

Belfius Bank SA/NV

Mortgage Pandbrieven

Update

Ratings

Mortgage Pandbrieven AAA/Stable Outlook

Key Data

November 2013

Asset type	Mortgages
Cover assets (EURbn)	4.6
Pandbrieven (EURbn)	3.0
Weighted-average life asset maturity (years)	10.9
Weighted-average life liability maturity (years)	8.7

Rating Rationale

Issuer Default Rating (IDR)	A-
D-Cap	4 (Moderate risk)
Pandbrieven rating	AAA
'AAA' Breakeven OC (%)	25.5
Legislative OC (%) ¹	5.0

Discontinuity Analysis

Asset segregation	Low
Liquidity gap and systemic risk	Moderate
Systemic alternative management	Low
Cover pool-specific alternative management	Moderate
Privileged Derivatives	Very Low

¹ see Appendix 4 of Fitch's special report entitled *Belgian Covered Bond Legislative Framework* for details of the legislative OC calculations.

Key Rating Drivers

Rating Sensitivity: The Pandbrieven's 'AAA' rating is vulnerable to downgrade if any of the following occurs: (i) Belfius Bank's IDR is downgraded by one notch to 'BBB+'; (ii) the current D-Cap of 4 (moderate) is revised to 3 (moderate high) or lower; or (iii) there is a drop in the overcollateralisation (OC) below Fitch Ratings' breakeven level of 25.5% for the 'AAA' rating.

Stable Outlook Unchanged: The Outlook assigned to the programme is based on Fitch's Stable Outlook for Belfius Bank and for Belgium, the stable outlook for the Belgian residential mortgage loan cover assets and the maintenance of sufficient OC for the programme.

D-Cap Driver: The D-Cap of 4 is driven by Fitch's view on the 12-month extendible maturities on the pandbrieven and the pre-funded reserve, covering one year of interest on the pandbrieven. This is combined with the agency's view of a minimum period of nine months needed to sell assets in a stressed market. This leads to a moderate risk assessment for the liquidity gap and systemic risk component.

The same moderate risk assessment for the cover pool-specific alternative management component is driven by the agency's view regarding the capable in-house developed IT systems of the bank and the specifics of managing a pool of Belgian residential assets and, notably, the all-sums mortgages and mandates.

Breakeven OC Driver: The greatest contributors to the breakeven OC are the maturity mismatches and the refinancing rates assumed for Belgian residential mortgages. All loans in the cover pool bear a fixed, or fixed with resets, rate of interest. Post issuer default, the portfolio is therefore expected to be exposed to a significant market value loss in a stressed increasing interest rate environment.

Level of OC Relied Upon: In its analysis, Fitch relies on the lowest nominal amount of OC in the last 12 months, which in this case is 44.6%. Under the Belgian pandbrieven legislation, the minimum legal amount of OC which must be in place for the programme is 5%¹; however, the calculation of this minimum OC is subject to specific rules, as outlined under the legislation.

Programme Highlights

Pool Composition: The mortgage loan cover pool has increased to EUR4.6bn, from EUR3.9bn, with the underlying pool composition remaining relatively stable. The weighted average (WA) life of the assets is 10.9 years. Approximately 36% of the loans are backed by security in the form of both a mortgage registration and a mandate. The pool's WA original mortgage-to-value (OMTV; see Figure 1 for definition) ratio is 80.1%, with a WA indexed LTV of 67.6%.

Stable Credit Risk: Fitch conducted its analysis based on line-by-line data provided by Belfius Bank. In a 'AAA' scenario, Fitch calculated a cumulative WA frequency of foreclosure of 16.5% and a WA recovery rate of 52.3% for the cover pool (see Figure 3).

Privileged Derivatives: Given that there are currently no privileged derivatives registered under the programme, Fitch assesses privileged derivatives as representing a very low discontinuity risk under its D-Cap analysis.

Related Research

[The Belgian Residential Mortgage Market – Frequently Asked Questions \(July 2013\)](#)

[Belfius Bank SA/NV – Mortgage Pandbrieven \(November 2012\)](#)
[Belgian Covered Bond Legislative Framework \(December 2012\)](#)

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Figure 1

**Cover Pool Characteristics:
October 2013**

Current balance (EURbn)	4.6
Number of Loans	67,643
Number of borrowers	44,868
Average loan balance (EUR)	68,467
WA seasoning (months)	32.7
WA interest rate (%)	3.7
WA OLTV/OMTV (%) ¹	80.1
WA CLTV (%)	69.4
WA indexed CLTV (%)	67.6
WA DTI (%)	45.4
WA MCR (%) ²	114.1

Interest rate type

Fixed rate (%)	85.8
Fixed rate with resets (%)	14.2

Repayment frequency

Annuity (%)	96.2
Linear (%)	2.0
Bullet (%)	1.8

Security breakdown

Mortgage security only (%)	64.0
Mortgage + mandate security (%)	36.0

Borrower breakdown

Full-time employee (%)	64.3
Self-employed (%)	8.6
Unemployed (%)	1.5
Employment unknown (%)	11.5
Student (%)	2.5
Civil servant (%)	11.3
Retired (%)	0.4
Employee of the originator (%)	0.0

Loan purpose breakdown

Second home (%) ³	17.1
Investment property (%)	0.0
Purchase (%)	49.0
Remortgage (%)	26.9
Renovation (%)	8.5
Construction (%)	14.2
Loan purpose unknown (%)	0.6
Currently in construction (%)	0.0

Geographic breakdown

Brussels (%)	9.0
Flanders (%)	54.5
Wallonia (%)	36.5

¹ OMTV = original loan balance or mortgage + mandate inscription / property value

