

Belfius

# Belfius Pandbrieven Update

September 2022





Amendments to the Belgian legal framework  
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Belfius Mortgage Pandbrieven Programme  
Belfius Public Pandbrieven Programme

# Amendments to the Belgian legal framework

## Eligible Assets

- Category 1: residential mortgage loans
  - exclusion of RMBS tranches (art 3 of the Royal Decree Covered Bonds (“RD”))
- Category 2: commercial mortgage loans
  - exclusion of CMBS tranches (art 3 RD)
- Category 3: public sector exposure
  - exclusion of public sector ABS tranches (art 3 RD)
  - loans “insured by” public sector entities no longer eligible (art 3 RD)
- Category 4: exposure on credit institutions
  - restriction to credit quality step 1 or 2 (art 3 RD)
  - max 10% in credit quality step 2 (art 3 RD)
  - max 15% in credit quality step 1 or 2 (art 3 RD)
  - short term deposits or derivatives (aligned with the CB Directive) (art 3 RD)
- For the real estate properties the eligibility rules of art 208 CRR apply, but for residential properties the monitoring frequency is set at least annually (art 3 and 6 RD)
- Definition of default applies cfr art 178 CRR (art 3 RD)
- For liquid bonds: LCR level 1 only (art 7 RD)

# Amendments to the Belgian legal framework

## A Strong Framework of Legal Tests

- 85% cover test
  - The value of cover assets from the primary asset category must represent at least 85% of the nominal amount of the outstanding pandbrieven
  - Prevention of mixed asset cover bond programmes
- 105% cover test
  - The value of cover assets must represent at least 105% of the nominal amount of the outstanding pandbrieven
  - Amendment: Correction for principal that was used to cover interest shortfall in the amortization test (art 5 RD)
- Amortisation test
  - The sum of revenues stemming from the cover assets must be equal to or greater than the amount of interest, principal and costs related to the outstanding pandbrieven and their management.
  - Amendment: Value of principal proceeds limited to the value of cover assets (art 5 RD)
- 180 days liquidity test
  - The cover assets must generate sufficient liquidity or contain sufficient liquid assets to meet all unconditional payments over a 6 month horizon.

### Value of Cover Asset Mechanism

- For residential mortgage loans

The minimum of:

- a) the outstanding loan amount
- b) 80% of the market value of the real estate
- c) The amount of the mortgage inscription+mortgage mandate
- d) The amount of the mortgage inscription divided by 0.6

- For public sector exposure

The book value

# Amendments to the Belgian legal framework

## Main other amendments

- Stress test reporting to the NBB on the three coverage tests and the liquidity test (art 8 RD)
- 8% asset encumbrance limit for covered bonds abolished as from 1 January 2024 (art 10 RD)
  - Temporary derogation in exceptional circumstances is possible
  - Institutions having at least 8% of TLOF in subordinated liabilities can already ask that the 8% limit no longer applies => the NBB has approved the suspension of the 8% limit for Belfius Bank
  - The NBB can impose volume limitations to protect the other creditors
- Monthly investor reporting requirement introduced in the legislation (art 12 RD)
- Extension triggers (art 13/1 of Annex III of the Banking Law)
  - Only the following two extension triggers are allowed
    - Failure to pay; and/or
    - A decision by the cover pool administrator following a liquidation or resolution procedure
  - Reasons for extension and action plan to be filed to the regulator within 15 business days
  - Sequencing of the maturities to be respected

# Amendments to the Belgian legal framework

## European Covered Bond (premium)

- The list of covered bonds that qualify as European Covered Bond (premium) are published on the webpage of the National Bank of Belgium:

In Dutch:

<https://www.nbb.be/nl/financieel-toezicht/prudentieel-toezicht/toezichtsdomeinen/kredietinstellingen/lijsten/door-de>

In French:

<https://www.nbb.be/fr/supervision-financiere/controle-prudentiel/domaines-de-controle/etablisements-de-credit/listes-5>

