%	Max 30
Mortgage coverage ratio <50%	Max 15
Construction deposit>EUR7,000	Max 5
Non securitised advances	Max 3
Total coverage ratio (by borrower)	Min 100

Source: Transaction's documents

5. No more than 5% of the portfolio outstanding amount has a mortgage coverage ratio of 0%.
6. No more than 30% of the portfolio outstanding amount has a mortgage coverage ratio of less than 70%.
7. No more than 5% of the portfolio outstanding amount shall have a non-drawn portion of construction loans in excess of EUR7,000.
8. No more than 1% of the portfolio outstanding amount shall relate to reconstitution loans.
9. No more than 5% of the portfolio outstanding amount shall relate to loans the borrowers of which are employees of Fortis Bank.
10. The sum of non-securitised advances under a credit facility does not exceed 3% of the portfolio outstanding amount.
11. No more than 5% of the portfolio outstanding amount relates to an interest-only loan that is not a reconstitution loan.
12. The total coverage ratio (i.e. the amount for which the mortgages covering the relevant asset(s) have been registered plus the sum of the mortgages that can be registered in the application of relevant mortgage mandates, divided by the outstanding principal amount of all mortgage receivables owed by such borrower) in respect of each borrower is at least 100%.
13. At each purchase date, the issuer cannot purchase new mortgage receivables for an amount greater than 20% of the then portfolio outstanding balance.
14. On an annual basis, the issuer cannot purchase new mortgage receivables for an amount greater than 50% of the then portfolio outstanding balance.

Credit Analysis

From the closing date until the step-up date, the notes issued by the issuer are soft-bullet and will not amortise, unless a trigger of early redemption of the notes is breached. Therefore, during this period, the principal available amount may be used entirely by the issuer to purchase new mortgage receivables under the conditions mentioned above. Fitch has determined a worst-case pro forma pool with the following characteristics derived by the purchase of new mortgage receivables conditions (ie maximum LTV allowed, etc) to determine the final credit enhancement needed:

Key Characteristics of the Worst-Case Portfolio

Outstanding principal balance (EUR)	17,742,363,998
Average borrower balance (EUR)	79,725
Maximum borrower balance (EUR)	1,998,910
Number of borrowers	222,543
Number of advances	325,024
Weighted-average seasoning (years)	3.8
Weighted-average remaining maturity (years)	16.5
Weighted-average coupon (%)	4.7
Weighted-average DTI (%)	42.0
Weighted-average current LTV (Fortis calculation)	75.00
Weighted mortgage coverage ratio (%)	100.0
Employment type (%)	
Employed	51.8
Civil servant	13.34
Self-employed	9.97
Retired	1.22
Unemployed (on unemployment benefit)	1.58
Unemployed	0.57
Disabled state benefit)	0.28
Unknown	21.23
Fortis employees (%)	
No	95.00
Yes	5.00
Loan amortisation type (%)	
Annuity	93.78
Linear	4.42
Interest-only loans	5
Reconstitution loans	1
Security type (%)	
Mandate only	5.00
Mortgage only	70
Mortgage + mandate	30.00
Construction loans (%)	
Construction amount to be drawn<EUR7,000	95.00
Construction amount to be drawn>EUR7,000	5.00

Source: Fortis Bank/Fitch

1. Default Probability

Generally, the two key determinants of default probability are the willingness and ability of a borrower to make the mortgage payments.

Willingness to pay is usually measured by the OLTV ratio. Fitch assumed higher default probabilities for high-OLTV loans and lower default probabilities for low-OLTV loans. In its transaction, the calculation of OLTV used by Fitch to determine the willingness to pay of a borrower is detailed in the section below.

Ability to pay is measured by the borrower's net income in relation to the mortgage payment: the DTI ratio (see the *DTI* section below).

