



# **BNP PARIBAS FORTIS**

## **Residential Mortgage Pandbrieven Programme**

### Investor Presentation

March 2024



**BNP PARIBAS**  
**FORTIS**

The bank for a changing world



# Executive Summary

## Executive summary

### **Market Leading Issuer**

A bank with the largest retail network in Belgium  
BNP Paribas Fortis - an integral part of the BNP Paribas Group

### **Highly-rated, secured instrument**

A conservative financial profile supported by strong credit ratings, essentially in line with those of BNP Paribas Group (Aa3 / AA- / A+ / AA (low) by Moody's, Fitch, S&P and DBRS respectively\*)

### **European Covered Bond Premium label**

BNP Paribas Fortis has been granted the authorization to use the "European Covered Bond Premium" label, the highest level of label

### **Residential Mortgage Pandbrieven Programme**

On Balance-sheet structure where the cover assets are legally segregated in an on-balance 'special estate'

Dual recourse available against the issuer and the cover assets  
Special supervision by the National Bank of Belgium and the Cover Pool Monitor

### **Belgian Residential Mortgage Cover Pool**

High quality Belgian residential mortgage loans originated by BNP Paribas Fortis, subject to strict eligibility criteria

*\* Ratings of BNP Paribas SA, see page 9 for BNP Paribas Fortis ratings*



# AGENDA

1. BNP Paribas Fortis, part of a robust world financial player
2. Belgium and its Mortgage Market
3. Legal Framework
4. Residential Mortgage Pandbrieven Programme
5. Conclusion

Appendices



# 1. BNP Paribas Fortis, part of a robust world financial player

# BNP Paribas Group

A business model performing in all environments with strong pillars sustaining our ambitions

## A client-centric model

The Group's long term approach is powered by its ability to build deep relationships and relies on strong risk management

## An integrated model

Through cooperation between all its businesses & its global connectivity, the Group provides complete coverage of client's needs & accompany them in their development

## A diversified model

The Group is diversified by client segments, regions, sectors & businesses which ensures stronger earnings stability & opens growth opportunities

## A model at scale

The Group's development and expansion is bolstered by digitalization and technologies enabling powerful execution at marginal costs

## A model forged through historical and strategic developments



# BNP Paribas Fortis, the leading franchise in the Belgian Market

## THE STRONGEST FRANCHISE IN THE BELGIAN MARKET

20-30%

Market share in Belgium across almost all product categories

> **Growth opportunities in selected segments and products**

## MARKET LEADER IN

- ✓ Retail Banking
- ✓ Private Banking
- ✓ Wealth Management
- ✓ SME Banking
- ✓ Corporate Banking
- ✓ Transaction Banking
- ✓ Investment Banking
- ✓ Leasing
- ✓ Consumer Finance
- ✓ Mortgages
- ✓ Professional Lending
- ✓ Current Accounts
- ✓ Savings
- ✓ Debit Cards
- ✓ Credit Cards
- ✓ Sustainable invest
- ✓ Branch 21