# Belfius Pandbrieven Programmes

## Comparison of Main Characteristics

Programme	Mortgage Pandbrieven	Public Pandbrieven
Main cover asset category	Residential mortgage loans	Public sector exposure
Rating	AAA (stb) / AAA (stb) (Fitch/S&P)	Aaa / AAA (stb) (Moody's/S&P)
Programme limit	EUR 10 billion	EUR 10 billion
Specific license obtained from National Bank of Belgium (NBB)	Yes	Yes
Main issuer covenants	No commercial mortgage loans	No residential mortgage loans, no commercial mortgage loans
	The value of the main cover asset $\geq$ 105% (vs 85% in the law)	
	Upon registration, maximum LTV (current loan to current property value) is 120%	/
	Liquid bonds included to cover all pandbrief interest payments for the next year	Liquid bonds included to cover all pandbrief interest payments for the next 6 months

# Belfius Pandbrieven Programmes

Common Characteristics (applicable to each programme individually)

Summary of Terms	
Issuance	Belgian Pandbrieven, issued by Belfius Bank.
Listing	Pandbrieven may be listed on Euronext Brussels.
Minimum denominations	EUR 100,000
Segregation of cover assets	In a special estate, on balance sheet.
Regulatory supervision	Special supervision by the NBB and the cover pool monitor (EY).
Reporting	Available on the website of Belfius Bank on a monthly basis.
Namenschuldverschreibung (N-bonds; Registered Covered Bonds)	The documentation is in place only for Mortgage Pandbrieven.



# Belfius Mortgage Pandbrieven Programme

## Summary Description of the Cover Pool

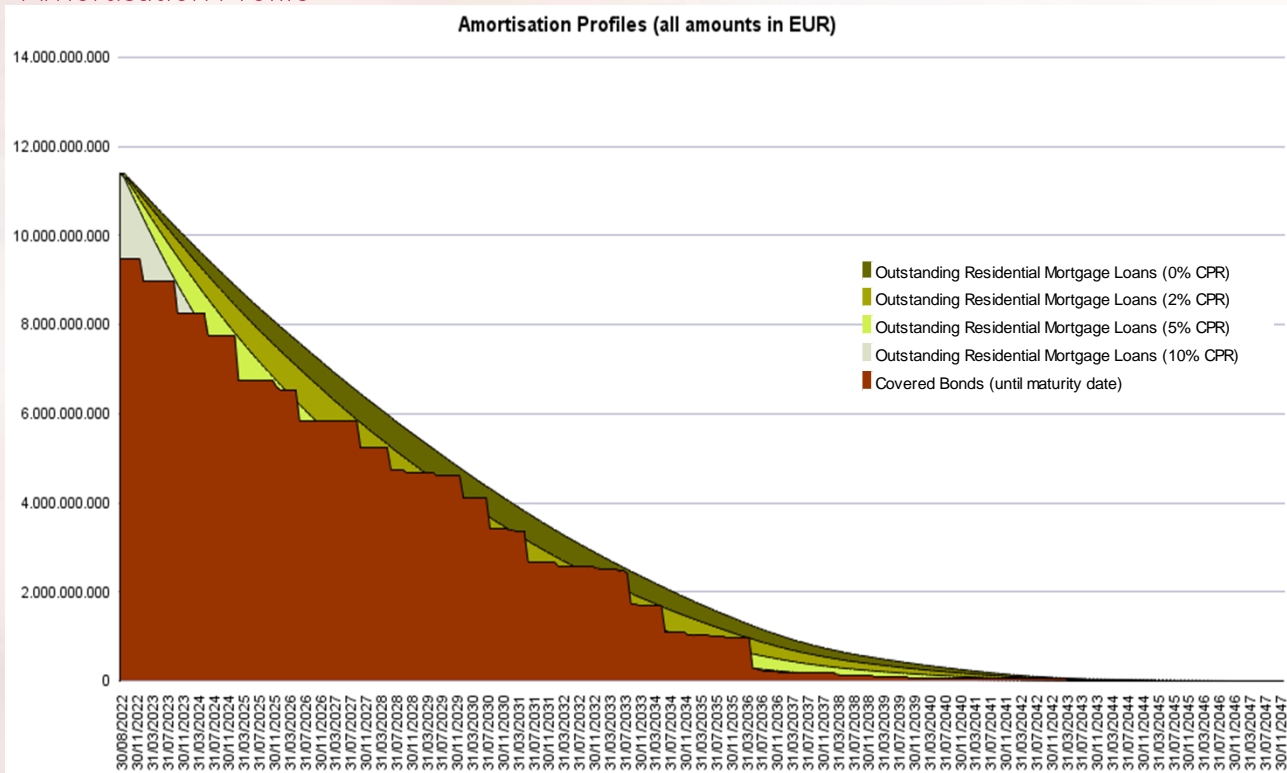
Outstanding Balance of Residential Mortgage Loans at the Cut-off Date	11 392 322 262,53
Number of borrowers	123 003
Number of loans	206 684
Average Outstanding Balance per borrower	92 618,25
Average Outstanding Balance per loan	55 119,52
Weighted average Original Loan to Initial Value	76,83%
Weighted average Current Loan to Current Value	43,23%
Weighted average seasoning (in months)	66,48
Weighted average remaining maturity (in years, at 0% CPR)	12,95
Weighted average initial maturity (in years, at 0% CPR)	18,57
Remaining average life (in years, at 0% CPR)	6,91
Remaining average life (in years, at 2% CPR)	6,30
Remaining average life (in years, at 5% CPR)	5,44
Remaining average life (in years, at 10% CPR)	4,34
Remaining average life to interest reset (in years, at 0% CPR)	6,25
Percentage of Fixed Rate Loans	87,51%
Percentage of Resetable Rate Loans	12,49%
Weighted average interest rate	2,005%
Weighted average interest rate Fixed Rate Loans	2,104%
Weighted average interest rate Resetable Rate Loans	1,291%

