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EU-wide EBA 2018 Stress Test: Belfius' strong solvency position confirmed

This 2018 stress test once again confirms Belfius' strong solidity and resilience. Starting from a strong CET 1 capital ratio of 16.2% as of 01.01.2018, Belfius displays a solid CET 1 capital ratio of 13.2% at the end of the stress test period. This impact of -2.96% on Belfius' CET 1 ratio is also materially lower than the impact under former stress tests. Finally, Belfius' outcome compares favourably to the European average of the 48 participating banks. These results demonstrate the strong solvency position of Belfius, its solidified resilience towards adversities and the pertinence of having a sound financial & risk management as a cornerstone of its consistent long-term strategy.

Belfius was subject to the 2018 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the National Bank of Belgium, the European Central Bank, the European Commission and the European Systemic Risk Board.

The stress test applied to 48 European banks (representing about 70% of total assets held by EU banks) aims to assess the resilience of those banks when confronted by a severe financial and economic stress over a three-year time horizon (2018-2020). The exercise was carried out applying a static balance sheet assumption as at December 2017 restated for IFRS 9 (hence, on pro forma 01.01.2018 accounts) and therefore does not take into account any future business strategies and management actions¹. Hence, it is not a forecast of Belfius' profits or solvency.

The final outcome of this stress test is translated into the relevant banks' solvency figures as per the end of 2020. Starting from a strong CET 1 capital ratio of 16.2% as of 01.01.2018, Belfius still displays a solid CET 1 capital ratio of 13.2% at the end of the stress test period.

Even though this 2018 stress test is considered to be based upon the most severe shock scenario compared to the former 2014 and 2016 stress test scenarios, the impact for Belfius (i.e. -296 bps) is the lowest since the first stress test performed in 2014. Indeed, the CET 1 ratio impact was -620 bps in the 2014 stress test and -449 bps in the 2016 stress test. The continuous strengthening of Belfius' solvency together with its strategy of solidifying its risk profile has clearly contributed to this improved resilience.

¹ Including these conducted in 2018 YTD, e.g. the sale of some Italian government bonds in 1Q 2018.

Belfius' strong solidity and resilience are also confirmed when comparing results to those of peers. Indeed, Belfius compares favourably to the European average of the 48 participating banks in terms of (i) CET 1 ratio starting point (16.2% vs. 14.4%), (ii) impact of the adverse stress test scenario (-2.96% vs. -4.10%) and (iii) CET 1 ratio end point (13.2% vs. 10.3%).

As already communicated by our supervisory authorities, this 2018 stress test does not contain a pass-fail solvency threshold, but instead was designed to be used as important information for the purpose of the supervisory review and evaluation process. The results will assist competent authorities in assessing Belfius' ability to meet applicable prudential requirements under stressed scenarios.

Marc Raisière, CEO: "This excellent result not only confirms our solidity today but also our resilience for tomorrow. Our growing presence in all segments of the Belgian economy results in a strongly diversified balance sheet; the extension of our core activities – e.g. in bankinsurance – in successfully broadening our revenue base. We were only able to achieve this thanks to the trust of our clients, the commitment of our employees and our agents, and the long-term vision of our shareholder. I wish to thank them expressly for that."

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