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Stress Test: Belfius further improves its resilience and confirms its strong solvency

The 2021 stress test conducted by the European Banking Authority (EBA) on the 50 largest European banks has delivered its results. It once again confirms Belfius' strong financial solidity and resilience.

In an extremely severe adverse scenario, Belfius was able to limit the decline in its fully loaded CET 1 ratio to 2.70%. This is less than the impact of all previous stress tests in which Belfius has participated.

Starting from a strong CET 1 fully-loaded ratio of 16.36% as at 1 January 2021 (corresponding to a CET 1 ratio of 17.11% on a transitional IFRS9 basis), Belfius has a high CET 1 fully-loaded ratio of 13.66% at the end of the stress period (corresponding to a CET 1 ratio of 14.02% on a transitional IFRS9 basis).

This outcome also compares favorably to the average of the participating banks. It confirms the strong solvency position of Belfius, its solid resilience towards adversities and the pertinence of having a sound financial & risk management as a cornerstone of its consistent long-term diversification strategy.

Following the postponement of the 2020 exercise, due to the Covid-19 pandemic, Belfius took part in the 2021 EU-wide stress test conducted by the EBA, in cooperation with the National Bank of Belgium (NBB), the European Central Bank (ECB), and the European Systemic Risk Board (ESRB). Belfius notes the announcements made today by the EBA concerning the results of the 2021 stress test.

Conducted on a sample of 50 EU banks covering roughly 70% of total banking sector assets in the EU and Norway aims to **assess the resilience of the banks** when confronted with a severe financial and economic stress. The stress test has been carried out applying a static balance sheet assumption as of December 2020, and therefore does not take into account later business strategies and management actions. It is not a forecast of Belfius profits.

A limited decline of the fully-loaded CET 1 ratio: 2.70%

The final outcome of this stress test is translated into the relevant banks' solvency figures as per the end of 2023. Starting from a strong fully-loaded CET 1 ratio of **16.36% as at 1 January 2021** (corresponding to a IFRS9 restated CET 1 ratio of 17.11% on a transitional basis), Belfius displays a solid fully-loaded CET 1 ratio of **13.66% at the end of the stress test period** (corresponding to a IFRS9 restated CET 1 ratio of 14.02% on a transitional basis).

The smallest impact ever despite the most severe unfavourable scenario to date (compared to baseline level)

The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023). Given the specific macroeconomic conditions caused by the Covid-19 pandemics the adverse scenario is based on a narrative of a **prolongation of the pandemic** in a **'lower for longer'** interest rate environment, in which **negative confidence shocks** prolonged the economic contraction. This scenario is considered to be very severe having also in mind the already weaker macroeconomic starting point in 2021 as a result of the severe pandemic-induced recession. As announced by ESRB, given its severity measured in relation to baseline levels, the current scenario is the most severe among the exercises carried out to date by the EBA. Nevertheless, the impact for Belfius is the lowest since 2014 – when Belfius took part for the first time in stress tests.

Several factors contributed to these solid and improved results:

- The continuous strengthening of Belfius' solvency
- Its strategy of solidifying its risk profile, by means of derisking management actions and of re-enforcement of the hedging framework for instance
- The strengthening of its business model thanks to a sustained diversification strategy

This is highlighted by an even more resilient profitability delivering a material contribution even under the adverse scenario, despite the more severe 'Lower for Longer' interest rate conditions.

Furthermore, sound risk management led to lower market risk impacts.

Finally, credit risk impact in adverse scenario is somewhat higher than in previous EBA ST in view of the severity of the shocks and change in regulatory treatment. However, this is partly mitigated by Belfius prudent provisioning set up during the Covid-19 crisis.

Belfius strongly withstands any comparison

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 50 participating banks in terms of:

- fully-loaded CET 1 ratio starting point (16.36% vs. 15.01%),
- impact of the adverse stress test scenario (-2.70% vs. -4.85%)
- fully Loaded CET 1 ratio end point (13.66% vs. 10.16%)

As already communicated by our supervisory authorities, this stress test does not contain a pass-fail threshold and instead is designed to be used as an important source of information for the purpose of the supervisory review and evaluation process (SREP). These results will assist competent authorities in assessing Belfius bank's ability to meet applicable prudential requirements under stressed scenarios.

Marc Raisière, CEO: "When we present better outcome for every new EU-wide EBA stress test, we cannot speak of coincidence. They are the results of our coherent and pertinent strategic vision together with a sound financial and risk management. Combined with solid solvency levels, the in-depth transformation of Belfius since its origins, including our even more relevant presence in all segments of the Belgian economy, our bankinsurance and asset under management developments, positions Belfius once again successfully even in very severe adverse scenario. Rooted in a robust diversification of revenue base within a controlled cost environment, we achieve this of course also thanks to the trust of our clients, the commitment of our employees and network in these difficult times, and the long-term vision of our shareholder. I wish to thank them all for that."

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