Source: Belfius Bank's August 2022 investor report



# Belfius Mortgage Pandbrieven Programme

## Amortisation Profile

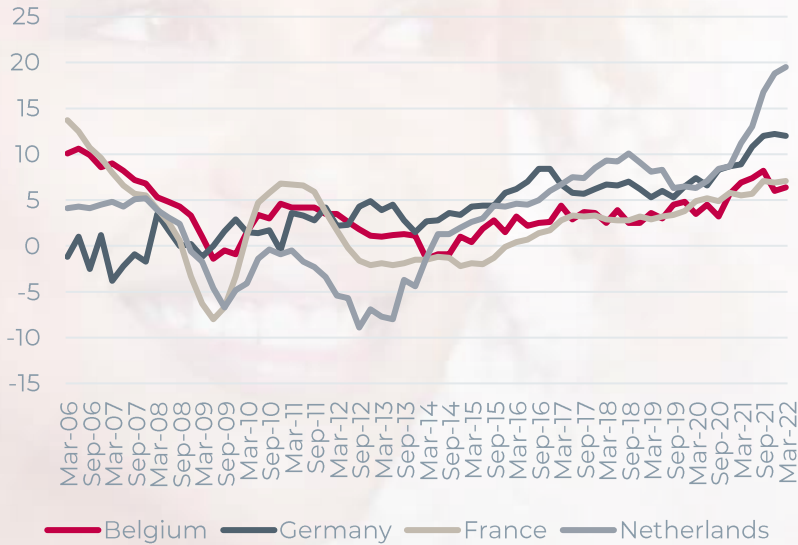


Source: Belfius Bank's August 2022 investor report

# Belfius Mortgage Pandbrieven Programme

## Recent Evolutions in the Mortgage Market

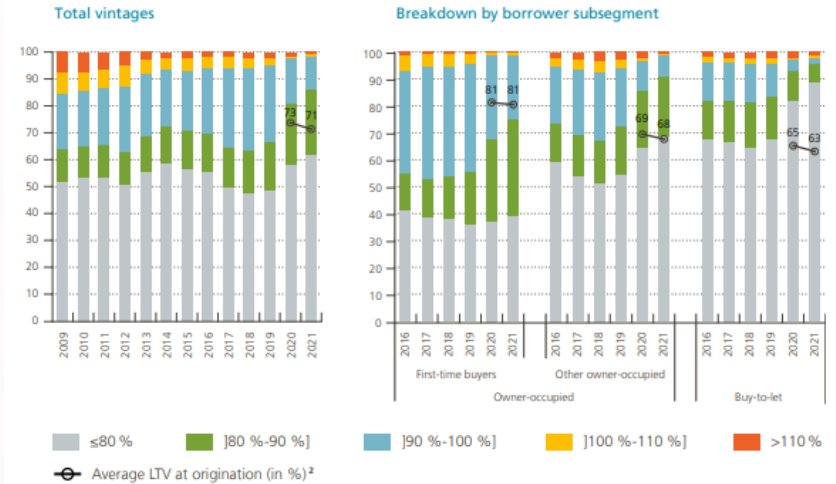
### House Price Index (change % YoY)



Source: Eurostat

### Loan-to-value ratios at origination<sup>1</sup>

(percentages of total loans granted during a particular vintage)



Source: NBB (PHL survey of the banking sector).

