

Brussels, 19th July 2019

Annex 3 to Circular NBB_2019_18

Explanatory notes to reporting table 90.30

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 is in line with the NBB circular on the supervisory review and evaluation process for interest rate risk in the banking book. The definitions and reporting requirements relating to periodic prudential reporting that are mentioned in that circular apply.
- 1.2. The table should be reported by credit institutions under Belgian law, by institutions equivalent to settlement institutions and by financial holding companies identified as less significant by the SSM.

2. Specific rules

The figures reported are calculated using the institution's own internal methods, taking into account the requirements mentioned in the EBA Guidelines and the circular, based on the interest rate movement scenarios set by the supervisor.

Institutions must consistently adhere to a well-reasoned and properly documented policy for incorporating transactions of an optional nature (both specific option contracts and options embedded in the features of certain 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 interest rate movements and using the calculation specifications included in the EBA Guidelines and the circular. In column 060, the institution has the option, on a completely voluntary basis, to show the calculation of the economic value in the baseline scenario as well as, potentially, in the various stress scenarios, excluding 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 200 basis points, both upwards (line 300) and downwards (line 500). The four other scenarios are described in Annex III of the EBA Guidelines and relate to a steeper yield curve (line 100), an increase in short-term interest rates (line 200), a decrease in short-term interest rates (line 600) and a flatter yield curve (line 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, its interest result for the past 12 months in column 020, and its expected interest result for the next three twelve-month periods in columns 030, 040 and 050, taking account of the reporting requirements mentioned in the circular, on the basis of two scenarios of gradually implemented parallel interest rate movements and using the requirements laid down in the circular, including the assumptions set for non-maturity deposits, for the interest rate to be applied on repricing and for the replacement of maturing positions.

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

2.2.3. The interest rate scenarios for these calculations 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.