Commercial Real Estate reporting

Information session – June 20, 2018

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Outline of the presentation

1. General aspects, legal basis and reporting framework

2. Scope

3. Timeline

4. Attributes

5. Summary

General aspects, legal basis and reporting framework

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Reply to NVB letter

- Thank you for the elaborate explanation.

- Our position summarized: no postponement as NVB has proposed, but phasing-in.

- In what follows, we will give more details.

- Today is the concluding discussion round. After that, the reporting is final.

Reminder: legal basis for CRE reporting

- **First and foremost: Bankwet 1998**

  - Article 4: one of DNB's main tasks is "promoting the stability of the financial system".
  Monitoring the CRE market is important in this respect, since this market is very cyclical and closely linked to the financial sector.

  - Article 9d & Uitvoeringsbesluit Bankwet 1998: DNB is empowered to collect data from financial institutions to execute its tasks.
  Collecting CRE data and the improvement of current reporting is essential.

- Extra basis: ESRB Recommendation 2016/14 "Closing Real Estate Data Gaps"

CRE is important for financial stability

- It is a cyclical market, with high risks (boom/bust)

- Link with financial instability during crisis: failure SNS PF, problems at other banks

- Currently, it is one of the sectors with the highest NPLs

- On top of that, the market is booming or entering a boom period

Filling data gaps regarding commercial real estate lending is thus essential.

→ Current ad hoc reporting does not suffice in terms of data quality.

A few thoughts on integration of LDMs

o   Granular models are logically and semantically harmonized.

o   Differences in frameworks, scopes, populations and frequencies make technical integration of models a difficult process.

- CRE and RRE are NL projects, AnaCredit European.
- Stability in the AnaCredit implementation must be preserved.

o   Developments at European level:

- New version of AnaCredit with CRE elements?
- BIRD and IReF (one reporting framework for different purposes).
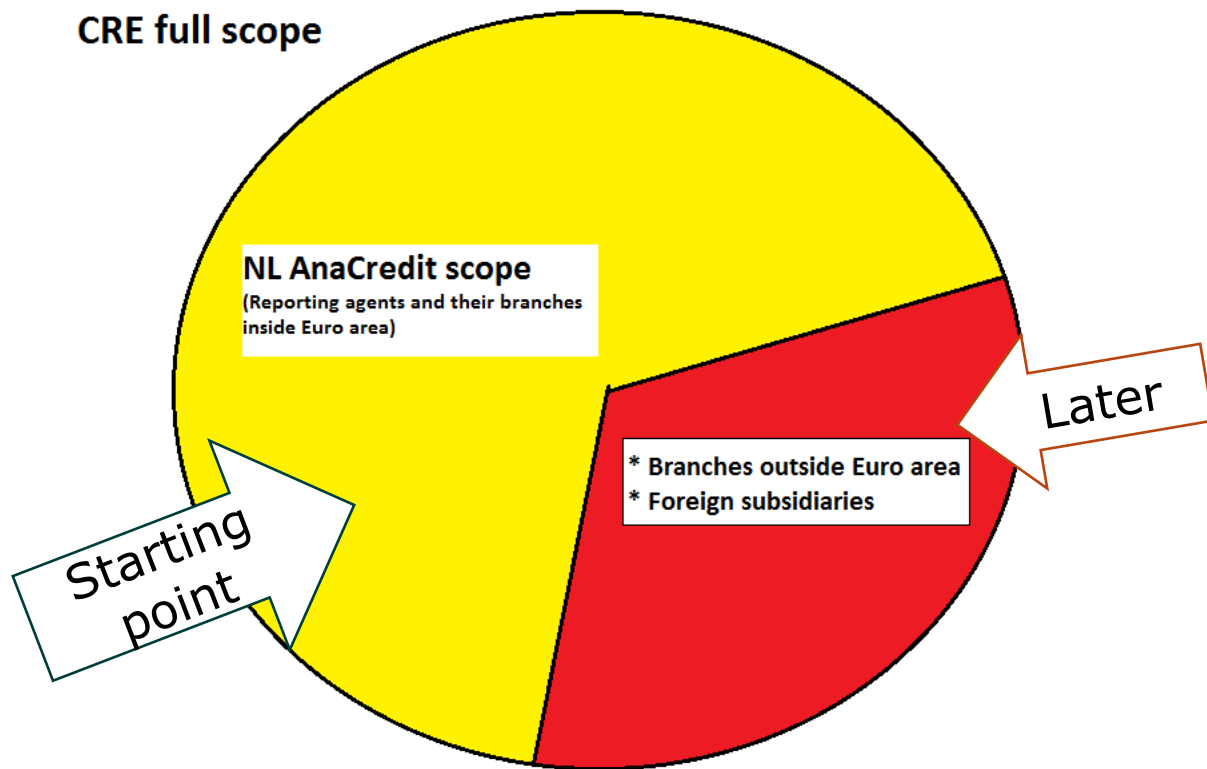
Scope