LTV

Original Loan-to-Value (OLTV)

Due to the specificities of the Belgian market regarding the different types of security or other mechanism (all-sums mortgages and mortgage mandates), which represent the greatest part of the portfolio, Fitch has adjusted the calculation of the OLTV to obtain figures compatible with its probability of default matrix. To determine such OLTV, the agency has taken into consideration the following elements:

1. The same borrower may have been granted several loans (due to credit facilities), whose purpose is not necessarily to purchase a property. In that case, the OLTV calculation does not reflect the willingness to pay of a borrower on his/her property.
2. In Belgium, mortgage registrations are very expensive, and borrowers often use a mortgage mandate in addition to a mortgage to back their loan (note that those securities may also back future loans granted by the lender to the borrower).
3. In most cases, residential loans are fully backed by a security or an additional mechanism (composed of a mortgage and/or a mandate), which means that the residential loan amount used in Fitch's analysis can be assumed to be equal to the security registered amount (or in case of mandates, potentially registered amounts) over such residential property.

Therefore, Fitch has approximated the calculation of OLTV by dividing the first available security of a borrower with the value of the property on which such securities rely. In this report, such calculation is called mortgage-to-value or MTV.

Loan-to-Value at Step-up Date

To reflect the fact that current LTV may increase from 63.96% in the current portfolio to a maximum of 75% at the step-up date (which corresponds to an increase of 17.26%), Fitch has increased by 17.26% both the current loan amounts (which have an impact on recoveries), and the borrower's MTV (which affects their probability of default).

Debt-to-Income Ratio (DTI)

Fitch has not been provided with around 22% of DTI information in the current portfolio. In its analysis, the agency assumed that unknown DTIs belong to class 4 (i.e. 41%). Taking this assumption into account, the weighted-average DTI of the current portfolio equals 41.92%. In the worst case portfolio, no deterioration has been assumed for the DTIs (class 4 for the worst-case portfolio). Due to Fortis' origination criteria regarding the DTI limits and delegation procedure (see *Origination and Servicing* above), it seems rather unlikely in a two-year period that DTIs of new loans purchased are significant enough to obtain a weighted-average DTI of 50%.

In addition to these two factors, other adjustments based on the *Purchase of New Mortgage Receivables* section have been considered by Fitch, on the probability of default side, to determine its worst-case pro forma portfolio:

Interest-Only Loans

Interest-only loans have been modelled so that they represent 5% of the outstanding balance of the pool (which is the maximum according to the *Purchase of New Mortgage Receivables* conditions). Reconstitution loans have been modelled so that they represent 1% of the portfolio at the step-up date.

Construction Loans

In its analysis, Fitch considered that 5% of the portfolio was composed of construction loans for which the non-draw portion is in excess of EUR7,000. A specific stress on the probability of default has been applied on those loans, and on the recovery side, the agency simulated the recovery that would have been obtained on such loans. Recoveries depend on the preliminary valuation of the property, based on the portion of the house that is built when the borrower defaults, and on the haircut applied on such preliminary valuation, which assumes that the value of a non-fully built house is less important than the sum of its construction invoices.

Arrears

Multiples of current loans with 1-30 days and 31-60 days in arrears have been modelled in the portfolio at the step-up date to take into account the potential deterioration of the portfolio during the two years preceding such step-up date. The current portion of loans with arrears between 1 and 30 days has been multiplied by 10, ending to a figure of 6.51%, and the portion of loans with arrears between 31 to 60 days has been multiplied by 20, ending with a figure of 0.86%.

Default Probability Stresses

Loan type	(%)
Self-employed	20
Unemployed	25
Civil servant	0.85
Missing employment data	20
Interest-only loans	20
Reconstitution loans	10
One-month arrears	25
Two-months arrears	50
Construction loans	10

Source: Fitch

Employment Status

Except for Fortis Bank's employees, for which Fitch assumes they represent 5% of the portfolio at the step-up date (according to *Purchase of New Mortgage Receivables* conditions), no changes have been made in terms of repartition of employment status of borrowers, as the current repartition (including the 24.8% of loans for which no data have been provided, and which are treated by Fitch as self-employed with a hit of 20% on their probability of default) is unlikely to deteriorate until the step-up date in 2010.

Regarding Fortis Bank's employees, particular hits on probability of default have been applied, to mitigate the risk of employees losing their employment upon a Fortis insolvency. This has been done for all rating scenarios.

