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## Research Update:

# Belgian Community of Flanders 'AA/A-1+' Ratings Affirmed; Then Withdrawn At Issuer's Request

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## Research Update:

# Belgian Community of Flanders 'AA/A-1+' Ratings Affirmed; Then Withdrawn At Issuer's Request

## Rating Action

On July 27, 2016, S&P Global Ratings affirmed its 'AA' long- and 'A-1+' short-term issuer credit ratings on the Belgian Community of Flanders. We subsequently withdrew the ratings at the issuer's request. At the time of the withdrawal, the outlook was stable.

As a "sovereign rating" (as defined in EU CRA Regulation 1060/2009 "EU CRA Regulation"), the ratings on the Community of Flanders are subject to certain publication restrictions set out in Art 8a of the EU CRA Regulation, including publication in accordance with a pre-established calendar (see "Calendar Of 2016 EMEA Sovereign, Regional, And Local Government Rating Publication Dates," published Dec. 22, 2015, on RatingsDirect). Under the EU CRA Regulation, deviations from the announced calendar are allowed only in limited circumstances and must be accompanied by a detailed explanation of the reasons for the deviation. In this case, the reason for the deviation is Flanders' request that we withdraw the rating.

## Rationale

At the time of the withdrawal, the long-term rating on Flanders primarily reflected our long-term sovereign credit rating on Belgium (unsolicited AA/Stable/A-1+). While we assessed Flanders' stand-alone credit profile (SACP) at 'aa+', we capped the ratings on Flanders at the level of the long-term rating on Belgium because we do not think that current links between Belgium and its local and regional governments (LRGs) allow any of the Belgian LRGs to be rated above the sovereign (see "Methodology: Rating Non-U.S. Local And Regional Governments Higher Than The Sovereign," published Dec. 15, 2014, on RatingsDirect).

In our opinion, Flanders' ability to mitigate negative intervention from the sovereign is limited mainly by its high dependence on combined and shared taxes collected by the state, as well as federal transfers. In accordance with our criteria, we assessed Flanders' SACP at 'aa+' (see "Methodology For Rating Non-U.S. Local And Regional Governments," published June 30, 2014). The SACP is not a rating, but a measure that reflects S&P Global Ratings' opinion of an LRG's intrinsic creditworthiness, before taking into account the sovereign-related overriding factors, that is, the application of our ratings above the sovereign criteria and potential credit-specific extraordinary credit support from another government, when relevant. The SACP results from the combination of an LRG's individual credit profile and institutional framework assessment, adjusted, when appropriate, by one notch for flexibility and credit-specific overriding factors.

The 'aa+' SACP on the Community of Flanders reflected our view of the very predictable and well-balanced institutional framework for Belgian communities and regions and Flanders' very strong financial management, economy, and budgetary performance, low debt burden, and strong liquidity. It also factored in our assessments of the community's average budgetary flexibility and moderate contingent liabilities.

The stable outlook at the time of the withdrawal mirrored that on Belgium.

## Ratings Score Snapshot

### Community of Flanders Ratings Score Snapshot

#### Key Rating Factors

Institutional framework	Very predictable and well-balanced
Economy	Very strong
Financial management	Very strong
Budgetary flexibility	Average
Budgetary performance	Very strong
Liquidity	Strong
Debt burden	Low
Contingent liabilities	Moderate

\* S&P Global Ratings' ratings on local and regional governments are based on eight main rating factors listed in the table above. Section A of S&P Global Ratings' "Methodology For Rating Non-U.S. Local And Regional Governments" summarizes how the eight factors are combined to derive the rating.

## Key Sovereign Statistics

Belgium 'AA/A-1+' Ratings Affirmed; Outlook Stable - July 15, 2016

## Related Criteria And Research

### Related Criteria

- Criteria - Governments - International Public Finance: Methodology: Rating Non-U.S. Local And Regional Governments Higher Than The Sovereign - December 15, 2014
- Criteria - Governments - International Public Finance: Methodology For Rating Non-U.S. Local And Regional Governments - June 30, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions - November 19, 2013
- Criteria - Governments - International Public Finance: Methodology And Assumptions For Analyzing The Liquidity Of Non-U.S. Local And Regional Governments And Related Entities And For Rating Their Commercial Paper Programs - October 15, 2009
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009
- Criteria - Governments - International Public Finance: Methodology And Assumptions: The Impact Of PPP Projects On International Local And Regional Governments: Refined Accounting Treatment - December 15, 2008

## Related Research

- Institutional Framework Assessments For Non-U.S. Local And Regional Governments - April 21, 2016
- 2015 Annual International Public Finance Default Study And Rating Transitions - June 30, 2016

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria and Research').

## Ratings List

	Rating	
	To	From
Flanders (Community of)		
Issuer Credit Rating		
Foreign and Local Currency	AA/Stable/A-1+	AA/Stable/A-1+
Senior Unsecured		
Local Currency	AA	AA
Commercial Paper		
Local Currency	A-1+	A-1+

Ratings Subsequently Withdrawn

## Ratings List Continued...

Flanders (Community of)

Issuer Credit Rating

Foreign and Local Currency	NR	AA/Stable/A-1+
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Senior Unsecured

Local Currency	NR	AA
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Commercial Paper

Local Currency	NR	A-1+
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NR--Not rated

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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