



5.

Directors' report, annual accounts and
auditor's report



5.1 Directors' report

5.1.1 Developments concerning the Bank's results and position

I. BALANCE SHEET

At the end of 2007, the balance sheet total increased by € 29.6 billion to € 112.4 billion, mainly as a result of the massive injection of liquidity by the Eurosystem at the end of the year.

This factor was reflected primarily in the growth of item 5 of the assets "Lending to euro area credit institutions related to monetary policy operations denominated in euro" (+ € 16.4 billion). In addition, the increase in the portfolio of held-to-maturity securities (sub-item 9.3 of the assets "Other financial assets"), up from € 491 million at the end of 2006 to € 9.8 billion at the end of 2007, contributed to an increase in liquidity.

On the liabilities side, the counterparts to this massive injection of liquidity are liabilities related to TARGET (sub-item 9.3), current accounts (2.1) and – exceptionally – fixed-term deposits (2.3). Credit institutions in Belgium make use of the European cross-border payments system, TARGET, to lend their surplus liquidity to other financial institutions in the euro area (+ € 16.4 billion). They also held substantial amounts on their current accounts (+ € 8.8 billion), and on the balance sheet date had contributed € 1.1 billion to the fine-tuning operations intended to absorb liquidity (sub-item 2.3 "Fixed-term deposits"), which the Eurosystem had conducted in order to prevent an excessive deviation between the overnight interbank lending rate and the minimum bid rate of the main refinancing operations.

The growth of the balance sheet total is due not only to the said injection of liquidity but also to the increase in the volume of banknotes in circulation. While the average volume of banknotes in circulation again recorded a sizeable increase (9 p.c. up against 2006), that was a significantly smaller rise in comparison with the initial years following the issue of euro banknotes, when growth ranged between 21 p.c. (in 2003) and 12 p.c. (in 2006).

Since the net amount of banknotes which the Bank actually put in circulation varied very little (and remained negative), the banknote expansion was counterbalanced by sub-item 8.3 of the assets "Net claims related to the allocation of euro banknotes within the Eurosystem". Indeed, the counterpart of the allocation of the Bank's part of euro banknotes (recorded under the liabilities) is a net claim on the Eurosystem that actually exceeds that share.

The Bank maintained its net position in dollar at USD 2.2 billion. The euro equivalent of these assets (1.5 billion) declined, however, owing to the movement in the dollar exchange rate.

Conversely, as a result of the rise in the market price of gold, the value of the gold reserves increased to € 4.2 billion, while the reserves themselves remained practically unchanged.

II. RESULT

The profit for the year comes to € 283.2 million, a rise of 16 p.c. against the previous year.

The profit growth thus falls well short of the rise in the balance sheet total (35.7 p.c.). The main reason for this situation is that, as explained above, the growth of the balance sheet total is due principally to the massive injection of liquidity, the counterpart to which consists of liabilities items remunerated at rates equal to or slightly less than those obtained on the interest-bearing assets concerned. In addition, the balance sheet reflects the situation prevailing at a particular moment, whereas the results depend on the average outstanding amounts of the interest-bearing assets and the remunerated liabilities during the year.

KEY FIGURES OF THE ANNUAL ACCOUNTS

	2007	2006
Average volume of the net interest-bearing assets (billions of euro)	21.1	19.1
Average yield of the net interest-bearing assets (percentages)	3.7	2.8
Average interest rate on lending operations related to monetary policy (percentages)	4.0	2.9
Average interest rate on investments in gold and foreign currencies (percentages)	4.2	3.9
EUR/USD exchange rate on the balance sheet date	1.4721	1.3170

Most of the increase in the yield on net interest-bearing assets, which exceeded 3 p.c., accrues to the State.

Conversely, the allocation of € 44.1 million to the provision for future foreign exchange losses, which was deducted from the net financial income, and the foreign exchange losses on SDR (€ 18.3 millions) had a negative influence on the share attributed to the State.

