

**Quarterly decision of the National Bank of Belgium on the countercyclical buffer rate  
for 2023Q1: 0 %**

**Pursuant to Art. 5 §2 Annex IV to the Banking Law, the National Bank of Belgium has decided to keep the countercyclical buffer rate for exposures in Belgium at 0 %.**

**Justification**

1. The countercyclical capital buffer is a macroprudential instrument designed to mitigate cyclical systemic risks and to counter pro-cyclicality in lending. Its objective is to support the sustainable provision of credit through the cycle by strengthening the resilience of banks. In particular, capital buffers are imposed whenever there is an increase in cyclical systemic risks (i.e. with excessive growth in lending), so that these additional requirements can be relaxed when the cycle turns and the risks start to decline. If risks emerge – in a situation of financial stress for instance – a decision can be taken to release the buffer instantly in order to give the banks some extra breathing space and thus put them in a better position to absorb losses and keep up their level of lending when the economic and financial environment is vulnerable. The countercyclical buffer rate, expressed as a percentage of banks' risk-weighted assets, is generally between 0 and 2.5 %, but can be set higher when justified by the underlying risk. It should be noted that the countercyclical capital buffer is only one of the macroprudential instruments available to the National Bank of Belgium for achieving its mission of contributing to the stability of the financial system.
2. Pursuant to Article 5 of Annex IV to the Law of 25 April 2014 on the legal status and supervision of credit institutions, the National Bank of Belgium sets each quarter the countercyclical buffer rate applicable to credit exposures to counterparties located on Belgian territory on the basis of one or more reference indicators that reflect the credit cycle and the risks stemming from excessive credit growth in Belgium, and that account for the specific elements of the national economy. These indicators shall include the deviation of the credit-to-GDP ratio from its long-term trend (the credit-to-GDP gap), accounting for the change in volumes of credit granted on Belgian territory and the evolution of Belgian GDP, the recommendations issued by the ESRB, and any other variable that the National Bank of Belgium deems relevant to capture cyclical systemic risk.
3. The National Bank of Belgium sets the countercyclical buffer rate pursuant to its policy strategy regarding the countercyclical capital buffer.<sup>1</sup> In line with the Basel III framework and the ESRB Recommendation of 18 June 2014 on guidance for setting countercyclical buffer rates, the quarterly decision on the countercyclical buffer rate is partially based on a 'buffer guide' derived from the credit-to-GDP gap.<sup>2</sup> Given the specific features of the domestic financial system and statistical properties of the credit series monitored, the National Bank of Belgium sets the credit-to-GDP variable on the basis of resident bank loans. The quarterly decision on the countercyclical buffer rate also takes into account additional macrofinancial indicators, including broader credit measures.
4. To ensure that Belgian banks continue to have full flexibility to use their ample available capital resources to support the real economy, the NBB decided on 6 December 2022 to maintain the countercyclical capital buffer (CCyB) rate at 0% for the first quarter of 2023.
5. The NBB counts on Belgian banks to use their available capital resources to continue to help, where necessary, Belgian households and non-financial corporations cope with the challenges posed by record-high energy prices and challenging macroeconomic conditions. In addition to ensuring an adequate flow of credit to the real economy, the focus should remain on 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.

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<sup>1</sup> "Setting the countercyclical buffer rate in Belgium: a policy strategy".

<sup>2</sup> The buffer guide is the result of the credit-to-GDP gap being mapped into a benchmark buffer rate, as specified in the ESRB Recommendation of 18 June 2014 on guidance for setting countercyclical buffer rates. The benchmark buffer rate equals 0 % for credit-to-GDP gap levels up to 2 percentage points. When the credit-to-GDP gap exceeds 2 percentage points, the benchmark buffer rate increases linearly, reaching its maximum level of 2.5 % for credit-to-GDP gap levels of 10 percentage points and higher.

6. Belgian banks have already started to grant payment relief to clients, following their unilateral commitment in September to offer moratoria to eligible mortgage holders and case-by-case solutions to households and non-financial corporations facing financial difficulties in this challenging period. The NBB counts on Belgian banks to continue to provide pro-active assistance to borrowers.
7. As financial conditions have tightened significantly amidst vulnerabilities accumulated during the long period of low interest rates, the probability of a more significant materialisation of losses on loans to the domestic non-financial private sector remains high. It is true that the — mostly backward-looking — asset quality indicators do not (yet) point to an increase in loan repayment problems. But banks should look ahead and base their credit risk provisions on sufficiently conservative assessments of potentially stressful economic scenarios and use their current strong capital position to proactively raise loan loss provisions, where necessary. The capital resources that remain available pursuant to the decision not to re-activate the CCyB should thus also be used to do so.
8. In the current macrofinancial context still characterised by a high level of uncertainty, the NBB also urges 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 assessment of their capital and provisioning needs in light of potential macroeconomic developments.
9. The NBB will continue to closely monitor bank credit, moratoria and other forms of debt restructuring.

