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PRESS RELEASE

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Result and result allocation for the financial year 2022

On 29 March 2023, the Council of Regency of the National Bank of Belgium approved the annual accounts for 2022, in accordance with Article 44 of the Statutes. The auditor issued an unqualified opinion on the annual accounts and confirmed that the accounting data in this press release are consistent with the annual accounts.

The annual accounts and the Directors' Report are available on the Bank's website ([French](#) – [Dutch](#)).

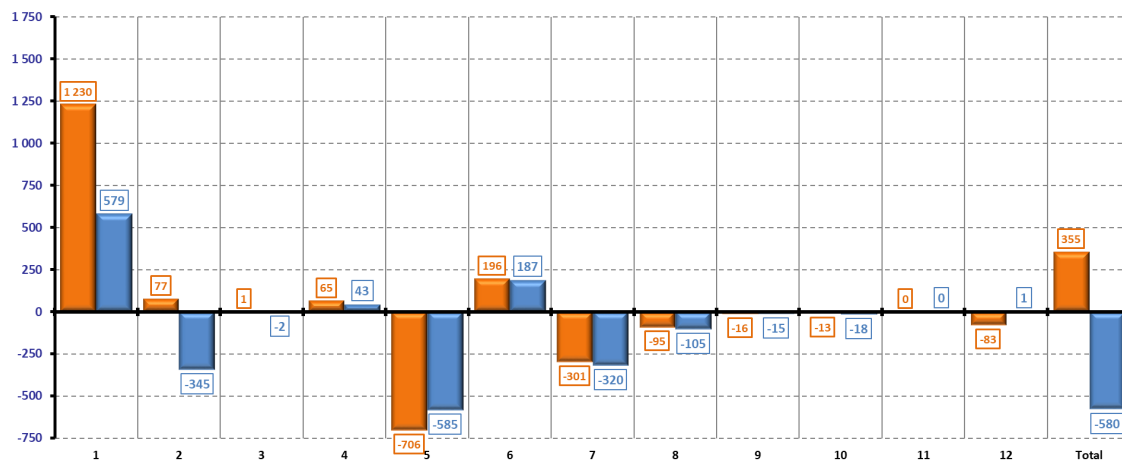
Result

In 2022, the Bank realised a loss of € 580 million, compared to a profit of €355 million the preceding year (-€ 935 million).¹

The main factors explaining this result are detailed below.

General structure of the result

(€ million)



1. Net interest income
2. Net result of financial operations, write-downs and provisions
3. Net income/expenses from fees and commissions
4. Income from equity shares and participating interests
5. Net result of pooling of monetary income
6. Other income
7. Staff costs
8. Administrative expenses
9. Depreciation on tangible and intangible fixed assets
10. Banknote production services
11. Other expenses
12. Corporate tax

This development is in part a consequence of the revaluation of the Bank's mark-to-market investment portfolios. The most important factor, however, was the rising cost of funding monetary policy portfolios: interest expenses on deposits held by credit institutions with the Bank have increased, while the (mostly long-term) assets that make up these portfolios were acquired at low yields.

¹ Amounts in brackets indicate the effect on the income statement.

This change in the Bank's earnings is mainly due to a significant decrease in net interest income (- € 651 million) and net income from financial operations (- € 422 million). Nonetheless, this effect was partially mitigated by a decrease in the Bank's contribution to monetary income (- € 121 million) and corporate income tax (- € 84 million). The decrease in net interest income was mainly due to:

- higher interest rates (- € 1 041 million) on the deposit facility, excess reserves and other current accounts coupled with an increase in their volumes (- € 295 million);
- higher interest rates on Target balances (- € 32 million); and
- lower returns on own euro-denominated portfolios (- € 48 million).

However, this development was partially offset by:

- a reduction in the interest expenses related to monetary policy credit operations (+ € 443 million);
- an increase in monetary policy portfolio volumes (+ € 148 million) coupled with the reinvestment of securities at a higher interest rate (+ € 147 million); and
- an increase in the interest rates applicable to intra-Eurosystem claims (+ € 36 million).