The foreign exchange losses on the dollar (€ 149.2 million) had no impact on the profit for the year since they were fully offset by a use of the provision for future foreign exchange losses (€ 98.5 million) and by the recovery of corporation tax (€ 50.7 million). That factor largely explains why corporation tax has remained at the same level as in 2006, despite the profit growth and the absence of tax losses carried forward (in contrast to 2006).

5.1.2 Risk management

The main risks and uncertainties facing the Bank are described below.

I. MANAGEMENT OF THE GOLD AND FOREIGN CURRENCY RESERVES, MANAGEMENT OF THE PORTFOLIOS OF SECURITIES IN EURO AND THE MONETARY POLICY OPERATIONS

Management of the gold and foreign currency reserves and that of the portfolios of securities in euro exposes the Bank to market and credit risks and to operating risks. The Bank has defined a policy which aims to limit these risks. It specifies the duration and currency mix of each portfolio by applying the 'value at risk' method to assess the market risk (losses which could be generated by adverse movements in exchange rates and interest rates). It also conducts stress tests in order to estimate the potential losses in the event of a major market crisis.

In addition, a provision was formed to cover any future foreign exchange losses.

In order to limit its credit risk (risk of losses which could result from payment default or deterioration in the credit quality of counterparties or issuers), the Bank gives preference to sovereign risk instruments and collateralised instruments, imposing strict limits on other investments, especially bank deposits. It also demands a high rating for its investment instrument issuers and counterparties, while maximising the diversification of its investments. The Bank uses the Creditmetrics method to assess the credit risk. A provision for contingencies was formed to cover that risk, which is among the risks inherent in the Bank's functions.

In order to improve the return on its reserves, the Bank invests a small proportion of them in corporate bonds. Specific rules have been drawn up for this type of issuer (minimum rating, diversification constraint, etc.) to limit the credit risk.

The portfolios of securities in euro consist mainly of euro-denominated government paper issued by Member States of the European Union and bonds backed by first-rate claims ("Pfandbriefe" type) which augment the expected yield.

The crisis on the subprime mortgage market had no direct impact on the Bank, since its portfolios are invested only in excellent quality, liquid financial assets. However, the transmission of this crisis to other non-government market segments, including those with an excellent rating, caused a widening of the spreads on some of the securities held by the Bank in relation to comparable government securities. Nonetheless, that impact was very largely negated by the generally downward trend in interest rates, which had a beneficial effect on all the Bank's portfolios.

Finally, the Bank limits the operating risk by dividing the activities associated with investment transactions into three separate services: the Front Office, in charge of operations, the Back Office, which handles the settlement, and the Middle Office, which manages the risks. In 2006, new portfolio management software went into production to improve the risk management and monitoring, particularly in regard to the operating risks.

The risk management procedures applied to the lending transactions effected by the Bank in implementing the Eurosystem's monetary policy are harmonised within that system. The objective is to ensure that there is no discrimination in the conditions for the use of all types of eligible assets throughout the euro area.

The procedures used by the Eurosystem depend on the type of eligible assets offered by the counterparties.

II. INTEREST RATE RISK AND RISKS ASSOCIATED WITH THE VOLUME OF INTEREST-BEARING ASSETS

By far the most important component of the Bank's income is that obtained from issuing banknotes. For central banks, banknotes are unremunerated liabilities. As the counterpart, they hold interest-bearing or productive assets. The income from these assets is called "seigniorage income". It is pooled within the Eurosystem and redistributed among the central banks of the Eurosystem on the basis of their respective shares in the issuance of euro banknotes.

In return for the right of issue which it confers on the Bank, the State is entitled to a priority share in its profits. To cover its operating expenses and the remuneration of its capital, in particular, the Bank keeps the first three per cent of the income from the net interest-bearing assets

forming the counterpart to the banknotes. Beyond that figure, seigniorage income is attributed to the State. This rule on distribution, known as the 3 p.c. rule, implies that the variability of the income from the net interest-bearing assets is first borne by the State, which receives the return in excess of 3 p.c., and only then by the Bank, if that return is less than 3 p.c.