**Table 1: Key indicators<sup>1</sup>**

Variable	Unit	Latest period	Value
<b>Non-financial private sector credit cycle (resident bank loans)</b>			
<u>Preferred credit-to-GDP gap</u>	% GDP	2022 Q3	-2.1
<u>Households</u>	% GDP	2022 Q3	-2.8
<u>Non-financial corporations</u>	% GDP	2022 Q3	0.7
<u>CCyB guide related to preferred credit gap<sup>2</sup></u>	% RWA	2022 Q3	0.0
<u>Standardised credit-to-GDP gap</u>	% GDP	2022 Q2	-25.9
<u>CCyB guide related to standardized credit gap<sup>2</sup></u>	% RWA	2022 Q2	0.0
<u>Bank loan growth</u>	y-o-y %	2022 M09	5.8
<u>Households</u>	y-o-y %	2022 M09	5.7
<u>Non-financial corporations</u>	y-o-y %	2022 M09	6.0
<i>p.m. Credit-to-GDP ratio<sup>3</sup></i>	% GDP	2022 Q3	83.2
<b>Non-financial private sector resilience</b>			
<u>Debt-to-GDP ratio</u>	% GDP	2022 Q2	120.7
<u>Households</u>	% GDP	2022 Q2	61.3
<u>Non-financial corporations</u>	% GDP	2022 Q2	59.6
<u>Net financial assets</u>	% GDP	2022 Q2	135.6
<b>Financial and assets markets</b>			
<u>Equity prices, nominal (Euro Stoxx 50)</u>	y-o-y %	2022 M10	-16.2
<u>Price-earnings ratio (Euro Stoxx 50)<sup>4</sup></u>	–	2022 M10	12.5
<u>House prices, nominal</u>	y-o-y %	2022 Q2	6.7
<u>House prices, real</u>	y-o-y %	2022 Q2	-1.2
<u>10-year government bond yield</u>	% points/y	2022 M10	2.8
<u>Bank lending rate on mortgage loans to households</u>	% points/y	2022 M09	2.5
<u>Bank lending rate on loans to non-financial corporations</u>	% points/y	2022 M09	2.9
<b>Banking sector resilience</b>			
<u>CET 1 capital ratio</u>	%	2022 Q3	17.1
<u>Equity-to-total assets ratio</u>	%	2022 Q3	6.6
<u>Loan-to-deposit ratio</u>	%	2022 Q3	91.1
<b>External imbalances</b>			
<u>Current account</u>	% GDP	2022 Q2	-2.9
<u>Net international investment position</u>	% GDP	2022 Q2	52.9
<b>Asset quality</b>			
<u>NPL ratio</u>			
<u>Belgian non-financial corporations</u>	% total loans	2022 Q3	3.15
<u>Belgian households</u>	% total loans	2022 Q3	1.10
<u>Forbearance ratio</u>			
<u>Belgian non-financial corporations</u>	% total loans	2022 Q3	3.20
<u>Belgian households</u>	% total loans	2022 Q3	1.14
<u>Loan loss ratio<sup>5</sup></u>			
<u>Consolidated, including interbank loans</u>	b.p.	2021	2.41
<u>Non-consolidated, excluding interbank loans</u>	b.p.	2021	10.58

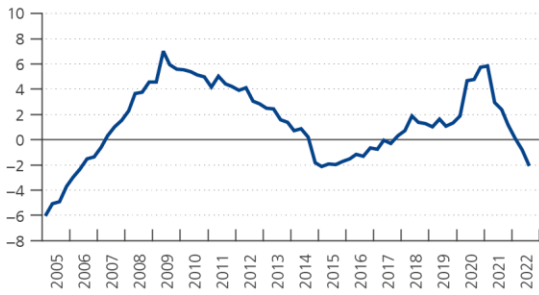
Sources: Thomson Reuters, NBB.

<sup>1</sup> Monthly averages for daily data. Data are shown end of quarter (March, June, September, December) or for the latest month available.<sup>2</sup> CCyB guides are expressed in percentage of risk-weighted assets.