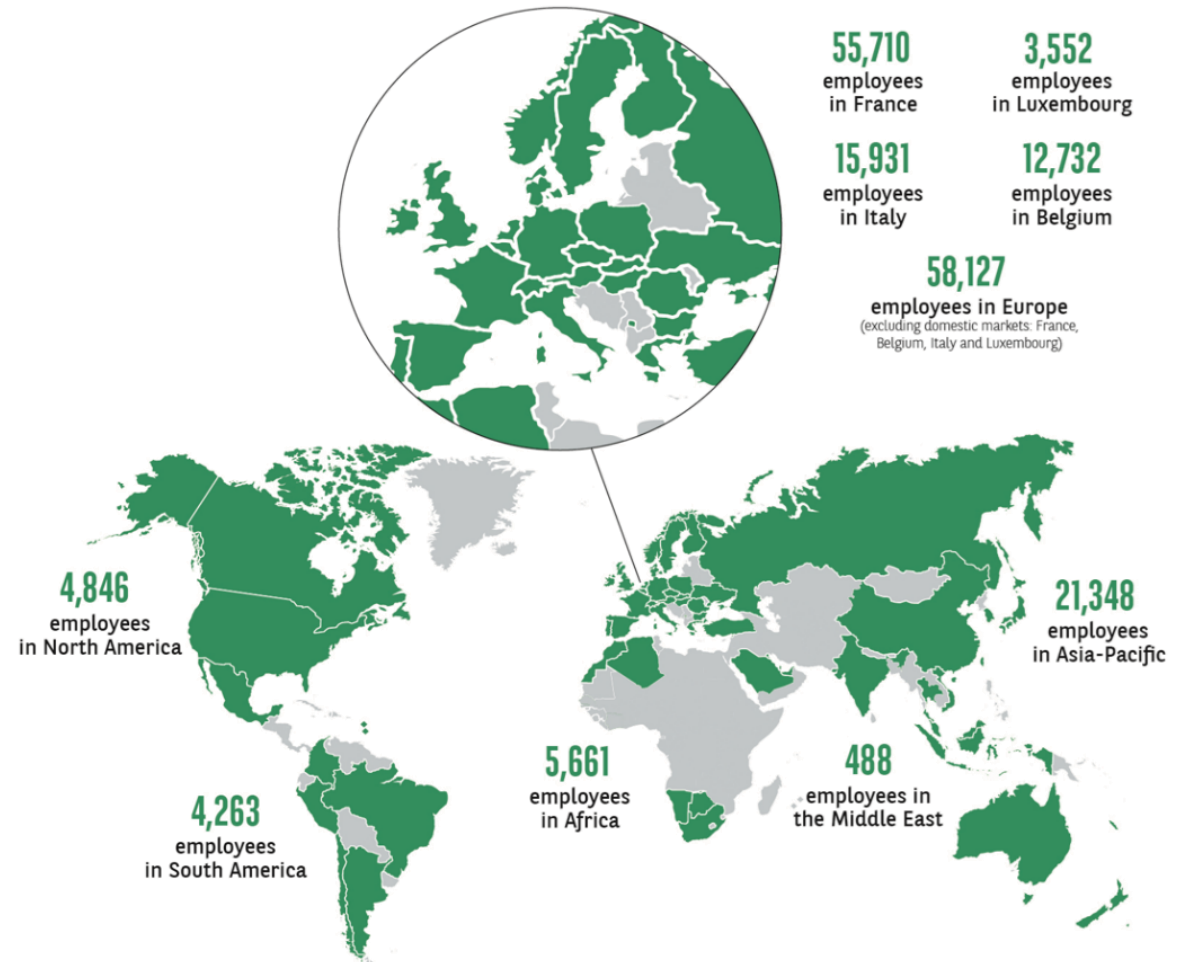
Part of BNP Paribas, a world player  
With extensive geographical reach

182,656

EMPLOYEES

In










63 COUNTRIES  
AND  
TERRITORIES



Figures and locations as of 31/03/2023. The number of employees is reported in Full-Time Equivalent.



## Solid Bank ratings\* for BNP Paribas and BNP Paribas Fortis

	STANDARD & POOR'S	MOODY'S	FitchRatings
 <b>BNP PARIBAS</b>	 since 5 April 2019	 since 27 September 2017	 since 6 June 2019
 <b>BNP PARIBAS FORTIS</b>	 since 5 April 2019	 since 21 June 2012	 since 13 September 2022
 <b>BGL BNP PARIBAS</b>			

\*Long-Term Senior Debt ratings.

