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PRESS RELEASE

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Result and allocation thereof for financial year 2023

On 27 March 2024, the Council of Regency of the National Bank of Belgium approved the annual accounts for 2023, in accordance with Article 44 of the Bank's articles of association. The external 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 management report are available on the Bank's website ([French](#) – [Dutch](#)).

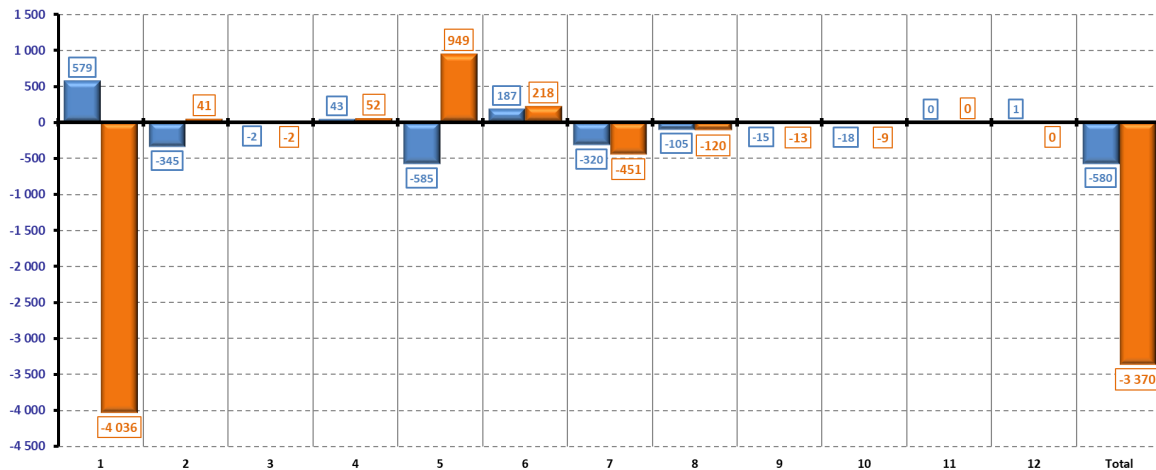
Result

In 2023, the Bank realised a loss of €3 370 million, compared with a loss of €580 million the preceding financial year (-€2 790 million).¹

The main factors explaining this result are detailed below.

Composition 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

■ 2022
■ 2023

This change was mainly due to a significant decrease in net interest income (-€4 615 million), further to the rising cost of servicing monetary policy portfolios: interest expenses on deposits held by credit institutions with the Bank increased, while the (mostly long-term) assets that make up these portfolios were acquired at low yields. However, this effect was partially mitigated by an improvement in net income from financial operations (+€386 million) and greater recovery by the Bank in

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

the context of monetary income pooling (+€1 535 million).

The decrease in net interest income was mainly due to:

- higher interest rates (-€6 305 million) on the deposit facility, excess reserves and other current accounts coupled with an increase in their volume (-€1 432 million);
- higher interest rates on TARGET balances (-€1 391 million);
- a drop in the volume of monetary policy credit operations (-€1 680 million);
- a fall in the total value of the claim relating to the allocation of banknotes within the Eurosystem (-€155 million); and
- lower returns on own euro-denominated portfolios (-€7 million).

However, these developments were partially offset by:

- an increase in interest income from monetary policy credit operations (+€2 976 million);
- the change in the volume of the TARGET balance (+€2 574 million);
- an increase in the average volume of monetary policy portfolios (+€33 million) coupled with reinvestment of securities at a higher rate (+€457 million); and
- the higher rates applicable to intra-Eurosystem claims (+€242 million).

Net receipts by the Bank further to the allocation of monetary income increased significantly by €1 535 million mainly as a result of:

- a decrease in the amount pooled with the Eurosystem (+€324 million) and
- an increase in monetary income reallocated to the Bank, due to a rise in the Eurosystem's total monetary income (+€1 212 million).

