

Brussels, 3 September 2015

Annex 3 to circular NBB_2015_24

Comment on reporting table 90.30

Scope

This circular letter is applicable to Belgian credit institutions, Belgian settlement institutions and institutions equivalent to settlement institutions, and financial holding companies. They are hereinafter referred to as “the institutions”.

The principles and criteria regarding the supervisory review and evaluation process mentioned below essentially apply on a consolidated as well as on a non-consolidated basis.

INTEREST RATE RISK IN THE BANKING BOOK / ECONOMIC VALUE AND EARNINGS SENSITIVITY UNDER SET INTEREST RATE SCENARIOS AND ASSUMPTIONS

1. General terms

- 1.1. Reporting table 90.30 relates to the NBB circular on the supervisory review and evaluation process for interest rate risk in the banking book. The definitions and reporting requirements regarding periodic prudential reporting referred to in the circular shall apply.
- 1.2. The table shall be reported by credit institutions established under Belgian law, settlement institutions and organisations similar to settlement institutions, and financial holding companies, unless the size of their banking book is *de minimis*.

2. Specific rules

The reported data are assessed using the institution's own internal methods, taking account of the requirements mentioned in the circular and using the standard assumptions set by the NBB for non-maturity deposits, on the basis of a series of scenarios with different parallel interest rate movements set by the supervisor.

Institutions must consistently adhere to a duly founded and documented policy about how they incorporate transactions of an optional nature (both specific option contracts and options embedded in the specific features of given products) in the calculations according to the different scenarios.

2.1. Economic value sensitivity

2.1.1. In column 010, the institution has to report the economic value of the banking book as calculated using its own internal methods, but also on the basis of a set series of scenarios of immediately implemented parallel interest rate movements and using standard assumptions for a number of behavioural items. In column 060, an institution has the option, on a completely voluntary basis, of reporting the estimated economic value, in the baseline scenario and even in the various stress scenarios too, excluding any commercial margins, i.e. at swap rate on the reporting date (except for non-maturity deposits, which should be included at external customer rates).

2.1.2. The scope of the standard assumed parallel interest rate movements amounts to respectively 100, 200 and 300 basis points, both upwards (lines 100, 200 and 300), and downwards (lines 500, 600 and 700); these six scenarios are supplemented by a seventh scenario of unchanged interest rates (line 400).

2.2. Earnings sensitivity

2.2.1. The institution shall report in ascending order in column 020 its interest income result for the past 12 months, and in columns 030, 040 and 050 its expected interest income result for the first three periods of each twelve months, taking account of the reporting requirements mentioned in the circular, on the basis of a set series of scenarios with gradually implemented parallel interest rate movements and using standard assumptions for non-maturity deposits, for the interest rate to be applied on repricing and for the replacement of positions coming to maturity.

2.2.2. The scope of the standard assumed parallel interest rate movements amounts to respectively 100, 200 and 300 basis points, both upwards (lines 100, 200 and 300), and downwards (lines 500, 600 and 700); these six scenarios are supplemented by a seventh scenario of unchanged interest rates (line 400).

The interest rate scenarios for these estimates of earnings sensitivity assume gradually implemented interest rate movements, one quarter of which is adjusted immediately, one quarter after three months, one quarter after six months and one quarter after nine months.