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# PRESS RELEASE

Regulated information (inside information) released by the National Bank of Belgium on 26 March 2025 at 17:45 CET.

## Financial results and the allocation thereof for FY2024

On 26 March 2025, the Council of Regency of the National Bank of Belgium approved the annual accounts for 2024, in accordance with Article 44 of the Bank's articles of association. The independent auditor issued an unqualified opinion on the annual accounts and confirmed that the accounting data set out in this press release are consistent with the annual accounts.

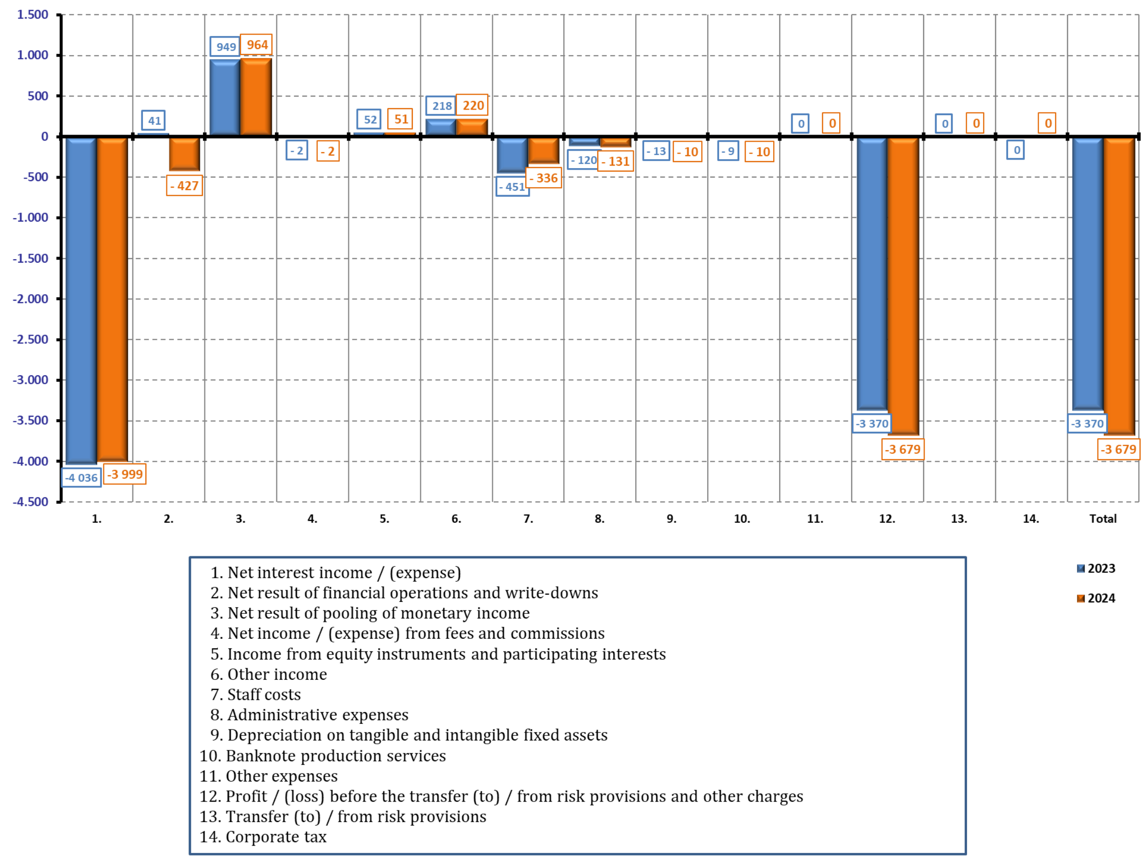
The annual accounts and the management report are available on the Bank's website (French - Dutch).

## Financial results

In 2024, the Bank realised a loss of €3 679 million, compared with a loss of €3 370 million the preceding financial year (-€309 million).[1]

The key factors explaining this result are detailed below.

Breakdown of the financial results (€ million)




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

The main contributing factor to the Bank's negative earnings was net interest expense, which remained at almost the same level as in 2023, falling slightly from -€4 036 million to -€3 999 million. The magnitude of this item is attributable primarily to the cost of financing monetary policy portfolios: the interest expense on deposits held by credit institutions with the Bank has increased, while the mostly long-term assets that make up its portfolios were acquired when yields were low. A subsequent deterioration in the net result of financial operations (-€468 million euros) aggravated the widening loss.

The change in net interest expense can be explained primarily by:

- higher interest rates (-€927 million) on the deposit facility, excess reserves and other current accounts;
- a drop in the volume of monetary policy operations (-€1 049 million);
- a replacement of the claim related to the allocation of euro banknotes in the Eurosystem with a liability related to the allocation of euro banknotes in the Eurosystem (-€113 million);
- a decrease in the volume of monetary policy portfolios (-€147 million);
- a decrease in the volume of own portfolios (-€110 million).