Geographical scope

CRE full scope

NL AnaCredit scope
(Reporting agents and their branches inside Euro area)

Later

* Branches outside Euro area
* Foreign subsidiaries

Starting point

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Buy-to-let

- **Definition**: a borrower with at least 1 residential real estate collateral, counterparty type is private person or partnership.
- This is closely linked with RRE: buy-to-let is only residential, and counterparties are more like households than companies.

Approach

- Buy-to-let will be out-of-scope in the new CRE reporting, but in-scope for RRE.
- Several attributes from CRE will be moved to RRE, where relevant (next slide).
- Phase-in: this is scheduled to be completed in 2020.

Buy-to-let attributes in future RRE version

PRELIMINARY list of attributes that are currently in CRE

Debt service coverage ratio	Quality of real estate collateral location
Debt service coverage ratio at inception	City / town / village
End date of interest-only period	Liquidation value
Energy label	Street
Interest coverage ratio	Recourse
Interest coverage ratio at inception	Rental contract end date
Interest-only indicator	Rental contract identifier
Legal form	Rental contract start date
Measurement date of occupancy	Rental contract type
Occupancy rate	Rental income
Parking space attached	Special asset management
Project finance loan	Total rentable surface
Type of impairment	Third party priority claims against the protection

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Resulting scope – Counterparties / loan purpose

Type of counterparty

Purpose of loan in CRE		Legal entities	Non-legal entities		
			Quasi-corporations	Partnerships	Private individuals
	CRE (excl. Buy-to-let)	YES	YES	YES	YES
	Buy-to-let	N.A.	N.A.	YES	NO (extra attributes in RRE)

New CRE implementation

- First new CRE report: May 2019

- No pre-production report

- First CRE report with scope beyond NL AnaCredit: February 2020

- Stage 2 attributes: February 2020

- Additional Buy-to-let attributes in RRE report: February 2020

- Shadow reports (current scope) continue until February 2020, but now on a quarterly basis

Attributes

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Attributes in stage 1 and stage 2

Basic premise:

1. AnaCredit attributes in Stage 1 – scope is now the same

2. Most LLD ad hoc attributes stay in Stage 1

3. Hard to source attributes moved to Stage 2

1. AnaCredit attributes in Stage 1

Attributes from AnaCredit - <u>independent</u> from scope of CRE

Accrued interest	National identifier type_country
Accumulated write-offs	National identifier type_type
Counterparty role	Off-balance sheet amount
Current account type	Past due instrument indicator
Drawn instrument indicator	Protection provider indicator
Fully derecognised instrument being serviced indicator	Reported as counterparty identifier
Immediate parent undertaking indicator	Settlement date
Immovable property indicator	Status of forbearance and renegotiation
Interest-only indicator	Type of impairment
Joint liability amount	Ultimate parent undertaking indicator
Accrued interest	National identifier type_country
Accumulated write-offs	National identifier type_type
Counterparty role	Off-balance sheet amount
Current account type	Past due instrument indicator