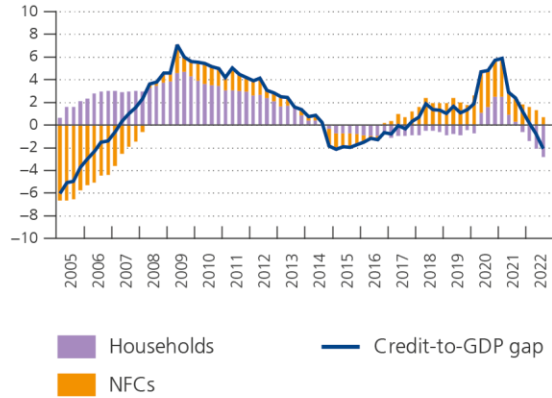
- <sup>3</sup> Outstanding amounts of loans granted by resident monetary financial institutions to households and non-financial corporations, including those securitized, in percentage of GDP.
- <sup>4</sup> Price earnings (P/E) ratio is a trailing (12 months) P/E ratio.
- <sup>5</sup> The loan loss ratio is the net flow of new impairments for credit losses, expressed as a percentage of the total stock of loans (one basis point is one-hundredth of one per cent).

# STATISTICAL ANNEX

**Credit-to-GDP gap**  
(quarterly data, % GDP)



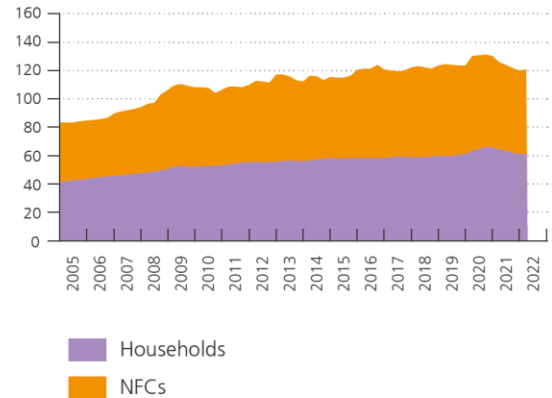
**Credit-to-GDP gap: sectoral breakdown**  
(quarterly data, contributions in % GDP)



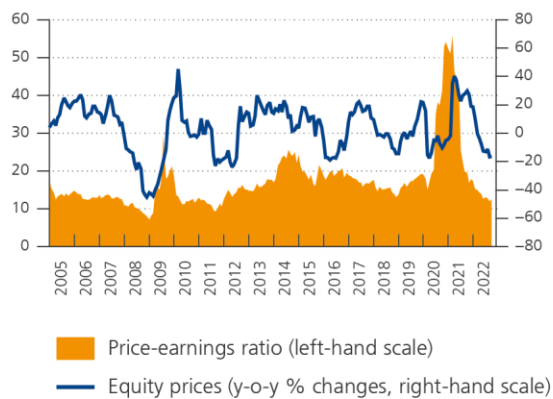
**Bank loan growth**  
(monthly data, y-o-y % changes)



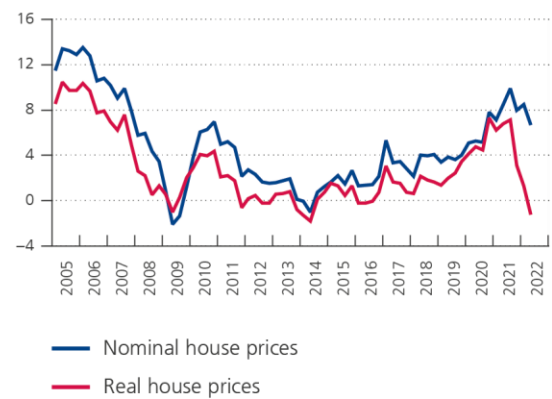
**Non-financial private sector debt**  
(quarterly data, % GDP)



**Equity prices**  
(monthly data, Euro Stoxx 50 index)



**House prices**  
(quarterly data, y-o-y % changes)



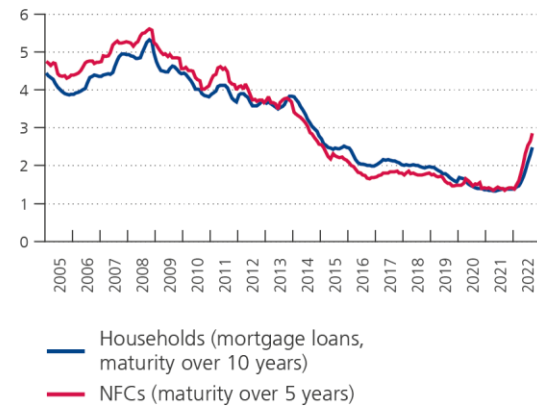
Sources: Thomson Reuters, Refinitiv, NBB.