Default Probability Stresses

The table below summarises the default probability increases applied on loans that carry a higher risk:

2. Recoveries

Market Value Declines

To estimate recoveries on the mortgage loans, Fitch examined house price movements in Belgium on a regional basis (Flanders/Brussels/Wallonia) between 1980 and 2004 (source: STADIM). House prices throughout Belgium have grown steadily in recent years and the last recession dates back to the early 1980s. The agency takes account of these trends and the inherent price volatility in its market value decline (MVD) analysis. Finally, the high-value (jumbo) properties face a risk of greater MVDs owing to a perceived lack of liquidity and, therefore, volatility in their market values. Fitch increased the MVDs for these loans by 15%-30% based on the indexed value of the individual property (for further information, please refer to *Revised MVD Assumptions for Belgian RMBS Transactions*, published on 8 January 2007 and available on Fitch's website, www.fitchratings.com).

Coverage Ratio
In Fitch's recovery analysis, the total coverage ratio as well as mortgage coverage ratio conditions mentioned above (see *Purchase of New Mortgage Receivables* for a definition of these concepts) have been modelled considering the limits set in the purchase conditions. A particular analysis has been made on mortgage mandates (see *Mandates* below).

All-Sums Mortgages
As described above, all loans secured by "all-sums mortgages" are pari passu together. However, new loans granted and secured by an all-sums mortgage are subordinated by law to the loans being securitised. Therefore, in case of foreclosure, the issuer will need to share the recovery proceeds with the loans that have been granted on or before the securitisation. Fitch has not stressed the recovery proceeds to take into account the risk of other loans secured by all-sums mortgages as it only corresponds to consumer loans originated by Fortis Bank. Fortis Bank has not originated consumer loans since the beginning of 2007; hence, the percentage of these loans might be low as these loans have an average life of three to four years.

Furthermore, should the seller not be insolvent, it has committed to rank second to the issuer in case of foreclosure, hence avoiding altogether the risk of all-sums mortgages. However, such subordination may not be enforceable against a third party as it requires a notarial deed and marginal notation of the transfer or pledge in the local mortgage register. To mitigate this risk, upon the occurrence of a notification event, Fortis will either (a) waive its rights in favour of the issuer under such mortgages in relation to any existing loans/debts or (b) pledge to the issuer all its rights and title to any existing loans/debts at the transfer date. The above subordination and other mechanisms are also used to mitigate any similar competing claims existing for advances made under credit facilities.

Mandates
At the step-up date, Fitch considers that 5% of the portfolio will be only secured by mortgage mandates (which is the maximum portion allowed according to the purchase of new mortgage receivables conditions listed above). As mentioned above, there are some legal issues regarding mortgage mandates that led Fitch to consider in its analysis that mortgage mandates may not be converted into mortgages or transferred to the issuer, hence it has only given credit to the fact that if it appears that no attorney has or had the power to convert a mandate into a mortgage in favour of the issuer, will this trigger a repurchase obligation by the seller in relation to this mortgage receivable. Therefore, in case of default of Fortis Bank, which is assumed by Fitch under rating scenarios above FB's rating, the agency did not give any credit to mortgage mandates as they will not be repurchased by the defaulted seller. However, under rating scenarios equal to or below FB's rating, Fitch gave credit to mandates, applying a haircut (from 15% to 2% depending on the rating scenario), reflecting the potential fraud or death of borrowers, in which case mandates would not be repurchased by the seller.

Recovery Rate
To estimate the recovery rate, Fitch employed the following calculation: the lesser of a) the minimum between i) the indexed property value net of foreclosure costs applied on the mortgage registration value (based on Fitch's indexation methodology, whereby 50% credit is given for property price appreciation, and 100% credit is given for property price depreciation), and ii) the total amount of the security and/or mortgage mandates (See *Mandates* above for further details to the assumptions taken by Fitch on the mortgage mandates); reduced by foreclosure costs, MVD and jumbo factors; or b) current balance of the loan, plus accrued interest relating to the mortgage receivable, based on the contractual rate for a period of 24 months plus the principal balance of the mortgage receivable.