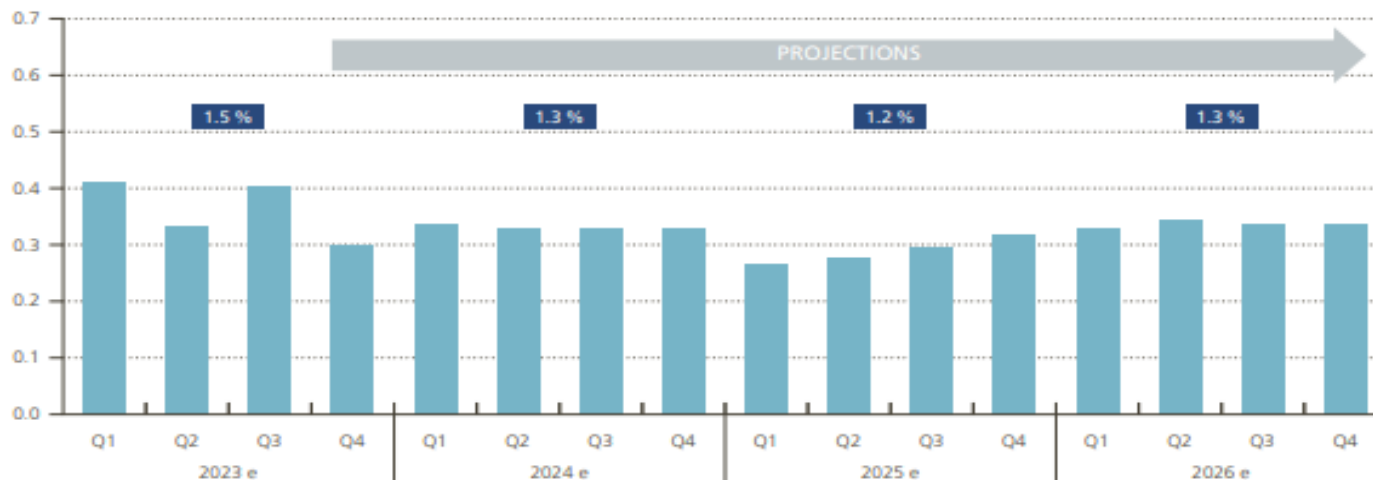


## 2. Belgium and its Mortgage Market

# The Belgian economy

## Belgium economy has rebounded in 2023

- Belgium's GDP is expected to increase by 1.3% in 2024 (NBB, December 2023). Business and consumer confidence indicators are close to their historical averages.
- Belgium's unemployment rate stands at a low figure of 5.6% (NBB, December 2023). In Q3 2023, Belgium's job vacancy rate was 4.7%. This was the highest of the EU.
- In 2022, Belgium's government deficit would have improved to -4.30% of GDP (National Bank of Belgium), and the debt ratio would have increased to 105.3%. The government deficit is expected to widen to -4.40% of GDP in 2024 (NBB, December 2023), and Belgium's debt ratio would slightly decline to 105.2%.
- Belgium has one of the highest net international investment positions (53.6% of GDP in 2022) of the EU. The net financial wealth of the Belgian households amounts to EUR 1,163 billion or 201% of GDP.

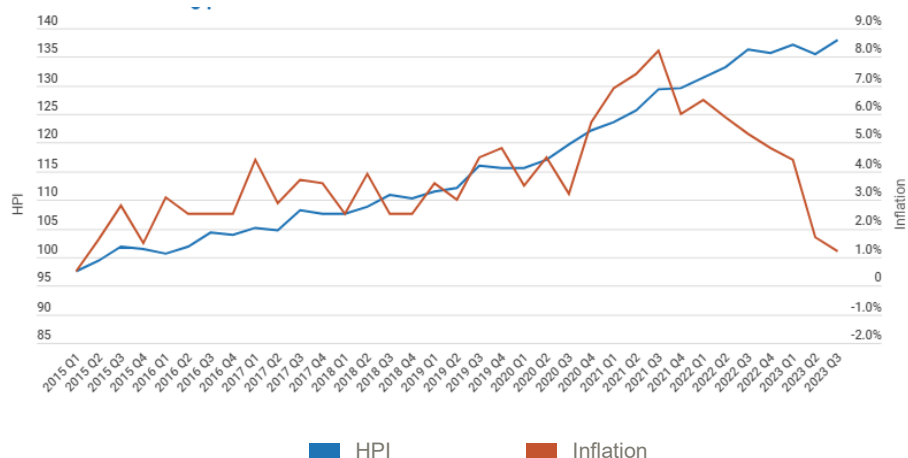


(quarter-on-quarter growth of real GDP, percentages, seasonally and working-day adjusted; the numbers in the boxes refer to annual growth)