Attributes in stage 1 and stage 2

- Most LLD ad hoc attributes stay in Stage 1

- Hard to source attributes moved to Stage 2

Attributes in stage 1 and stage 2

Name of attribute	scope dependent	In current CRE LLP?	In AnaCredit?	Reason as to why it's preferred to move these attribute from stage 1 to Stage 2	Stage	Reason
Commitment amount at inception	N	Yes	Yes	Not available in any (source) system	1	In AnaCredit
End date of interest-only period	N	Yes	Yes	Partly available	1	In AnaCredit
Interest rate reset frequency	N	Yes	Yes	Not available / Not applicable	1	In AnaCredit
Date of forbearance and renegotiation status	N	No	Yes	Available but DQ issue	1	In AnaCredit
Rental contract identifier	N	Yes	No	Not available in any (source) system	1	Identifier
Counterparty type indicator	N	No	No		1	Indicator variable
Dutch legal entity indicator	N	No	No		1	Indicator variable
Rental contract type	N	No	No		1	Indicator variable
Special asset management	N	Yes	No	Not available in any (source) system	1	Indicator, already delivered in ad hoc
Loss given default in economic downturns	N	Yes	No	Not available in any (source) system	1	Already delivered in ad hoc
Occupancy rate real estate collateral	N	Yes	No	Not available in any (source) system	1	Already delivered in ad hoc
Real estate collateral city / town / village	N	Yes	No	Not available in any (source) system	1	Already delivered in ad hoc
Rental contract end date	N	Yes	No	Not available in any (source) system	1	Already delivered in ad hoc
Rental income	N	Yes	No	Not available in any (source) system	1	Already delivered in ad hoc
Debt service coverage ratio	N	Yes	No	Not available in any (source) system	1	To be discussed; partly delivered in ad hoc
Energy label of the real estate collateral	N	Yes	No	Available but DQ issue	1	To be discussed; partly delivered in ad hoc
Interest coverage ratio	N	Yes	No	Not available in any (source) system	1	To be discussed; partly delivered in ad hoc
Quality of real estate collateral location	N	Yes	No	Available but DQ issue	1	To be discussed; partly delivered in ad hoc
Loss given default point in time	N	Yes	No	Not available in any (source) system	None	Removed
Monthly rental income on collateral per square meter	N	Yes	No	Not available in any (source) system	None	Removed
Debt service coverage ratio at inception	N	No	No	Not available in any (source) system	2	
Exposure value at inception	N	No	No	Not available in any (source) system	2	
Interest coverage ratio at inception	N	No	No	Not available in any (source) system	2	
Interest rate at inception	N	No	No	Not available in any (source) system	2	
Loan to value at inception	N	No	No	Not available in any (source) system	2	
Outstanding nominal amount at inception	N	No	No	Not available in any (source) system	2	

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Summary

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Final CRE reporting - changes since April

1. **Scope**
   - Geography: First NL AnaCredit scope, the rest later (Feb 2020)
   - Buy-to-let (natural persons, residential): moved to RRE
2. **Timing**
   - First CRE report in May 2019 instead of in Jan 2019
   - No pre-production round
   - Shadow reports on a quarterly basis and until Feb 2020
   - Back data only for reporting period Q4 2018
   - New attributes for buy-to-let in RRE in Feb 2020
3. **Attributes**: hard to source attributes moved to Stage 2 (Feb 2020)

Final CRE planning

CRE Planning

	2018				2019												2020		
	Sep	Okt	Nov	Dec	Jan	Feb	Maa	Apr	Mei	Jun	Jul	Aug	Sep	Okt	Nov	Dec	Jan	Feb	Maa
Current ad hoc CRE-LLD	H1 2018						H2 2018												
Shadow reports CRE-LLD									Q1 2019			Q2 2019			Q3 2019			Q4 2019	
New CRE report - phase 1 *** NL AnaCredit geogr. scope** *** Stage 1 attributes**									Q1 2019			Q2 2019			Q3 2019				
Backdata new CRE report - phase 1									Q4 2018										
New CRE report - phase 2 *** Full geogr. scope** *** Stage 1 and 2 attributes**																		Q4 2019	
RRE report - with new attributes buy-to-let																		Q4 2019	

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Thank you for your attention. Questions??

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