It has also to be noted that, as mentioned in the *Market Value Declines* section above, MVDs and indexation applied in this transaction's analysis are based on historical house price data from 1980 to 2004. Therefore, global house price growth that occurred in Belgium from 2004 until the beginning of 2008 and which would have slightly ameliorated recovery rates has not been taken into account in Fitch's analysis.

3. Default Model Comparison Tables

The two tables below show the gross levels of the current portfolio and of the worst-case portfolio as simulated by Fitch in its analysis. These levels are derived from the agency's static default model before cash flow analysis.

Summary Table / Worst-Case Portfolio

(%)	WAFF[a]	WARR[b]	WA MVD[c]
AAA	32.73	65.09	44.60
AA	26.18	69.02	38.64
A	19.35	84.59	33.58
BBB	12.90	88.43	28.63
BB	6.39	92.01	23.67

[a] Weighted-Average Foreclosure Frequency
[b] Weighted-Average Recovery Rate
[c] Weighted-Average Market Value Decline
Source: Fitch

Cash Flow Analysis

To evaluate the contribution of structural elements such as excess spread, the reserve fund, and other factors, Fitch modelled the cash flows from the mortgages based on the weighted-average (WA) frequency of foreclosure and the WA recovery rate provided by the loan-by-loan collateral analysis.

The cash flow analysis simulates, under several stress scenarios combining assumptions such as low or high prepayments, stable/increasing/decreasing interest rates and front-loaded/evenly-loaded/back-loaded default curve, the following elements:

1. The cost of carrying defaulted loans as the difference between the performing balance of the mortgages and the notional note balance.
2. The variations in interest rates on the mortgage loans resulting from prepayments, reset or purchase of new mortgage receivables.

   These variations do not have a negative impact on the cash flows as far as no PDL is recorded. Indeed, the swap features eliminate the risk of excess spread compression that can result either from a decrease in the pool interest rate, or from a Euribor increase, unless a PDL is recorded on any class of notes, in which case the swap counterparty will not pay interest on those PDL amounts.
3. Defaults and losses are tracked by the cash flow model, which determines, on a quarterly basis, whether they can be absorbed by available funds. In its cash flow modelling, Fitch assumes that realised loss will be registered on the PDL 24 months after a default occurs.

For this first issuance of notes, the cash flow model assumes that defaults begin at the step-up date. Indeed, during the two-year period from the closing date until the step-up date, the pool may generate delinquencies and hence defaults.

Bass Master Issuer N.V. - S.A. (Series 0-2008-1) Specific Cash Flow Assumptions

In this transaction, and more precisely in this first series of notes issued, Fitch has assumed that notes will be soft-bullet until the step-up date, at which date they will become pass-through pro-rata. Indeed, as Fitch assumes a time to recovery of 24 months, losses cannot arise before such delay, hence no trigger event (based among others on the PDL, which records realised losses) can be breached during the first two years. After the step-up date and in case pro-rata conditions are breached, notes will amortise on a sequential basis.

In its modelling analysis, Fitch considered the most conservative scenario for this fist issuance of notes as a scenario with decreasing interest rates, high prepayments and a slightly modified front-loaded default curve. The default curve has been slightly modified and a conservative default vector has been applied to model pro-rata/sequential amortisation of the notes. Using this conservative default vector, the pro-rata trigger is breached at month 15 after the step-up date.

Note, however, that other cash flow assumptions may be taken when new series of notes are issued. Note also that Fitch may review its analysis every six months should a new series of notes be issued or not, and may, depending on the characteristics of the collateral, take a rating action on the issued notes (see *Portfolio Review by the Rating Agencies* in *Appendix I*).

Administration of the Programme

The administration function for this programme will be carried out by Fortis Intertrust (Netherlands) B.V. (Fortis Intertrust), which is wholly owned by the Fortis Group.

Three full-time employees (FTE) at this entity are responsible for administering 15 transactions. One financial account manager (who performs calculations, cash management and accounting) and one relationship manager (who carries out legal services) are assigned to each transaction. Managers have at least two years' experience in the trust industry, and between one and six years in the provision of cash administration services. New joiners are directly trained and supervised by more senior staff during their first two months in the position.