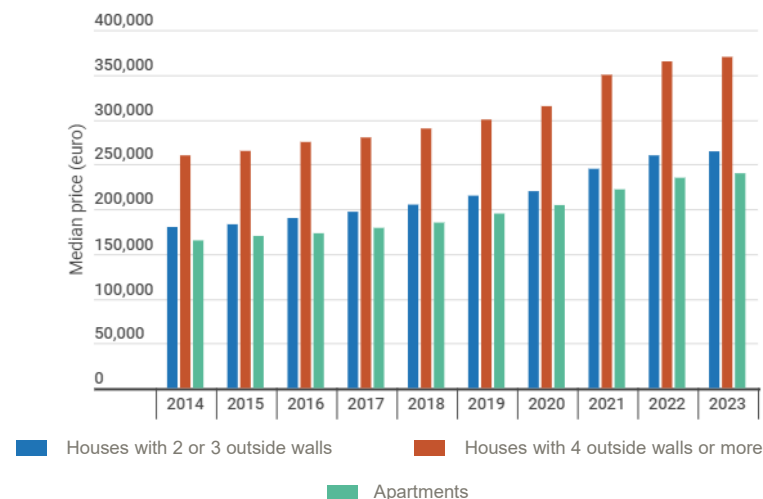
Sources: NAI, NBB and BDA

# Belgium – House Price Evolution

## House Price Index & Inflation rate (RHS)



## Evolution of dwelling prices



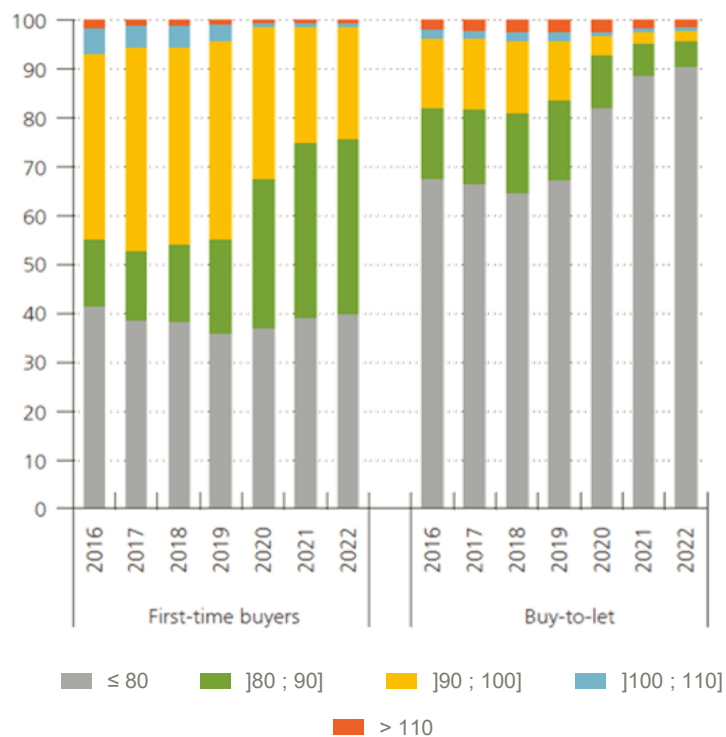
The **annual inflation rate** amounts to 1.2% in the third quarter of 2023, which is a decrease compared to the rate of 1.7% observed in Q2.

The **house price index** stands at 137.92 points (2015=100) against 135.48 points in Q2: it has increased by 1.8% compared to the second quarter of 2023.

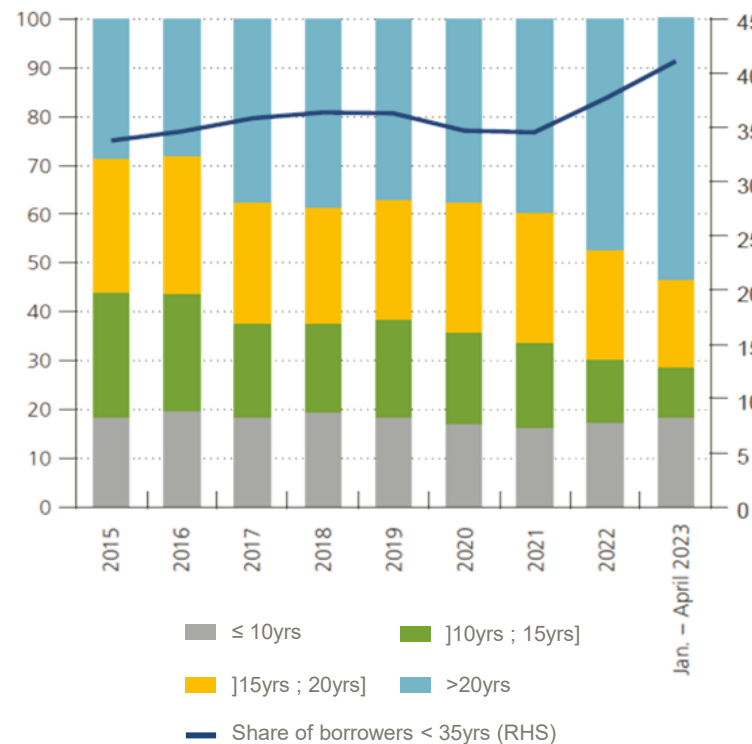
Compared to the third quarter 2022, **the median prices of attached and semi-detached houses have increased by 1.7%**, i.e. an increase of almost 5,000 euros. **Detached houses registered a price increase of 1.4%** or 5,000 euros. **Apartments also cost 5,000 euros more, which corresponds to a price increase of 2.1%.**

## Belgium – Loan to Value and Maturity at origination

Breakdown of new mortgage loans according to LTV, by borrower Segment (in%)



Breakdown of new mortgage loans according maturity and share of borrowers aged under 35 (in%)