The Bank's contribution to the allocation of monetary income fell significantly by € 121 million mainly through:

- an increase in the amount pooled with the Eurosystem (- € 93 million) and
- an increase in monetary income reallocated to the Bank, due to a rise in the total monetary income of the Eurosystem (+ € 214 million).

The net result of financial operations decreased mainly due to rising dollar-denominated interest rates (- € 105 million).

On the euro-denominated securities market, capital gains fell sharply as transactions in securities held for monetary policy purposes virtually disappeared (- € 77 million). Unrealised losses on dollar-denominated securities charged to the profit and loss account increased significantly (- € 294 million).

The "other income" item fell, in 2022, by €20 million, including an amount of €19.3 million corresponding to the book profit generated in 2021 on the sale of the printing works building.

Allocation of the result

2022 was marked by a sudden and unexpected rise in inflation, leading to several interest rates hikes in both Europe and the United States. This in turn led to partial realisation of the interest rate risk the Bank had warned about in its previous annual reports, as well as to falls on the stock and bond markets, coupled with extremely high volatility. This combination of factors resulted in the Bank ending financial year 2022 with a loss.

An estimate of quantifiable financial risks is the basis for determining the minimum suitable level of the Bank's reserves. All of the Bank's financial risks are quantified, either in accordance with the expected shortfall method, for which the Bank uses very conservative parameters in terms of distributions, probabilities and time horizons, or in accordance with long-term scenarios/stress tests. In 2022, the baseline scenario, which reflects market expectations, resulted in losses for the first time. As a result, the Bank has adapted the method used to calculate the suitable level of reserves to take into account expected future losses for the years to come and their impact on its reserves.

In the baseline scenario, which represents the interest rate environment and market expectations of future interest rate developments as of balance sheet date, the Bank's result remains under pressure. If this scenario were to materialise, which is subject to a high degree of uncertainty, it would result in total losses of € 10.8 billion for a time horizon of five years, assuming an unchanged balance sheet composition. If interest rates were to rise relative to market expectations, this negative effect would be further compounded. The opposite is true if interest rates were to fall. It is impossible to make sufficiently reliable estimates for a period longer than five years, given the many uncertainties. The Bank, in this scenario and under unchanged circumstances, would nevertheless not record substantial losses beyond this time horizon, and would return to profitability.

The estimate of the suitable lower level of reserves at the end of 2022 takes into account both expected future results based on market expectations and an estimate of the financial risks to which the Bank is exposed and results in an amount of around € 15.2 billion, compared to € 5.8 billion at the end of 2021.

This amount of € 15.2 billion includes estimates of both expected results for the years to come and of the risks in relation to:

- the Bank's own securities portfolios denominated in euros and foreign currencies;
- credit operations and monetary policy securities portfolios included on the Bank's balance sheet, for which it alone bears the risks;
- credit operations and monetary policy securities portfolios included on the balance sheets of all Eurosystem NCBs, the risk for which is shared amongst them (see notes 5 and 7 to the annual accounts).

The Bank's risk estimates and earnings projections are highly vulnerable to a number of uncertainties, including future market developments and possible monetary policy decisions by the ECB Governing Council. The longer the time horizon, the greater the uncertainty.

In accordance with the Bank's reserve and dividend policy, a loss is first charged to the available reserve. Thus, an amount of € 580.2 million has been drawn from the available reserve. This drawdown also includes the amount necessary to pay the minimum dividend of €1.5 per share (6% of the capital) guaranteed by the reserve fund and the available reserve, in accordance with the Organic Law, i.e. € 0.6 million. Following result allocation, the Bank's buffers amount to € 6.5 billion. Having regard to the estimated suitable level of reserves on the balance sheet date and in accordance with the reserve and dividend policy approved by the Council of Regency,² a second dividend has not been allocated for financial year 2022.

The remaining profit for the year is allocated to the State in accordance with the Organic Law. For 2022, no amount is allocated to the State in this respect.

The dividend will be payable on the fourth banking day following the General Meeting of Shareholders, which will be held on 15 May 2023. On that date, the dividend will be paid automatically to the holders of dematerialised shares and registered shares.

² See <https://www.nbb.be/doc/ts/enterprise/press/2016/cp160323ben.pdf>.