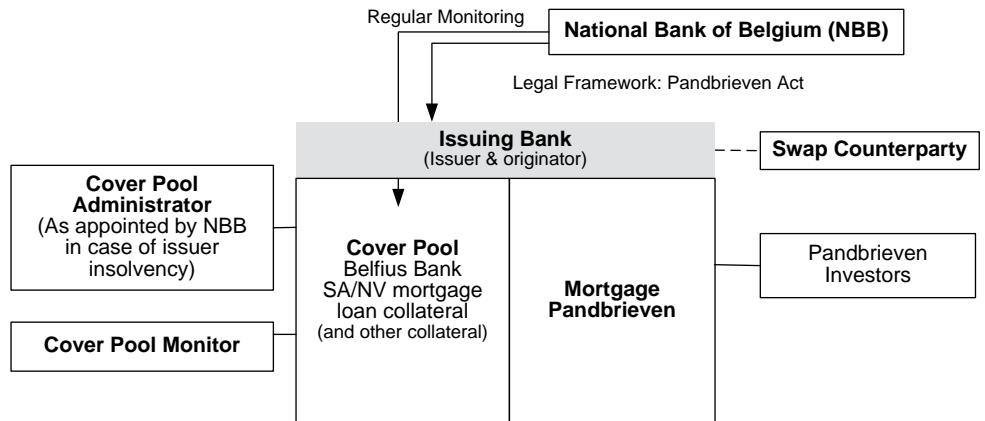
² MCR = mortgage coverage ratio (mortgage inscription / total current loan balance)

³ where more than one property is provided as collateral, a 'second home' loan purpose is assumed, as such information was not provided by the originator

Source: Belfius Bank/Fitch

Figure 2

Belfius Bank SA/NV - Diagram of Belgian Pandbriev



Source: Fitch

Figure 3

Fitch Default Model Output (%)

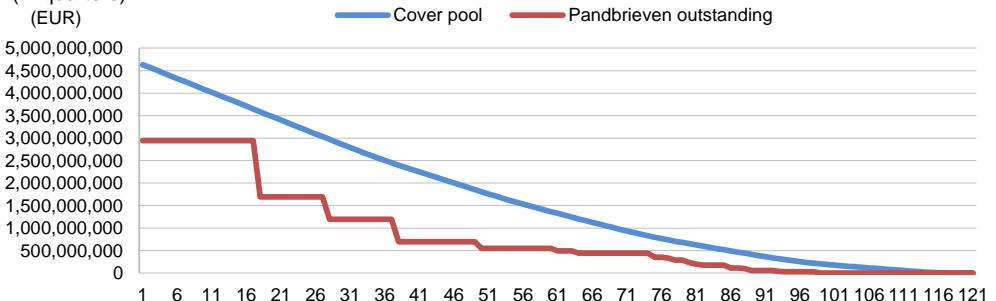
Rating level	'AAA'	'AA+'	'AA'
WA frequency of foreclosure (WAFF)	16.5	14.9	13.3
WA recovery rate (WARR)	52.3	54.0	55.6

Source: Fitch

Figure 4

Belfius Bank Mortgage Pandbriev

(In quarters)
(EUR)



Source: Fitch

Related Criteria

[Covered Bond Rating Criteria \(September 2013\)](#)

[EMEA Residential Mortgage Loss Criteria \(June 2013\)](#)

[EMEA Criteria Addendum – Belgium \(June 2013\)](#)

[Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum \(May 2013\)](#)

[Covered Bond Rating Criteria – Mortgage Liquidity and Refinancing Stress Addendum \(June 2013\)](#)

Figure 5

List of Outstanding Mortgage Pandbrieven

Series	Rating	Currency	Size	Coupon rate (%)	Maturity	ISIN
1	AAA	EUR	1,250,000,000	1.250	Nov 2017	BE0002419910
2	AAA	EUR	30,000,000	3.000	Dec 2034	BE0002421932
3	AAA	EUR	30,000,000	2.950	Dec 2034	BE0002422948
4	AAA	EUR	30,000,000	2.920	Dec 2032	BE0002423953
5	AAA	EUR	15,000,000	3.035	Jan 2033	BE6247207192
6	AAA	EUR	500,000,000	2.125	Jan 2023	BE0002424969
7	AAA	EUR	75,000,000	2.735	Feb 2032	BE0002426014
8	AAA	EUR	20,000,000	2.770	Feb 2032	BE0002427020
9	AAA	EUR	25,000,000	2.835	Apr 2038	BE0002431063
10	AAA	EUR	500,000,000	1.375	Jun 2020	BE0002435106
11	AAA	EUR	15,000,000	2.800	Jun 2035	BE0002436112
12	AAA	EUR	50,000,000	2.855	Jun 2033	BE0002437128
13	AAA	EUR	50,000,000	2.629	Jun 2029	BE0002438134
14	AAA	EUR	30,000,000	3.010	Aug 2033	BE0002439140
15	AAA	EUR	20,000,000	3.065	Aug 2036	BE0002440155
16	AAA	EUR	10,000,000	3.145	Aug 2033	BE6257118362
17	AAA	EUR	50,000,000	2.947	Oct 2028	BE0002446210
18	AAA	EUR	20,000,000	3.175	Oct 2032	BE0002447226
19	AAA	EUR	44,000,000	3.145	Oct 2035	BE0002450253
20 to 40 (N-Bonds)	NR	EUR	202,000,000	n.a.	n.a.	n.a.

Source: Belfius Bank

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