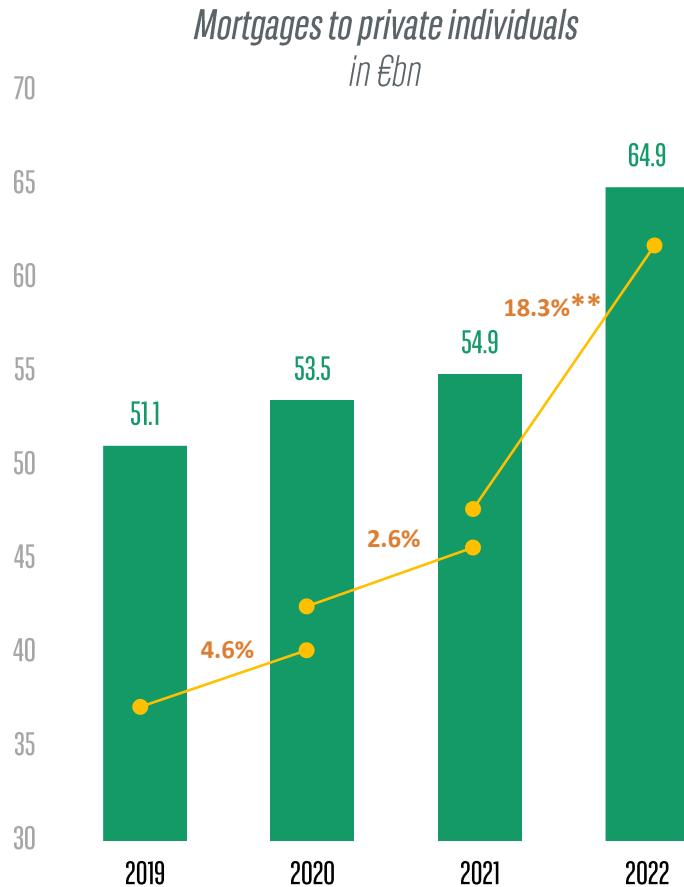


In early 2020, the NBB issued prudential expectations for financial institutions providing mortgage loans. These recommendations aimed to improve the average credit quality of new mortgage loans, in particular by reducing the share of loans with a high loan-to-value (LTV) ratio.



# BNP Paribas Fortis' role in the economy

## Mortgages to individuals\*



**BNP PARIBAS  
FORTIS**



Almost

**1 IN 4**

is BNP Paribas Fortis

\* Figures Commercial & Personal Banking Belgium 2022. \*\*Scope change (integration of bpost bank)



# 3. Legal Framework

# Legislative Framework

## Amendments to the Belgian legal framework

- **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 yearly (**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**)



# Legislative Framework

## Strong Legal Protection Mechanisms

### Collateral Type – 85% test

- The value of one asset category must be at least 85% of the nominal amount of the covered bonds

### Overcollateralisation – 105% test

- The value of the cover assets must at least be 105% of the nominal amount of the covered bonds
- Amendment: Correction for principal that was used to cover interest shortfall in the Asset Coverage Test (art 5 RD)

### Asset Coverage Test

- The sum of interest, principal and other revenues of the cover assets must at least be equal to the interest, principal and costs of the covered bond
- Amendment: Value of principal proceeds limited to the value of cover assets (art 5 RD)

### Liquidity Test – 180 days test

- Cover assets must generate sufficient liquidity to pay all unconditional payments on the covered bonds for the next six months
- Amendment: loans in arrears do not fully count; 50% > 30 days and 0% > 90 days in arrears (art 7 RD)

The value of residential mortgage loans –  
*borrowing base calculation*

- *The value against which covered bonds can be issued = the MINIMUM of*
  - *The outstanding loans amount*
  - *80% of the market value of the underlying property*
  - *The amount of the mortgage (inscription + mandate)*
  - *The amount of the mortgage inscription / 0.6*
- *50% reduction when 30+ days in arrears*
- *No value when 90+ days in arrears (or defaulted)*

# Legislative Framework

## Further 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**)
  - 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
  
- 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:  
[www.nbb.be/nl/financieel-toezicht/prudentieeltoezicht/toezichtsdomeinen/kredietinstellingen/lijsten/door-de](http://www.nbb.be/nl/financieel-toezicht/prudentieeltoezicht/toezichtsdomeinen/kredietinstellingen/lijsten/door-de)
  - In French:  
[www.nbb.be/fr/supervision-financiere/controle-prudentiel/domaines-de-controle/etablissements-de-credit/listes-5](http://www.nbb.be/fr/supervision-financiere/controle-prudentiel/domaines-de-controle/etablissements-de-credit/listes-5)