1 The data include refinanced loans recorded as new contracts (such refinanced loans may artificially improve the credit standards of new mortgage loans, as a proportion of the loan has already been repaid).

2 The average loan-to-value (LTV) ratio at origination is available since 2020.

Source: NBB Financial Stability Report 2022

# Belfius Mortgage Pandbrieven Programme

Belgian Households

## Economic Forecasts for Belgium

<b>Bloomberg Consensus</b>	<b>2020</b>	<b>2021</b>	<b>2022F</b>	<b>2023F</b>
Real GDP (YoY%)	-5.7	6.5	2.4	1.0
CPI (YoY%)	0.7	2.5	9.1	3.4
Unemployment (%)	5.8	6.3	5.7	5.6

Source: Bloomberg

- Belgian households are generally well protected against inflation, as wages are indexed by law, though there may be lags and petrol products are excluded.
- To face the effects of inflation, governments installed mitigating measures by the extension of the application scope of the social energy rates, a temporary VAT-reduction (from 21% to 6%), a one-off energy premium and a reduction of excises on petrol.
- These measures will temper the short-term impact on consumers but in case energy prices remain high and for energy contracts maturing from Q3 onwards, the impact may increase again.

# Belfius Mortgage Pandbrieven Programme

## Belgian Households

- From January 2020, the Belgian regulator imposed new rules regarding the origination of mortgages and LTV.
- Those new rules are presented below, with their associated tolerance margin.

	Type of loans	Threshold	Tolerance margin
			(Authorization of production beyond the threshold)
LTV limits*	Buy-to-let Loans	80%	10% (with 0% > 90%)
	Loan intended for personal housing	90%	First-time buyers : 35% (where max. 5% > 100%)
Others : 20% (with 0% > 100%)			
Limits for risk pockets*	Total of loans	LTV > 90% and	5%
		DSTI > 50%	
Limits for risk pockets*	Total of loans	LTV > 90% and	5%
		DTI > 9	

\* Those rules apply on the new production.



# Belfius Public Pandbrieven Programme

## Summary Description of the Cover Pool

Outstanding Balance of Public Sector Assets at the Cut-off Date	1 679 926 352,81
Number of borrowers	644
Number of loans	19 255
Average Outstanding Balance per borrower	2 608 581,29
Average Outstanding Balance per loan	87 246,24
Weighted average seasoning (in months)	110,36
Weighted average remaining maturity (in years, at 0% CPR)	11,48
Weighted average initial maturity (in years, at 0% CPR)	20,72
Remaining average life (in years, at 0% CPR)	6,29
Remaining average life (in years, at 1% CPR)	6,05
Remaining average life (in years, at 3% CPR)	5,49
Remaining average life (in years, at 5% CPR)	5,01
Remaining average life to interest reset (in years, at 0% CPR)	5,74
Percentage of Fixed Rate Loans	88,91%
Percentage of Resetable Rate Loans	11,09%
Weighted average interest rate	2,566%
Weighted average interest rate Fixed Rate Loans	2,698%
Weighted average interest rate Resetable Rate Loans	1,508%

### Borrower Type

Type	Balance in EUR	
Intermunicipal Entity	84 515 251,85	5,03%
Mono Municipal Police Zone	1 677 017,85	0,10%
Multi Municipal Police Zone	8 220 242,20	0,49%
Municipal Entity	7 429 377,90	0,44%
Municipality	1 401 890 525,59	83,45%
Province	19 015 424,76	1,13%
Public Centre for Social Welfare	117 189 011,17	6,98%
Public Hospital	39 989 501,49	2,38%
	1 679 926 352,81	100,00%