## STATISTICAL ANNEX (cont.)

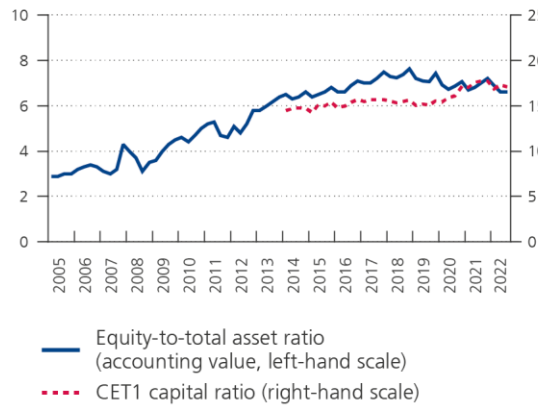
**Short- and long-term interest rates**  
(monthly data, % points per year)



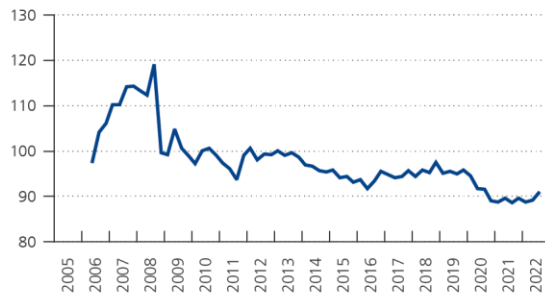
**Bank lending rates**  
(monthly data, % points per year)



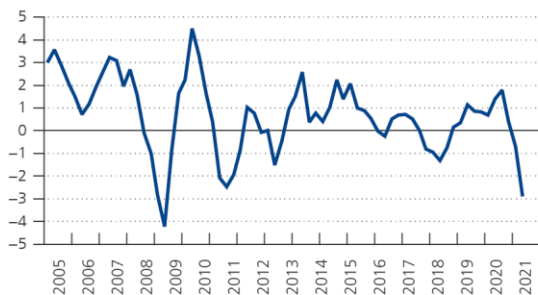
**Bank solvency**  
(quarterly data, %)



**Loan-to-deposit ratio**  
(quarterly data, %)



**Current account**  
(quarterly data, % of GDP)



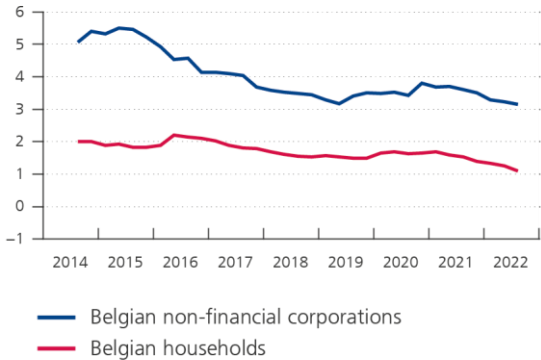
**Net international investment position**  
(quarterly data, % of GDP)



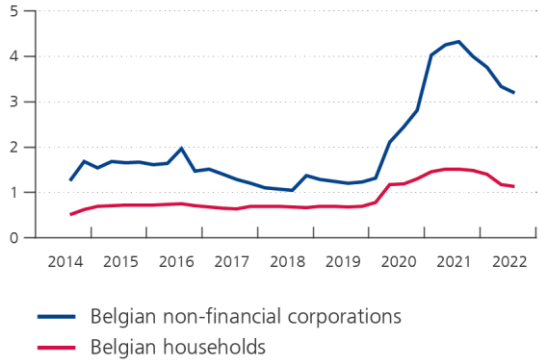
Sources: Thomson Reuters, Refinitiv, NBB.

**STATISTICAL ANNEX (cont.)**

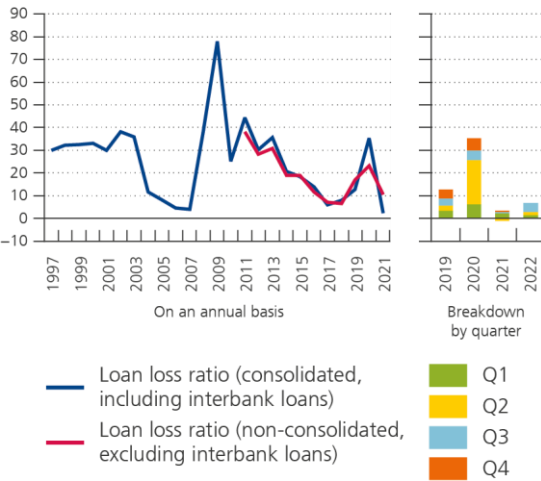
**Non-performing loans**  
(consolidated end-of-period data, % of total loans)



**Forbearance ratio**  
(consolidated end-of-period data, % of total loans)



**Loan loss ratio**  
(in basis points)



Sources: NBB.