# 4. Residential Mortgage Pandbrieven Programme

# Residential Mortgage Pandbrieven Programme

## Key Programme Terms

Issuer	BNP Paribas Fortis SA/NV
Programme Size	EUR 10 bn (current outstanding 2,75 bn / 0,5 bn maturing in 2024)
Ratings	AAA (S&P) / Aaa (Moody's)
Maturity Type	Soft bullets
Main Asset Category	Prime Belgian residential mortgage loans
Listing	Euronext Brussels
Governing Law	Belgian law
Clearing	NBB Securities Settlement System, Euroclear and Clearstream

# Residential Mortgage Pandbrieven Programme

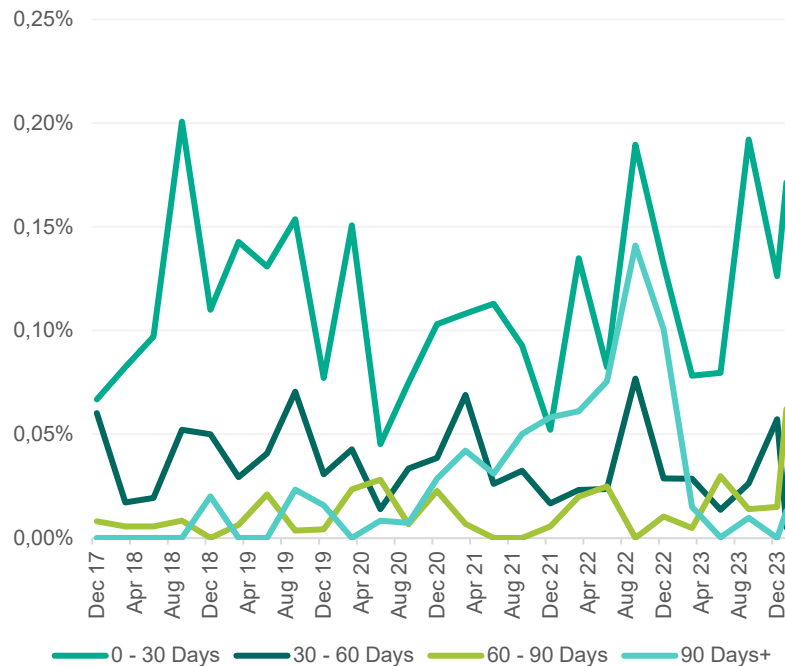
## Cover Asset Description (end-Jan 2024)

Pool Notional	€ 3,606,584,736
Number of Loans	50,133 loans
Number of Borrowers	26,652 borrowers
WA LTV	51.85%
Remaining maturity	14.95 years
Remaining life	7.85 years
Rate Type	92.03% fixed rate loans ; 7.97% variable rate loans
Average Loan Amount	€ 71,940
Average Borrower Amount	€ 135,321

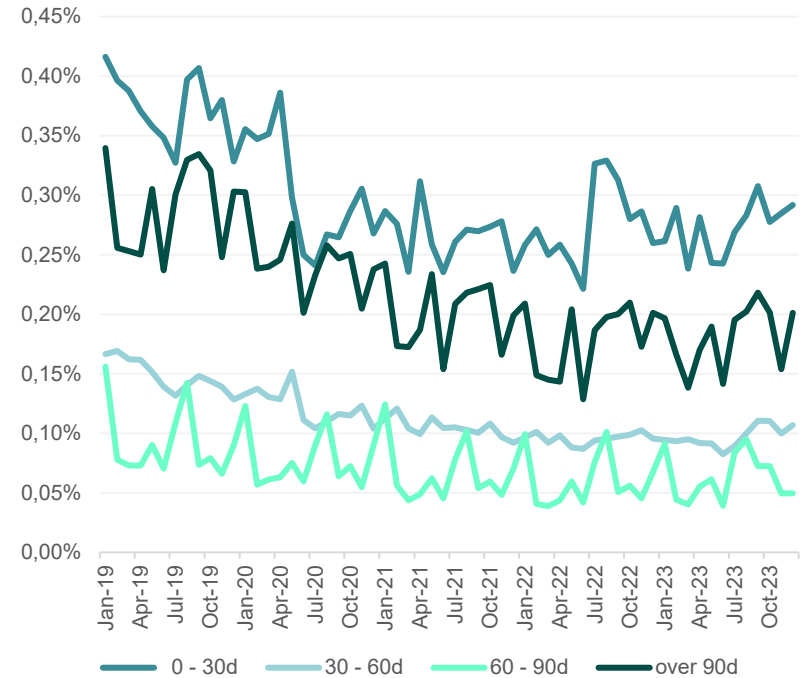
# Residential Mortgage Pandbrieven Programme

## Cover Asset Performance (end-Sep 2023)

### Loans in arrears - % of total amount



### Amounts in arrears, in% of total outstanding



Performance of the underlying portfolio of the Covered Bond Program.  
This portfolio is managed by removing loans in arrears that have less covered bond value\*

Performance of the total Belgian residential mortgage portfolio of BNP Paribas Fortis.