If, in a context of low interest rates in dollar and in euro, the ECB allocates a smaller amount of profits to the Bank, or records a loss (particularly as a result of substantial – realised or unrealised – foreign exchange losses generated by a strong appreciation of the euro), it would be possible for the return on the net interest-bearing assets to drop below 3 p.c., so that not only would the State be deprived of the whole of its share in the Bank's income, but the Bank would have to cover, out of its own income, any loss which the ECB transferred to it. That was not the case in the 2007 financial year.

III. BUSINESS CONTINUITY RISK AND OPERATING RISK

For all its critical activities, the Bank has business continuity plans which are regularly tested. The Bank is among the infrastructures identified as critical by the Financial Stability Committee, on account of its functions as the lender of last resort for the Belgian financial system and the operator of payment systems (TARGET, ELLIPS and the CEC) and securities settlement systems. The Bank is proceeding with the necessary investments and adapting its IT infrastructure and working methods in order to conform entirely to the Financial Stability Committee's recommendations by mid 2008.

At the Bank, as in most central banks in Europe, the organisation of the operating risk monitoring is fragmented. Various entities are involved in this monitoring: the Data Security Manager for IT risks, the Printing Works for risks relating to banknote production, and the Facility Management department for all the environmental risks and those connected with the work. The Prevention and Protection service, the Internal Audit service and the Legal Service assist them in defining their risk management procedures. During 2008, the ECB will establish an operating risk management procedure for all NCBs in the Eurosystem. The Bank will conform to that procedure.

5.1.3 Post-balance-sheet events

There were no post-balance-sheet events which had a material effect on the financial situation and results of the Bank as at 31 December 2007.

5.1.4 Circumstances which could have a significant influence on the Bank's development

There are no circumstances other than those mentioned above which could have a significant influence on the Bank's development.

5.1.5 Research and development

The research and development activities focused mainly on improvements to the payment systems, the provision of services within the Eurosystem concerning, in particular, the circulation of banknotes and the management of collateral relating to loans, and the filing and consultation of corporate annual accounts.

5.1.6 Conflict of interest

During the year under review, no member of the Board of Directors had, directly or indirectly, any interest relating to property conflicting with a decision or transaction for which the Board of Directors was responsible.

5.1.7 Financial instruments

In implementing monetary policy and managing its portfolios, the Bank uses financial instruments such as (reverse) repurchase agreements, currency swaps and futures. The information on this subject is mentioned in the annual accounts, and in particular in the accounting principles and valuation rules (I.3 and I.8) and in the notes to the accounts (2, 5, 9, 38 and 39).

Brussels, 12 February 2008

The Board of Directors

5.2 Presentation of annual accounts as at 31 December 2007

5.2.1 Balance Sheet

(before distribution of profit)

ASSETS

(thousands of euro)

	Note number	31-12-2007	31-12-2006
1. Gold and gold receivables	1	4,158,103	3,533,260
2. Claims on non-euro area residents denominated in foreign currency ..	2	6,996,921	6,621,103
2.1 Receivables from the IMF		815,795	958,274
2.2 Balances with banks and security investments, external loans and other external assets		6,181,126	5,662,829
3. Claims on euro area residents denominated in foreign currency	3	793,962	268,782
4. Claims on non-euro area residents denominated in euro	4	186,819	346,096
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	56,311,590	39,910,452
5.1 Main refinancing operations		51,050,000	39,100,000
5.2 Longer-term refinancing operations		5,261,590	810,452
5.3 Fine-tuning reverse operations		–	–
5.4 Structural reverse operations		–	–
5.5 Marginal lending facility		–	–
5.6 Credits related to margin calls		–	–
6. Other claims on euro area credit institutions denominated in euro ...	6	30,881	350,619
7. Securities of euro area residents denominated in euro	7	5,109,271	4,479,265
8. Intra-Eurosystem claims	8	25,502,215	23,803,328
8.1 Participating interest in ECB capital		143,548	142,816
8.2 Claims equivalent to the transfer of foreign currency reserves		1,423,342	1,419,102
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem		23,935,325	22,241,410
8.4 Other claims within the Eurosystem (net)		–	–
9. Other assets	9	13,266,360	3,463,490
9.1 Coins of euro area		7,479	10,069
9.2 Tangible and intangible fixed assets		390,643	391,898
9.3 Other financial assets		11,976,665	2,536,705
9.4 Off-balance-sheet instruments revaluation differences		61,914	64,374
9.5 Accruals and prepaid expenditure		522,982	228,000
9.6 Sundry		306,677	232,444
Total assets		112,356,122	82,776,395