However, these developments were offset by:

- higher interest rates on monetary policy operations (+€288 million);
- an increase in the volume of the TARGET balance (+€1 180 million);
- a decrease in the amounts held in the deposit facility, excess reserves and other current accounts (+€533 million);
- higher interest rates on securities held in monetary policy portfolios (+€256 million);
- higher interest rates on own portfolios (+€41 million).

The net amount of monetary income allocated to the Bank increased slightly, by €12 million, mainly as a result of:

- an increase in the amount pooled with the Eurosystem (-€166 million);
- an increase in monetary income allocated to the Bank due to a rise in the Eurosystem's total monetary income (+€178 million);
- the reversal of the provision established in 2023 further to the write-down of an instrument held by an NCB (+€2 million).

The net result of financial operations deteriorated, mainly due to losses on sales of securities in the statutory investment portfolio which were required in order to ensure compliance with the ceiling set pursuant to the rules established by the Council of Regency (-€384 million). On the euro-denominated securities market, capital losses increased as a result of transactions in securities held for monetary policy purposes (-€30 million). Unrealised losses on dollar-denominated securities charged to the income statement rose slightly (-€18 million).

## Allocation of the financial results

While inflation fell in 2024, it nevertheless remained above the target set by central banks, causing interest rates to be lowered several times, in both Europe and the United States. The interest rate risk mentioned by the Bank in its previous annual reports continued to materialise, as did high volatility on the equity and bond markets. This combination of factors led the Bank to record a loss at the end of financial year 2024.

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 lines remains under pressure. If this scenario were to materialise, which is subject to considerable uncertainty, it would result in a cumulative loss of €2.8 billion over the next five years, assuming the composition of the balance sheet remains unchanged. In this scenario and under unchanged circumstances, the Bank expects the magnitude of its losses to gradually diminish in the coming years and to see a return to profitability within this five-year horizon. If interest rates were to rise relative to market expectations, these losses 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. For 2025, the sensitivity of the Bank's financial results to an immediate change of 25 basis points in the policy rates is estimated at €215 million on an annual basis.

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An estimate of the quantifiable financial risks forms the basis for determining the Bank's minimum level of reserves. All of the Bank's financial risks are quantified using either the value-at-risk or 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 used by other Eurosystem members.

Based on these calculations, the Bank determines (i) the minimum level of reserves to cover its estimated risks and (ii) the desired level of reserves for the medium term, taking into account exceptional residual risks, stress scenarios and – pursuant to the reserve and dividend policy updated on 27 March 2024 - risks that do not appear on the balance sheet but that could arise rapidly as a result of performance of the Bank's core tasks 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 2024, the estimated minimum level of reserves and the desired level of reserves for the medium term amounted to approximately €5.2 billion and €10.5 billion, respectively.

These calculations are based, among other factors, on estimates of the results expected in the coming years and the risks pertaining to:

- the Bank's own portfolios of securities denominated in euro and foreign currencies;

- the monetary policy operations and securities portfolios included on the Bank's balance sheet, for which it alone bears the risks;

- the monetary policy operations and securities portfolios included on the balance sheet 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, negative earnings (losses) are first charged to the available reserve. Subsequently, if necessary, they are covered by the reserve fund. Thus, an amount of €803.8 million was drawn from the available reserve and an amount of €2 322.3 million was drawn from the reserve fund. The latter now consists solely of depreciation accounts, which cannot be used to cover losses or distribute dividends. Finally, the remainder of the loss, in the amount of €552.9 million, was carried forward to the next financial year. This allocation completely depletes the Bank's reserves, meaning the Bank will not distribute a fixed dividend for FY2024. Having regard to the low level of reserves at the balance sheet date and in accordance with the dividend policy approved by the Council of Regency,[2] no variable dividend will be paid for FY2024 either. Following the drawdowns from its available reserve and reserve fund, the Bank will proceed to sell securities from its statutory investment portfolio in order to comply with the applicable ceiling (see point 3.2.7.2.III.3 of the Bank's accounting rules).

The remaining profit for the financial year, if any, is allocated to the State in accordance with the Bank's Organic Act. For 2024, no amount is allocated to the State in this respect.

Although the income statement shows a loss for three successive financial years, the accounts are prepared on a going concern basis. A central bank may indeed, if necessary, continue to perform its tasks with a negative capital position without jeopardising the continuity of its operations. In the meantime, the law does not provide for a minimum capital requirement.

[2] See https://www.nbb.be/doc/ts/enterprise/press/2024/cp240327_2_en.pdf

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