\*See slide 17

# Residential Mortgage Pandbrieven Programme

## Rating agencies

> **S&P** (As of 30 September 2022)

**S&P Global**  
Ratings

Rating	AAA
Required OC	16,33%
Rating Leeway	3 notches
Issuer Credit Rating	A+
Systemic Importance	Very Strong
Legal Framework	Very Strong
Resolution Regime uplift	2 notches
Collateral Support uplift	Up to 3 notches

> **Moody's** (As of 30 June 2023)

**MOODY'S**

Rating	Aaa
Required OC	11%
Rating Leeway	4 notches
CR Assessment	Aa3 (cr)
CB Anchor	Aa2
Timely Payment Indicator (TPI)	Probable - High
TPI Leeway	4
Collateral Score	5,0%
Cover Pool Losses	28,5%



# 5. Conclusion



## Conclusion



### **Highly-rated, secured instrument**

Rated AAA / Aaa by S&P and Moody's  
Collateralised by high quality prime Belgian residential mortgage loans



### **Recourse of the Investor against BNP Paribas Fortis**

Rated A+ (stable) / A2 (stable) / AA- (stable) by S&P, Moody's and Fitch  
Part of the BNP Paribas Group and largest bank in Belgium



### **Legal privilege over a stable and high quality cover pool**

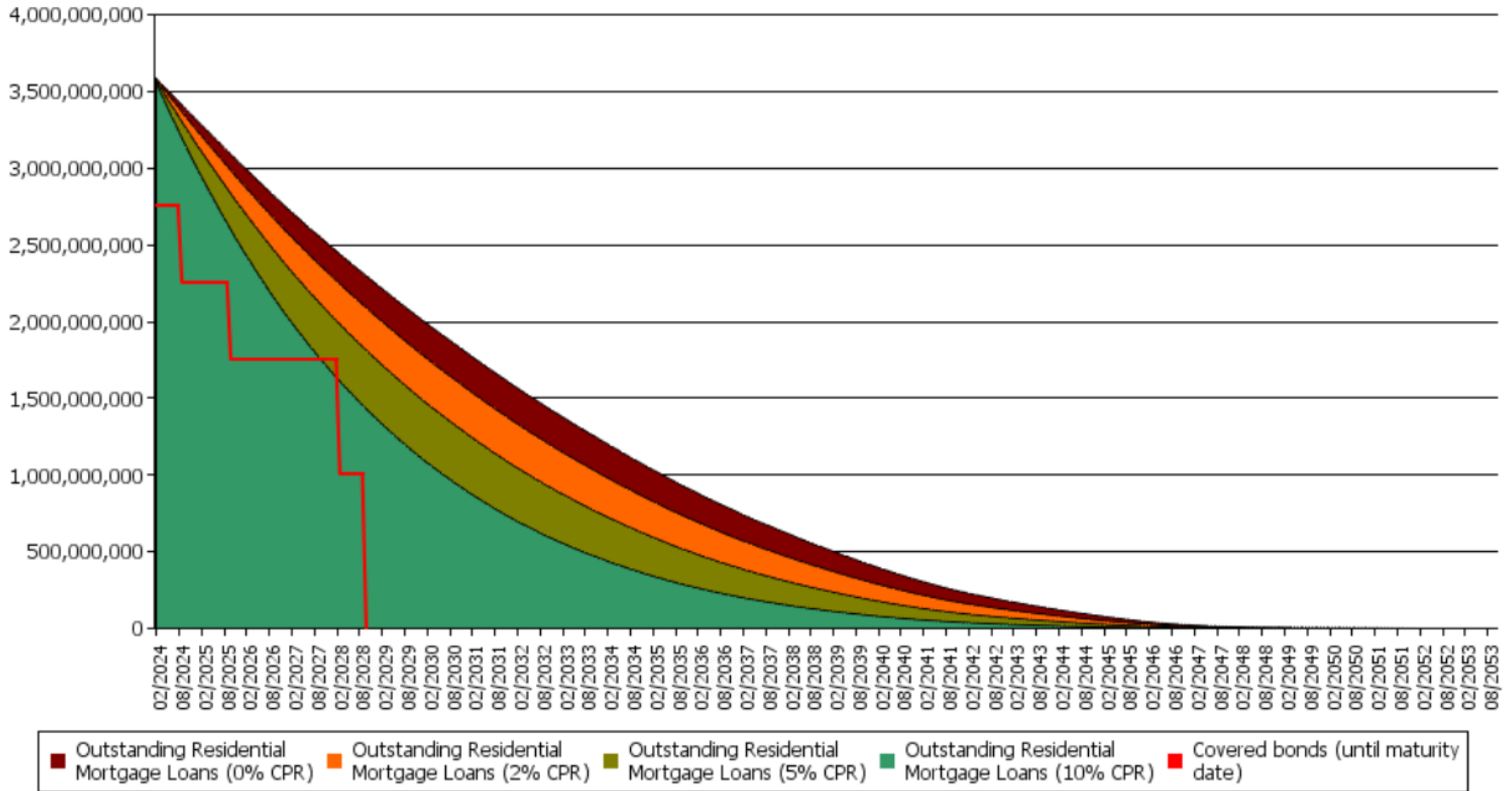
Strict legal borrowing base calculation  
Superior performance of the Belgian mortgage loans