LIABILITIES

(thousands of euro)

	Note number	31-12-2007	31-12-2006
1. Banknotes in circulation	10	22,129,413	20,618,837
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	17,789,308	7,928,100
2.1 Current accounts (covering the minimum reserve system)		16,735,366	7,928,100
2.2 Deposit facility		3,942	–
2.3 Fixed-term deposits		1,050,000	–
2.4 Fine-tuning reverse operations		–	–
2.5 Deposits related to margin calls		–	–
3. Other liabilities to euro area credit institutions denominated in euro		–	–
4. Liabilities to other euro area residents denominated in euro	13	55,065	59,547
4.1 General government		44,595	46,398
4.2 Other liabilities		10,470	13,149
5. Liabilities to non-euro area residents denominated in euro	14	412,580	521,940
6. Liabilities to euro area residents denominated in foreign currency		–	–
7. Liabilities to non-euro area residents denominated in foreign currency	16	1,563,587	705,112
8. Counterpart of special drawing rights allocated by the IMF	17	521,154	553,957
9. Intra-Eurosystem liabilities	18	61,659,594	45,268,675
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates		–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem		–	–
9.3 Other liabilities within the Eurosystem (net)		61,659,594	45,268,675
10. Other liabilities	19	848,029	638,184
10.1 Off-balance-sheet instruments revaluation differences		–	–
10.2 Accruals and income collected in advance		47,344	32,465
10.3 Sundry		800,685	605,719
11. Provisions	20	948,068	932,468
11.1 For future exchange losses		144,519	198,919
11.2 For new premises		–	–
11.3 For contingencies		803,549	733,549
11.4 For loss from the ECB		–	–
12. Revaluation accounts	21	3,930,309	3,246,095
13. Capital and reserve fund	22	2,215,797	2,059,408
13.1 Capital		10,000	10,000
13.2 Reserve fund:			
Statutory reserve		676,971	520,306
Extraordinary reserve		1,150,543	1,150,543
Amortisation accounts in respect of tangible and intangible fixed assets		378,283	378,559
14. Profit for the year		283,218	244,072
Total liabilities		112,356,122	82,776,395

5.2.2 Profit and Loss Account

(thousands of euro)

