

B. Macroprudential policy

As the macroprudential authority for Belgium, the Bank keeps a close watch on developments in the financial sector, with a particular focus on the detection of risks that could threaten the stability of the sector. Where such systemic risks arise, the Bank is authorised to take the necessary macroprudential measures to avoid a further accumulation of such risks and to help reduce the financial sector’s vulnerabilities and exposures. These macroprudential measures can take various forms, e.g. additional capital requirements imposed in view of financial-cycle developments, specific financial sector exposures or the systemic nature of certain institutions and measures aimed at framing financial institutions’ credit policies. The Bank’s key decisions are briefly outlined below. The Bank’s annual Macroprudential Report presents the macroprudential framework in more detail.

1. Countercyclical capital buffer

The countercyclical capital buffer was maintained at 0% to give banks full flexibility to support the real economy. In its capacity as the country’s macroprudential authority, the Bank decided in March 2020 – at the beginning of the COVID-19 pandemic – to release the countercyclical capital buffer which, at the time, stood at around € 1 billion for the Belgian banking sector as a whole. This buffer is built up during periods of dynamic lending to ensure banks have sufficient margins when economic conditions deteriorate. This relaxation of the regulatory requirements allowed banks to continue lending and support businesses and households.

At the start of 2022, the need for such support was significantly less as the economic recovery gathered pace and asset quality indicators further improved. At that time, credit growth indicators

showed renewed dynamism that was comparable to the situation in 2019 when the activation of the countercyclical capital buffer was first announced in Belgium. Before Russia’s invasion of Ukraine in late February 2022, macrofinancial conditions seemed to suggest the need to consider reactivation of the countercyclical capital buffer.

However, from that point onwards, soaring energy and commodity prices, rising interest rates and high volatility in the financial markets created substantial uncertainty as to macrofinancial developments. With an eye to the most appropriate macroprudential policy stance, the Bank decided, as a first step, to monitor and analyse the impact of these factors on, amongst other things, the level of cyclical risks and the probability of tail-risk scenarios for financial stability.

In late September 2022, when the Bank noted a significant deterioration in the macroeconomic environment and a downward revision of growth expectations, it decided to maintain the countercyclical buffer rate at 0%, to ensure that Belgian banks had full flexibility to use their ample available capital reserves to support the real economy. The Bank counts on Belgian banks to help, where necessary, Belgian households and non-financial corporations cope with the challenges posed by record-high energy prices and challenging macroeconomic conditions. This support should take the form of ensuring the continuation of an adequate flow of credit to the real economy as well as proactively offering moratoria and other debt rescheduling options to borrowers experiencing temporary or more structural repayment problems due to high energy bills and rising living or operating expenses.

In this context, the Bank welcomed Belgian banks’ unilateral commitment to offer, as from 1 October, moratoria to mortgage borrowers significantly affected

by the energy crisis and, more generally, case-by-case solutions to households and non-financial corporations heavily affected by the deteriorating macroeconomic environment (see chapter 5 in the “Economic and financial developments” section of this report).

The Bank also urged financial institutions to remain cautious in their decisions regarding dividends and other types of profit distributions and to base these decisions on a conservative, forward-looking assessment of their capital and provisioning needs in light of possible macroeconomic scenarios.

2. Housing market

The Bank continues to closely monitor risks associated with the housing market and to maintain existing measures. As part of its macroprudential mandate, the Bank has been closely monitoring developments in the Belgian housing market for many years. Since 2013, it has required the Belgian banking sector to maintain a specific macroprudential capital buffer for real estate risks, due to its high exposure on this market in the form of mortgage loans. This measure has been extended and adapted repeatedly.

In late 2021, when the Bank was considering extending this requirement beyond April 2022, it deemed the risk associated with mortgage loan portfolios in Belgium to be broadly stable. It therefore decided to maintain the capital buffer at the same level, i.e. around € 2 billion for the banking sector as a whole. Since May 2022, this buffer has taken the form of a sectoral systemic risk buffer (SSyRB). This tool, which is harmonised at EU level and was introduced by CRD V, replaced the instrument previously applied under Article 458 of the CRR. As it has indicated in the past, the Bank stands ready to release this macroprudential capital buffer, for example in the event of a substantial increase in repayment problems for mortgage borrowers.

In addition to this capital buffer, the Bank also introduced prudential expectations for mortgage lenders in early 2020. These recommendations – which have been maintained – aim to improve the average credit quality of new mortgage loans. They have achieved their twofold objective of reducing the share of the riskiest loans in new mortgage origination in Belgium while maintaining access to the mortgage market for creditworthy borrowers, including young people. This reflects in particular the fact that these



recommendations provide sufficient leeway to lenders, especially when it comes to granting loans with a high loan-to-value ratio to first-time buyers.

Still on the subject of the real estate exposures of Belgian financial institutions, in late 2020, based on financial stability considerations, the Bank published a macroprudential circular setting out its expectations and reporting requirements with regard to the inclusion of the energy efficiency of real estate exposures in the management of climate-related risks by the financial sector (see section C.3.2).

3. Systemically important institutions

The capital surcharge imposed on domestic systemically important banks was maintained.

As a macroprudential authority, the Bank imposes specific capital requirements on domestic systemically important institutions to enhance their resilience, given the high economic and social costs their failure would entail. The applicable capital surcharge depends on the systemic importance of the bank. It amounts to 1.5 % of risk-weighted assets for the four largest institutions and 0.75 % for the remaining four banks. These buffers are relatively substantial: by the end of 2021, they totalled more than € 5 billion. Following the acquisition of AXA Bank Belgium by Crelan at the end of 2021, the Bank adapted the list of systemically important banks to include Crelan, which has been subject to a capital surcharge of 0.75 % of its risk-weighted assets since 1 January 2023.