### Geographic distribution

Province	Balance in EUR	
Antwerpen	169 983 836,54	10,12%
Brabant wallon	175 181 951,87	10,43%
Brussel	242 280 415,81	14,42%
Hainaut	180 587 567,31	10,75%
Liège	179 314 591,04	10,67%
Limburg	183 881 675,25	10,95%
Namur	6 741 793,93	0,40%
Oost-Vlaanderen	184 202 344,66	10,96%
Vlaams-Brabant	175 464 231,66	10,44%
West-Vlaanderen	182 287 944,74	10,85%
	1 679 926 352,81	100,00%

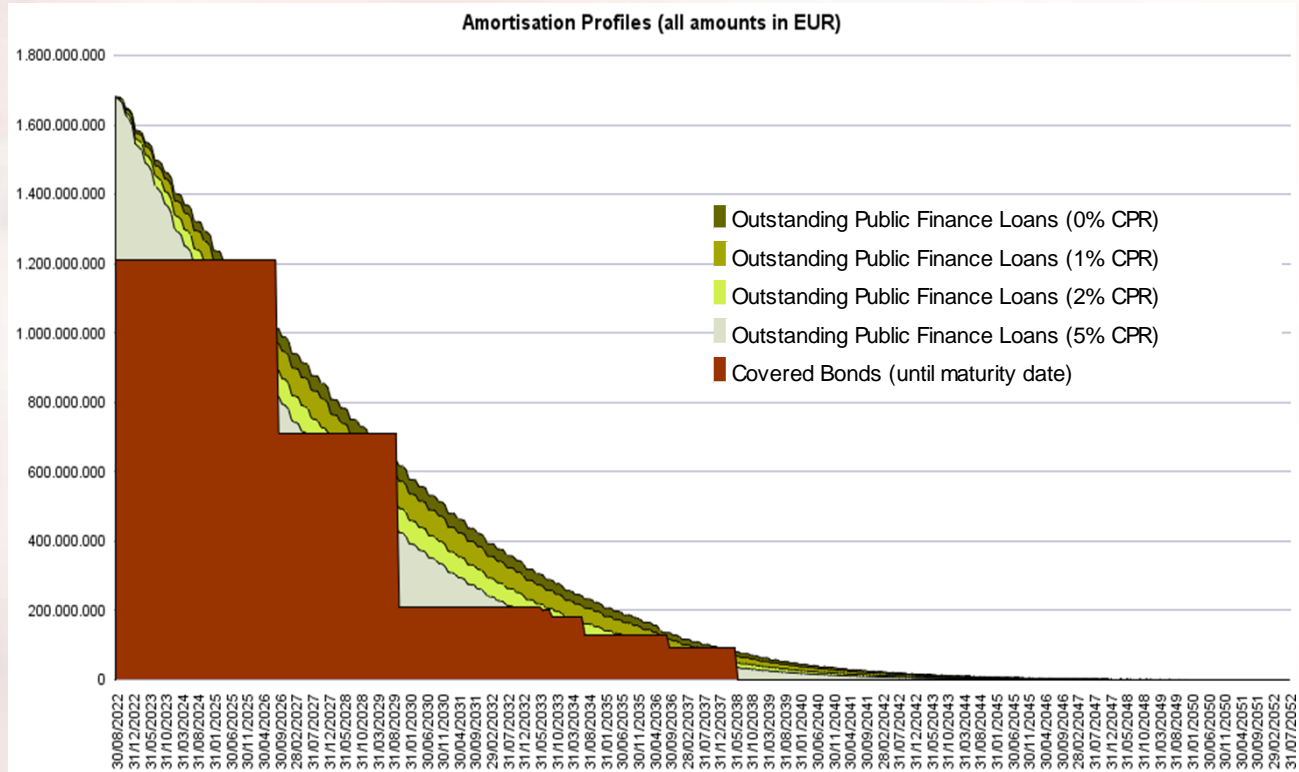
  

Region	Balance in EUR	
Brussels	242 280 415,81	14,42%
Flanders	895 820 032,85	53,32%
Wallonia	541 825 904,15	32,25%
	1 679 926 352,81	100,00%

Source: Belfius Bank's August 2022 investor report

# Belfius Public Pandbrievens Programme

## Amortisation Profile



Source: Belfius Bank's August 2022 investor report

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