	Note number	2007	2006
I. Proceeds of net interest-bearing assets	24	842,445	515,339
1. Interest income		3,078,699	1,941,382
2. Interest expenses (–)		–2,203,864	–1,327,214
3. Capital gains (losses (–)) on securities		–36,202	–98,700
4. Allocation of monetary income from the Eurosystem		3,812	–129
5. Income from the ECB		–	–
6. Appropriation to the provision for covering losses from the ECB (–)		–	–
II. Foreign exchange difference results	25	–111,824	58,355
1. Foreign exchange difference results		–166,224	68,555
2. Use and write-back of provision for future exchange losses (appropriation (–))		54,400	–10,200
III. Commission	26	2,551	3,656
1. Commission received		8,300	8,376
2. Commission paid (–)		–5,749	–4,720
IV. Amounts recovered from third parties	27	61,815	60,509
V. Proceeds from statutory investments	28	87,078	85,000
VI. Other proceeds	29	4,035	1,697
VII. State share (–)	30	–172,835	–56,409
1. Proceeds from net interest-bearing assets (Art. 29)		–152,718	–
2. Proceeds fully assigned to the State		–37,191	–35,098
3. Foreign exchange difference results		17,074	–21,311
VIII. Transfer to the unavailable reserve of capital gains on gold (–)		–	–
IX. General expenses (–)	32	–245,417	–240,198
1. Remuneration and social costs		–183,257	–181,347
2. Other expenses		–62,160	–58,851
X. Exceptional costs (–)		–	–
XI. Depreciation of tangible and intangible fixed assets (–)	34	–11,659	–8,761
XII. Provisions		–70,000	–70,000
1. Use and write-back of provision for new premises (appropriation (–))		–	–
2. Use and write-back of provision for contingencies (appropriation (–))		–70,000	–70,000
XIII. Corporation tax (–)	36	–102,971	–105,116
XIV. Transfer to the tax-free reserves (–)		–	–
Profit for the year		283,218	244,072

5.2.3 Off-Balance-Sheet Items

(thousands of euro)

	Note number	31-12-2007	31-12-2006
Forward transactions in foreign currencies and in euro	38		
Forward claims		3,970,432	3,696,143
Forward liabilities		3,913,467	3,647,357
Forward transactions on interest rate and fixed-income securities	39	208,342	558,618
Liabilities which could lead to a credit risk	40		
Commitments towards international institutions		375,900	399,560
Commitments towards other institutions		1,294,299	920,127
Valuables and claims entrusted to the institution	41		
For encashment		115	150
Assets managed on behalf of the Treasury		61,152	77,602
Assets managed on behalf of the ECB		1,573,255	1,543,504
Custody deposits		560,302,012	429,288,794
Capital to be paid up on shares of the BIS	42	201,778	214,478

5.2.4 Allocation of Profit

(thousands of euro)

	2007	2006
Profit for the year	283,218	244,072
Allocation in accordance with Article 32 of the Organic Law:		
1. To the shareholders a first dividend of 6 p.c.	600	600
2. Of the amount in excess of this:		
a) 10 p.c. to the statutory reserve	28,262	24,347
b) 8 p.c. to the staff or to institutions in its favour	22,609	19,478
3. Of the amount in excess of this:		
a) to the State, one fifth	46,349	39,929
b) to the shareholders, a second dividend	28,200	27,400
c) the balance to the statutory reserve	157,198	132,318

In accordance with the decision of the general meeting of 26 March 2001, the dividend will be payable from the second bankworking day following the general meeting namely 2 April 2008, on presentation of coupon No. 206:

(euro)

	Gross amount	Withholding tax	Net amount
Dividend per share	72.00	18.00	54.00

5.2.5 Social Balance Sheet

1. Statement of persons employed

A. WORKERS ENTERED ON THE STAFF REGISTER

	Full-time	Part-time	Total (T) or total in full-time equivalents (FTE)	
			2007	2006
1. In the financial year and the previous year				
Average number of workers	1,478.98	868.83	2,168.69 (FTE)	2,215.74 (FTE)
Actual number of hours worked	2,202,404	1,031,050	3,233,454 (T)	3,301,766 (T)
Staff costs (in thousands of euro)	132,189	51,399	183,588 (T)	181,503 (T)
Value of benefits granted in addition to wages (in thousands of euro)	–	–	1,800 (T)	1,884 (T)
2. At the end of the financial year				
a. Number of workers entered in the staff register	1,461	870	2,152.10 (FTE)	
b. By type of contract of employment				
Permanent contract	1,398	864	2,085.50 (FTE)	
Fixed-term contract	63	6	66.60 (FTE)	
Contract for the execution of a clearly defined project	–	–	–	
Substitution contract	–	–	–	
c. By gender				
Male	1,135	324	1,410.65 (FTE)	
Female	326	546	741.45 (FTE)	
d. By occupational category				
Management personnel	15	–	15 (FTE)	
Non-manual workers	1,446	870	2,137.10 (FTE)	
Manual workers	–	–	–	
Other	–	–	–	