Administration managers work in close cooperation with arrangers in the pre-closing review of documents where they are made aware of the transaction's mechanisms and, where applicable, any differences with previous transactions.

In the day-to-day management, managers reconcile cash flow reports provided by the servicer with the actual flows through the accounts. Received reports are also compared with those from previous months and, in the event of deviations, the servicer requests explanations or corrections. If no satisfactory explanation is provided, the security trustee is directly informed. Following this reconciliation work, quarterly reports and waterfall calculations are produced, which are reviewed by a senior financial manager and signed off by two different senior members of Fortis Intertrust.

In-house spreadsheets and systems are currently used but an external IT system, dedicated to the management of RMBS transactions, is scheduled to be installed in the near future.

External audits at Fortis Intertrust are conducted yearly, and internal audits take place on average once every three years.

Fitch is satisfied that the Fortis Intertrust team is equipped to provide adequate issuer administration services for the transaction.

Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events. Its structured finance performance analytics team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk.

Details of the transaction's performance are available to subscribers at www.fitchresearch.com. Further information on this service is available at www.fitchratings.com.

Please call the Fitch analysts listed on the first page of this report for any queries regarding the initial analysis or the ongoing performance.

Appendix I

Further Notes Issuance

- Further classes of notes to be issued may have different terms, in particular with respect to the call option date, the scheduled maturity date, the redemption type (i.e. pass-through or soft bullets), the currency of denomination and the interest rate type (floating or fixed).
- Proceeds from further issuances of class A to D notes may be used to redeem the class A to D notes of previously issued series, or to purchase new mortgage portfolios. The proceeds of further class E note issuances will provide additional funding to fund the reserve account.
- Pass-through notes from future issuances may be redeemed pro rata across the different classes, as long as certain conditions are fulfilled; on any breach of these conditions, the pass-through notes will be redeemed sequentially.
- One general principle is that the class A to D notes of each series may only be redeemed up to their principal outstanding amount minus their pro rata share (within the total class A to D notes outstanding of the balance of the class-related principal deficiency ledger (PDL)) at the time of their redemption.

Portfolio Review by the Rating Agencies

The rating agencies may review on at least a semi-annual basis, as well as on the occurrence of any of the events listed below, the then outstanding pool of mortgage receivables:

- when the programme mortgage portfolio has grown by more than 10% from the last review;
- when the outstanding amount of loans more than 90 days in arrears accounts for more than 4% of the programme mortgage balance;
- when a new seller is added to the programme;
- on each issuance of a new series of notes;
- on the occurrence of any material change to the lending criteria of the seller;
- on the addition of new product types to the programme; and
- at the request of any rating agency when it deems a review necessary.

Such a review may lead to a revision of the amount of required subordination in order to maintain the ratings of the notes.

Events of Early Redemption

The notes may be redeemed before their legal final maturity, under circumstances other than the exercise of a call option.

The issuer may redeem all, but not only some of, the outstanding notes in a series if the principal amount outstanding on that series is less than 10% of the notional of the notes at their issuance (the series clean-up call option).

It may also redeem all, but not only some of, the notes:

- if the principal amount outstanding on all the mortgage receivables falls below 10% of the highest principal amount outstanding reached since the programme closing date (the programme clean-up call option); or
- upon the occurrence of regulatory events (the regulatory call option).

Other Structural Features

Currency Hedging

Classes of notes may be denominated in currencies other than euros. The issuer will hedge against the related currency risk by entering into one or several ISDA currency swap agreements.

If the relevant currency swap counterparty, or any guarantor under a 403 declaration, is downgraded below 'A+' or its Short-Term Rating is lowered below 'F1', the swap provider will, within 30 days, either be replaced, obtain a guarantee from a third party with a suitable rating, or find another appropriate solution to maintain the then-outstanding ratings on the notes.