Net income from financial operations improved, mainly due to a fall in US dollar-denominated interest rates (+€90 million). The liquidation of positions in Chinese yuan and South Korean won also had a positive effect (+€51 million). On the euro-denominated securities market, capital losses increased following transactions in securities held for monetary policy purposes (-€10 million). Unrealised losses on dollar-denominated securities charged to the income statement decreased significantly (+€313 million). The average depreciation of the dollar led to a fall in realised foreign exchange gains (-€56 million).

Allocation of the result

2023 was marked by persistent inflation in excess of the target set by central banks, causing interest rates to be raised on several occasions in both Europe and the United States. This led to partial realisation of the interest rate risk the Bank had warned about in its previous annual reports, as well as to very high volatility on the equity and bond markets. This combination of factors led the Bank to record a loss at the end of the 2023 financial year.

In the baseline scenario, which represents the interest rate environment and market expectations of future interest rate movements at the balance sheet date, the Bank's bottom line remains under pressure. If this scenario were to materialise, which is subject to considerable uncertainty, and assuming the composition of the balance sheet remains unchanged, it would result in a total loss of €6.1 billion over a five-year horizon. If interest rates were to rise relative to these market expectations, this negative effect would be exacerbated, and vice versa if interest rates were to fall more rapidly. It is impossible to make sufficiently reliable estimates for a period longer than five years, given the many uncertainties. However, in this scenario and under unchanged circumstances, the Bank would not incur substantial losses beyond this time horizon and would return to profitability.

An estimate of the quantifiable financial risks forms the basis for determining the minimum level of reserves. The Bank applies either the value-at-risk / expected shortfall method, for which it uses very cautious parameters in terms of distributions, probabilities and time horizons, or long-term scenarios/stress tests. These methods are also applied by other Eurosystem members.

Based on these calculations, the Bank determines (i) the minimum level of reserves to cover the estimated risks and (ii) the desired level of reserves for the medium term, taking into account exceptional residual risks, stress scenarios and –

applying the reserve and dividend policy as updated on 27 March 2024 - risks that are not on the balance sheet and could arise rapidly as a result of the Bank's missions as a central bank.

The Bank's risk estimates and projected results are highly subject 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.

At the end of 2023, the estimated minimum level of reserves and desired level of reserves for the medium term amount to approximately €7.5 billion and €13.6 billion, respectively.²

The calculation of these levels include among others both an estimate of the results expected in the coming years and an estimate of the risks pertaining to:

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

In accordance with the reserve policy, a negative result is first charged to the available reserve. Thus, an amount of €3 371,0 million was deducted from the available reserve. This deduction also included the amount needed to pay the minimum dividend of €1.5 per share (6% of the capital) guaranteed by the reserve fund and by the available reserve, in accordance with the Bank's Organic Act, i.e. €0.6 million. Following allocation of the result, the Bank's buffers amount to €3.1 billion. In view of the minimum level of reserves at the balance sheet date and in accordance with the dividend policy approved by the Council of Regency,³ a second dividend will not be granted for the 2023 financial year. Following the drawdown from the available reserve, the Bank will proceed with sales of securities from its statutory portfolio in order to comply with the applicable ceiling (see point 3.2.7.2.III.3 of the accounting rules).

According to the Bank's Organic Act, the remaining profit for the year is allocated to the State. For 2023, no amount is allocated to the State in this respect.

Although the income statement shows a loss for the year for two consecutive years, the accounts are prepared on a going concern basis. A central bank may indeed, if necessary, continue to carry out its tasks with a negative capital position without jeopardising the continuity of its operations.

The dividend will be payable on the fourth banking day following the general meeting of shareholders, which will be held on 21 May 2024. On that date, it will be paid automatically to the holders of dematerialised and registered shares.

² Compared to an amount of approximately €15,2 billion at the end of 2022 for the desired level of reserves. As of financial year 2023, the Bank discloses the minimum level of reserves and the desired level of reserves for the medium term, taking into account the update of the reserve and dividend policy on 27 March 2024.

³ See https://www.nbb.be/doc/ts/enterprise/press/2024/cp240327_2_en.pdf.