B. TEMPORARY STAFF AND PERSONS MADE AVAILABLE TO THE ENTERPRISE

	Temporary staff	Persons made available to the enterprise
During the year		
Average number of persons employed	6.40	34.33
Actual number of hours worked	10,208	54,756
Costs to the enterprise (in thousands of euro)	235	3,690

2. Table of staff movements during the year

A. STAFF ENTERING SERVICE

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers entered in the staff register during the year	360	9	365.10
b. By type of contract of employment			
Permanent contract	13	1	13.80
Fixed-term contract	347	8	351.30
Contract for the execution of a clearly defined project	–	–	–
Substitute contract	–	–	–
c. By gender and standard of education			
Male:			
Primary	8	–	8
Secondary	143	–	143
Higher non-university	10	–	10
University	13	–	13
Female:			
Primary	13	–	13
Secondary	145	8	149.30
Higher non-university	14	1	14.80
University	14	–	14

B. STAFF LEAVING

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers whose contract termination date was recorded in the staff register during the year			
	374	16	385.45
b. By type of contract of employment			
Permanent contract	26	8	32.85
Fixed-term contract	348	8	352.60
Contract for the execution of a clearly defined project	–	–	–
Substitute contract	–	–	–
c. By gender and standard of education			
Male:			
Primary	8	–	8
Secondary	155	1	155.95
Higher non-university	8	–	8
University	18	3	20.70
Female:			
Primary	10	1	10.50
Secondary	149	7	153.70
Higher non-university	16	–	16
University	10	4	12.60
d. Reason for termination of contract			
Retirement	14	5	18
Early retirement	–	–	–
Dismissal	4	2	5.45
Other reasons	356	9	362
of which : number of persons continuing to perform services for the enterprise on a self-employed basis, at least 50 p.c. of normal hours	–	–	–

3. Statement of the use of employment promotion measures during the year

	2007		
	Number of workers concerned		Amount of the financial advantage (In thousands of euro)
	Number	In full-time equivalents	
1. Measures comprising a financial advantage ⁽¹⁾			
1.11 "First job" agreement	49	19.31	84
2. Other measures			
2.2 Successive fixed-term contracts of employment	10	9	
2.4 Reduction of personal social security contributions of low-wage workers	102	44.82	
Number of workers concerned by one or more employment promotion measures:			
Total for the year	161	73.13	
Total for the previous year	141	69.42	

(1) Financial advantage for the employer concerning the job-holder or his replacement.

4. Information on training for workers during the year

	Number of workers concerned	Number of hours' training attended	Cost to the enterprise (In thousands of euro)
Total worker training initiatives paid for by the enterprise			
Male	904	27,627	4,341
Female	528	16,053	2,523

5.3 Notes to the annual accounts

5.3.1 Legal framework

The annual accounts are drawn up in accordance with Article 33 of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, which provides that:

"The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

- 1° in accordance with this Act and the mandatory rules drawn up pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;*
- 2° and otherwise in accordance with the rules laid down by the Council of Regency.*

Articles 2 to 4, 6 to 9 and 16 of the Act of 17 July 1975 on business accounting and their implementing decrees shall apply to the Bank with the exception of the decrees implementing Articles 4 (6) and 9, § 2."

The mandatory rules referred to in Article 33 (1) are defined in the Guideline of the ECB of 10 November 2006 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2006/16), OJ L348 of 11/12/2006.

In accordance with Article 20 § 4 of the Organic Law, the Council of Regency approves the expenditure budget and the annual accounts presented by the Board of Directors. It finally determines the distribution of the profits proposed by the Board of Directors.

The accounts for the financial year under review have been drawn up in accordance with the above-mentioned Article 33, adhering to the format and the accounting rules approved by the Council of Regency on 12 December 2007.