Seller Account Bank

If Fortis, as the seller collection account provider, is downgraded below 'F1', Fortis will, within 30 days, either: 1) find a third party with a rating of at least 'F1' to guarantee its obligations as seller collection account provider; or 2) procure the daily transfer of the monies from the seller account into the issuer account; or 3) take any other actions to maintain the then-outstanding ratings on the notes.

GIC Account

The issuer will maintain a GIC account with Fortis. If Fortis, as the GIC provider, is downgraded below 'F1', it will, within 30 days, either: 1) transfer the balance standing to the credit of the issuer collection account to an alternative bank with an appropriate minimum rating; or 2) find a third party with a rating of at least 'F1' to guarantee its obligations as floating-rate GIC provider.

The issuer will maintain the issuer collection account with the GIC provider.

Appendix II

Rating Methodology

To determine appropriate levels of credit enhancement, Fitch analyses the collateral for Belgian residential transactions using a loan-by-loan mortgage default model. The agency updated its Belgian default model in May 2005. This appendix gives an overview of the determinants of the default model. The model subjects the mortgage loans to stresses resulting from its assessment of historical housing price movements and mortgage defaults in Belgium. Fitch believes a borrower's LTV, reflecting the size of their down-payment and their willingness to pay, and a borrower's DTI or income multiple, reflecting their ability to pay, to be the key determinants of default probability in Belgium.

Default Probability

Generally, the two key determinants of default probability are the borrower's willingness and ability to make their mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch's model assumes higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason for this is that, in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low-LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. Base default probabilities are determined using a matrix that considers each loan's affordability factor and LTV. The matrix classifies affordability into five categories, the lowest of which (class 1), encompasses loans with DTIs of less than 20% and the highest of which (5) encompasses all loans with DTIs exceeding 50%.

Fitch's 'AAA' Default Probabilities[a]

	DTI				
LTV (%)	Class 1	Class 2	Class 3	Class 4	Class 5
< 40.00	5.00	5.50	6.00	7.08	7.60
40.00-49.99	5.50	6.00	6.50	7.55	8.05
50.00-59.99	6.00	6.50	7.25	8.40	8.95
60.00-64.99	6.50	7.00	7.92	9.07	9.66
65.00-69.99	6.91	7.50	8.72	10.07	10.88
70.00-74.99	7.68	8.39	9.80	11.35	12.29
75.00-79.99	8.44	9.42	11.00	12.84	13.70
80.00-84.99	9.59	10.89	13.15	15.21	16.21
85.00-89.99	11.21	12.95	15.00	17.48	19.16
90.00-93.99	13.74	15.45	17.76	20.26	22.61
94.00-97.99	16.89	18.32	21.07	23.64	26.25
98.00-99.99	20.05	21.86	24.94	27.53	31.20
>=100.00	24.06	26.24	29.93	33.15	37.46

[a] 10-year cumulative probabilities subject to the adjustments described below
Source: Fitch

Fitch DTI Classes (%)

Class 1	< 20.00
Class 2	20.00-29.99
Class 3	30.00-39.99
Class 4	40.00-49.99
Class 5	≥ 50.00

Source: Fitch

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for the individual loan characteristics of the collateral across all rating levels.

Repayment Type

Interest-Only: Fitch generally increases the default assumptions for interest-only mortgages - whereby the mortgage is secured solely by the property value and principal is repaid by the borrower in one lump sum upon loan maturity - to take into account the potential payment shock to the borrower and the reliance on the borrower's equity in the property.

Loan Purpose

Fitch assumes that a financially distressed borrower is more likely to default on a second home than a primary residence, and even more so on an investment property. Accordingly, base default rates are increased by 5%-20%.

Borrower Profile

Fitch increases default probability on loans to self-employed borrowers by 20% to account for their lack of a fixed annual salary.

Arrears Status

When rating portfolios combining current and arrears mortgages, Fitch increases base default rates for mortgages in arrears by up to 90 days by 25%-75%, and those over 91 days in arrears (non-performing status) by 100%.

Underwriting Quality

Fitch's review and analysis of the origination process determines whether it decreases default rates by up to 25% or increases them by 0%-200%.