# Appendices

# Amortisation profiles

All amounts in EUR

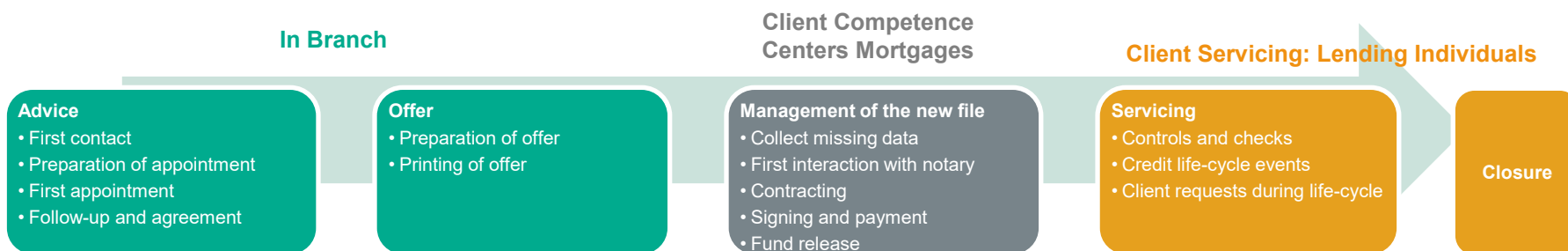


Values as of 01/02/2024

# BNP Paribas Fortis Mortgage Loan Underwriting

Repayment Criteria	<b>Available Income (AVI)</b> <ul style="list-style-type: none"> <li>The AVI is calculated as the difference between net income and financial costs</li> <li>The minimum AVI is calibrated based on budget studies and depends on family composition; it is an objective way to estimate what an average family requires for daily needs           <ul style="list-style-type: none"> <li>Breach of minimum levels requires special approval</li> <li>Systematic special approval in case the minimum monthly AVI &lt; €1,250</li> </ul> </li> </ul>
	<b>Debt to Income (DTI)</b> <ul style="list-style-type: none"> <li>DTI &lt; 40% is seen as acceptable risk if the minimum AVI is respected</li> <li>40% &lt; DTI &lt; 50% is acceptable if the AVI is substantially higher than the minimum AVI</li> <li>DTI &gt; 50% is only acceptable to the best risk profiles with high incomes/wealth</li> </ul>
LTV	<b>Loan To Value (LTV)</b> <ul style="list-style-type: none"> <li>LTV is calculated considering all loans covered by (a) certain property(ies)           <ul style="list-style-type: none"> <li>Normal: LTV &lt; 80%</li> <li>Owner Occupied First Time Buyer: LTV &lt; 90%</li> <li>LTV &gt; 100% can only be allowed by special approval</li> </ul> </li> </ul>

## Mortgage Loan Life Cycle



## Non-Performing Loans Management

D	First payment missed
D + 8	Listing to the branch
D + 9	Letter to the client
D + 30	Second payment missed
D + 40	Second listing to the branch as well as listing to prepare eventual conversion of mandate
D + 45	Second letter to the client
D + 60	Third payment missed
D + 70	Listing to branch to warn that borrower will be serviced notice and involvement of the Risk Surveillance Unit
D + 75	Registered letter for servicing notice upon the debtor
D + 90	<u>90 days past due</u> : Notification in negative central credit data base of the National Bank of Belgium
D + 150	Involvement of Special Credit Guidance Department: obligatory procedure of reconciliation
D + 180	Appointment of external lawyer: manual treatment of file
D + 210 ...	Internal plan to deal with arrears or procedure before judge of reconciliation, if not OK:
D + 300	Letter of denouncement and transfer to Recovery (takes +/- 2 years before property is repossessed)

# Contacts



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