They are presented in thousands of euro unless otherwise stated.

5.3.2 Accounting principles and valuation rules

I. MANDATORY ACCOUNTING RULES UNDER THE ESCB/ECB STATUTES

The accounts, which are drawn up on the basis of historical cost, are adjusted to reflect the valuation at market prices of negotiable instruments (other than the statutory portfolio and the held-to-maturity portfolio), of gold and of all the elements, both on-balance-sheet and off-balance-sheet, denominated in foreign currencies. Spot and forward foreign exchange transactions are recorded off balance-sheet on the contract date and shown on the balance sheet on the settlement date.

1. Assets and liabilities in gold and foreign currencies

The Belgian State's official foreign exchange reserves, which are shown on the balance sheet, are held and managed by the Bank. Assets and liabilities in gold and foreign

currencies are converted into euro at the exchange rate in force on the balance sheet date. Foreign currencies are revalued on a currency-by-currency basis; the revaluation includes both on-balance-sheet and off-balance-sheet items. Securities are revalued at market prices separately from the revaluation of foreign currencies at their market exchange rates. Gold is revalued on the basis of the price in euro per fine ounce as derived from the quotation in USD established at the time of the London fixing on the last working day of the year.

2. Fixed-income securities

Fixed-income negotiable securities denominated in foreign currencies (recorded under items 2 and 3 of the assets) and in euro (items 4 and 7 of the assets) are valued at the market price prevailing on the balance sheet date. Securities are revalued individually. The held-to-maturity portfolio consists exclusively of fixed or determinable income securities and fixed-term securities which the Bank has the express intention and ability to hold to maturity. The valuation rule is determined by the Council of Regency (see III.2 below).

Changes during the financial year

Stocks

Previously, all stocks were recorded at their acquisition value, except for stocks of banknote paper for the Bank's own use, which were taken directly to the profit and loss account.

From now on, only supplies intended for the production of orders for third parties, work in progress and the resulting finished products are valued at the material acquisition cost.

The negative impact on the profit and loss account for 2007 is € 1.4 million.

Corporation tax

The item in the profit and loss account "XIII. Taxes and dues" is now called "XIII. Corporation tax".

Non-deductible VAT on expenses is now recorded under the various items of the profit and loss account. Withholding tax on income from immovable assets, and regional, provincial and municipal taxes are recorded under sub-item "IX.2 General expenses, other expenses". For 2007, this amounts to € 12.1 million overall.

For comparison, the previous year's figures have been adjusted by transferring € 11.8 million between the items concerned.

3. (Reverse) repurchase agreements

A repurchase agreement is a sale of securities in which the transferor expressly undertakes to repurchase them and the transferee expressly agrees to sell them back at an agreed price and on an agreed date. The transferor records, on the liabilities side of the balance sheet, the amount of the liquidity received as a debt to the transferee, and values the securities ceded in accordance with the accounting rules applicable to the securities portfolio in which they are held. The transferee, for his part, records on the assets side of his balance sheet a claim on the transferor corresponding to the amount paid out, while the securities acquired are not recorded in the balance sheet but off balance-sheet. The above-mentioned transactions are regarded by the Bank as repurchase agreements or reverse repurchase agreements depending on whether it acts as transferor or transferee of the securities. Repurchase agreements and reverse repurchase agreements denominated in foreign currencies have no effect on the position in the currency in question.

4. Share in the capital of the ECB

Pursuant to Article 28 of the Statutes of the ESCB and of the ECB, the NCBs are the sole subscribers to the capital of the ECB. Subscriptions depend on the ECB's capital subscription key which is determined in accordance with Article 29 of the ESCB Statute.

