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PRESS RELEASE

Regulated information communicated by the National Bank of Belgium

New reserve and dividend policy

The rules on the distribution of proceeds of the National Bank were modified by the Law of 3 April 2009 amending the financial provisions of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.

On 22 July 2009, the Bank adopted its new reserve and dividend policy. In so doing, it has ensured that – as expressly required by the Explanatory Memorandum to the Law of 3 April 2009 – balanced account is taken of the various interests of the central bank/the company itself, its shareholders and the sovereign State.

As from the 2009 financial year, the rules on profit allocation are as follows:

1. A first dividend of € 1.5 per share is allocated. This dividend is guaranteed by all reserves.

2. 25% of the profit to be allocated is transferred to the available reserve.

   Every year, the Bank determines the minimum amount of the reserves required in view of its risks. For the current year 2009, the minimum is € 3.2 billion. The assessment can result in the Bank deciding to transfer additional profits to the reserves.

3. The second dividend is set at 50% of the net proceeds from the portfolio which the Bank holds as a counterpart to its total reserves. Net proceeds means the proceeds stated in the profit and loss account, after deduction of corporation tax at the rate actually due.

   The second dividend is guaranteed by the available reserve, unless the Bank finds that as a consequence its reserves would be lowered too much.

4. The balance of the profit allocation is allocated to the State.

   This balance may never include any write-backs from reserves, and must not affect the non-distributed share of the net proceeds from the portfolio which the Bank holds as the counterpart of its reserves. That share must be transferred to the reserves.

For the current year 2009, the Bank states that on 8 May 2009 (date of entry into force of the Law of 3 April 2009) the portfolio forming the counterpart to the reserves was increased by € 953.6 million. That amount is equal to the transfer of the former general provisions to the available reserve. The increase in the portfolio up to a total amount of € 3.7 billion will have a positive impact on the dividend for the current financial year 2009.

The detailed rules are as follows:

1. Owing to the creation of an available reserve, the Bank no longer needs to constitute any general provisions. As already announced on 25 March 2009, the provisions for contingencies and for future exchange losses (totalling € 953.6 million) are transferred to the available reserve. In addition, the Bank currently has capital of € 10 million and a reserve fund of € 2,697.7 million.

2. The current income is the first buffer for covering losses. A negative result for the financial year is first charged to the available reserve, which will be shown separately as such on the liabilities side of the balance sheet, and after that – if necessary – to the reserve fund which is already shown on the liabilities side of the balance sheet and consists of the statutory reserve, the extraordinary reserve and the amortisation accounts.

3. The Bank determines the minimum amount of its reserves using an estimate of its calculable risks. For this purpose, the Bank uses methodologies which are also applied by other Eurosystem members, and bases its approach on its specific objectives regarding such matters as portfolio management and the currency position. For the current year 2009, the minimum amount is € 3.2 billion. The risks estimate will be reviewed for each financial year. When the reserves are checked against the minimum amount, no account is taken of the amortisation accounts, which cannot be used to offset losses or to supplement profits.

4. For each year, 25% of the profits will be added to the reserves. A figure of 25% of the profits transferred to the reserves is higher than the Eurosystem average, but justified since the Bank's financial buffers are below the average for the Eurosystem in relation to both the balance sheet total and the banknotes in circulation.
   In view of the virtually unavailable character of the reserve fund and the ratio of that fund to the capital, profits to be transferred to the reserves will in future be added to the available reserve.
   On the basis of the assessment mentioned in paragraph 3, the Bank may decide to transfer additional profits to the reserves.

5. The first dividend of € 1.5 per share (6% of the capital) is guaranteed by both the available reserve and the reserve fund.
   The second dividend is set at 50% of the net proceeds from the earmarked portfolio forming the counterpart to the Bank's reserves. Net proceeds means the amount derived from item V of the profit and loss account ("Proceeds from statutory investments"), following adjustment for the counterpart to the capital[1] and after deduction of corporation tax at the rate actually due for the financial year in question.

[1] The statutory investments (recorded on the assets side in sub-item 9.3 "Other financial assets") are the counterpart to the Bank's total reserves (reserve fund + available reserve) and its capital. To calculate the second dividend, the income generated by the capital therefore has to be deducted from item V of the profit and loss account, applying a simple rule of 3, as the first dividend guarantees 6% capital remuneration.

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6. If the profit for the year is not sufficient to pay out the second dividend, its amount is supplemented out of the available reserve. However, that must never reduce the level of the reserves below the minimum mentioned in paragraph 3.
   If it is due to additional profit reservations (as mentioned in the last indent of paragraph 4) that the balance of the profit is not sufficient to pay out the second dividend, the latter is not supplemented out of the available reserve. The financial robustness and independence of the Bank prevail.

7. If the profit is small and the application of the rule mentioned in the first indent of paragraph 4 (reservation of 25%) would imply that the amount to be reserved would be less than half of the net proceeds from the portfolio forming the counterpart to the Bank's reserves, the transfer to the reserves is increased up to 50% of these proceeds, the balance of the profit after deduction of the second dividend according to paragraph 5 permitting.

8. If the Bank were to deviate from the rule stated in paragraph 4 and cease to make any allocations to its reserves, it will immediately announce the reasons for doing so. In such cases, the second dividend will be increased, if there is sufficient profit, to the full net proceeds from the portfolio forming the counterpart to the Bank’s reserves.

9. The above rules guarantee that, if the profits are sufficient, the net proceeds from the portfolio forming the counterpart of the Bank's reserves are either transferred to the reserves, thus augmenting the portfolio of which the return is the basis for calculating the second dividend, or paid out directly to shareholders as a second dividend. The balance which is allocated to the State may in no circumstances include any part of the net proceeds from that portfolio.

10. For the purpose of the reserve and dividend policy, net proceeds from the sale of property are assimilated to proceeds from the portfolio forming the counterpart to the Bank’s reserves. Net proceeds means the proceeds following deduction of all expenses (including taxes) and any replacement investment in property.

11. Write-backs from reserves if the level is considered excessive are possible from the available reserve. They must be exceptional, limited in volume, and duly substantiated. Such releases may only be paid out in full as dividends.

12. Fairness, transparency and stability are key elements of the reserve and dividend policy of the Bank. It is the Bank’s express intention to implement the policy set out above in an enduring way. In addition, history – and certainly the recent past – has shown that the financial context in which the Bank operates is subject to major changes. Every policy adjustment will be announced immediately, and duly substantiated.

As a transitional measure, with effect from value date 8 May 2009 (date of entry into force of the Law of 3 April 2009) the portfolio forming the counterpart to the reserves was increased by the above amount of € 953.6 million, that is transferred from the general provisions to the available reserve, thus already having a positive impact on the dividend for the current financial year 2009.

The Bank will explain this reserve and dividend policy in more detail in the autumn, by means of information sessions during which questions will be answered.

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