Please refer to the *Default Probability Stresses* table on page 18 to see the other adjustments.

Recoveries

To estimate recovery rates on mortgage loans in Belgium, Fitch examined home price movements in three Belgian regions between 1980 and 2004 (source: STADIM). Worst-case MVDs were estimated and were then generated for each rating level and by region. Generally, Fitch increased the MVD to reflect the increase in home price movements over recent years.

As in its other European mortgage default models, Fitch increased MVDs for properties worth more than EUR250,000 by 15%-30% depending on the region. Higher-value properties tend to have larger MVDs owing to the smaller marketplace for such properties and the less precise pricing information for larger properties (given the less active market).

Fitch's model gives full credit for property price declines and 50% credit for property price appreciation. The agency calculates recoveries by reducing the indexed property valuation by the MVD, repossession costs and the costs to the servicer of carrying the loan from delinquency through to default.

Fitch assumes that repossession costs represent EUR5,000.

Fitch's MVDs for Belgium - Houses

Region (%)	AAA	AA	A	BBB	BB
Brussels	45	38	33	28	23
Flanders	42	37	32	28	23
Wallonia	43	38	33	28	23

Source: Fitch

Fitch's MVDs for Belgium - Apartments

Region (%)	AAA	AA	A	BBB	BB
Brussels	45	40	35	31	27
Flanders	37	32	29	25	21
Wallonia	40	35	30	26	22

Source: Fitch

Transaction Summary

Capital Structure

Class	A	B	C	D	E
Rating	AAA	AA	A	BBB	NR
Size (%)	90	3	3	4	0.9
CE (%)	10.90	7.90	4.90	0.90	-
Spread (bps)	25	45	60	120	600
PMT freq	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Maturity	Jul 2052	Jul 2052	Jul 2052	Jul 2052	Jul 2052
Coupon			Euro floater		

	Size (EURm)
Reserve account[a]	157.5

[a] Reserve account funded at closing with proceeds from class E notes issuance
Each rated class in this transaction has a Stable Outlook
Source: Fitch

Key Information

Closing date	15 December 08
Country of assets	Belgium
Structure	Soft-bullet/pass-through
Settlement	Euroclear, clearstream
Listing	Euronext Brussels N.V/S.A
Analyst	Henri de Mont-Serrat
	henri.demontserrat@fitchratings.com
	+33 1 44 29 91 39
Parties	
Seller/originator/servicer	Fortis Bank N.V. - S.A.
Arranger	Fortis Bank N.V. - S.A.
Security agent of the Belgian issuer	Stichting Security Agent Bass
Swap counterparty	Fortis Bank N.V. - S.A.
Account bank	Fortis Bank N.V. - S.A.

Source: Fitch

Preliminary Pool Characteristics[a]

Outstanding principal balance (EUR)	17,742,363,998
Average borrower balance (EUR)	79,725
Maximum borrower balance (EUR)	1,998,910
Number of borrowers	222,543
Number of advances	325,024
Weighted-average seasoning (years)	3.8
Weighted-average remaining maturity (years)	16.5
Weighted-average coupon (%)	4.7
Weighted-average DTI (%)	42.0
Weighted-average LTV (%)	63.3
Weighted-average indexed LTV (%)	48.6
Weighted-average mortgage coverage ratio (%)	121.3

[a] Most recent loans have been taken out of the preliminary portfolio to build the final portfolio, whose outstanding amount at the closing date equalled EUR15bn
Source: Fortis Bank

Fitch Default Model Output[a]

Rating level (%)	WAFF[b] (%)	WARR[c] (%)	Loss severity (%)	MVD[d]
AAA	32.73	65.09	35.30	44.60
AA	26.18	69.02	31.37	38.64
A	19.35	84.59	15.48	33.58
BBB	12.90	88.43	11.64	28.63
BB	6.39	92.01	8.06	23.67

[a] Based on Fitch's worst-case pro forma pool with characteristics derived from the purchase of new mortgage receivables conditions
[b] Weighted-average foreclosure frequency
[c] Weighted-average recovery rate
[d] Market value decline
Source: Fitch