5. Determination of the result

5.1 The result is determined in accordance with the following rules:

- income and expenses are recognised in the financial year in which they are earned or incurred;
- realised gains and losses are taken to the profit and loss account;
- at the end of the year, positive revaluation differences (on securities and foreign reserves) are not shown in the profit and loss account but are recorded in the revaluation accounts on the liabilities side of the balance sheet;
- negative revaluation differences are first of all deducted from the corresponding revaluation account, any balance then being taken to the profit and loss account;

- losses included in the profit and loss account are not offset during subsequent years by new positive revaluation differences; negative revaluation differences on a security, currency or asset in gold are not netted either against positive revaluation differences on other securities, currencies or assets in gold;
- for gold, no distinction is made between the price and currency revaluation;
- in order to calculate the acquisition cost of securities or currencies that are sold, the average cost method is used on a daily basis; at the end of the year, if any negative revaluation differences are taken to the profit and loss account, the average cost of the asset in question (gold, currency or security) is adjusted downwards to the level of the current exchange rate or market price value.

5.2 Premiums or discounts arising from the difference between the average acquisition cost and the redemption price of securities are presented as part of interest income and amortised over the remaining life of the line of securities in question.

5.3 Interest accrued but not yet paid which influences the foreign exchange positions is recorded daily and converted at the exchange rate prevailing on the date of recording.

5.4 The amount of monetary income of each NCB in the Eurosystem is determined by calculating the effective annual income resulting from the earmarkable assets held in counterpart to the liabilities items which serve as the basis for calculation. This basis comprises the following items:

- banknotes in circulation;
- liabilities to euro area credit institutions related to monetary policy operations and denominated in euro;
- net intra-Eurosystem liabilities resulting from TARGET transactions;
- net intra-Eurosystem liabilities relating to the allocation of euro banknotes in the Eurosystem.

Any interest paid on liabilities included in the basis for calculation will be deducted from the monetary income pooled by each NCB.

The earmarkable assets consist of the following items:

- lending to euro area credit institutions related to monetary policy operations denominated in euro;
- intra-Eurosystem claims in respect of the transfer of foreign reserve assets to the ECB;
- net intra-Eurosystem claims resulting from TARGET transactions;
- net intra-Eurosystem claims relating to the allocation of euro banknotes in the Eurosystem;
- a limited amount of each NCB's gold holdings, in proportion to each NCB's subscribed capital key.

Gold is considered to generate no income.

Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its basis for calculation, the difference is remunerated by applying to the value of this difference the average rate of return on the earmarkable assets of all NCBs taken together.

6. Intra-Eurosystem balances resulting from the allocation of banknotes in euro

The intra-Eurosystem balances resulting from the allocation of banknotes in euro, in circulation within the Eurosystem, are shown as a single net asset or liability under the sub-item "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem".

7. Banknotes in circulation

The ECB and the NCBs which have adopted the euro, and which together comprise the Eurosystem, issue euro banknotes.⁽¹⁾ The total value of the euro banknotes in circulation is allocated on the last working day of each month in accordance with the banknote allocation key.

8 p.c. of the total value of the banknotes in circulation is allocated to the ECB, while the remaining 92 p.c. is allocated to the NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed under the balance sheet liability item "Banknotes in circulation".

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that is actually put into circulation by each NCB gives rise to intra-Eurosystem balances. These claims or liabilities, which incur interest⁽²⁾, are disclosed under the sub-item "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem".

From 2002 to 2007, the intra-Eurosystem balances resulting from the allocation of euro banknotes are adjusted to avoid significant changes in the NCBs' relative income positions compared with previous years. The adjustments are effected by taking account of the differences between the average value of the banknotes in circulation of each NCB during the period July 1999 to June 2001 and the average value of the banknotes that would have been allocated to them during that period under the ECB's capital key. The adjustments are progressively reduced in annual stages. A similar transitional arrangement was set up for the NCBs joining the euro at a later date.

The whole of the seigniorage income of the ECB, arising from the 8 p.c. share in euro banknotes allocated to it, is payable to the NCBs in the financial year in which it arises. The ECB distributes that income to the NCBs on the second working day of the next financial year. However, that income may be reduced by decision of the Governing Council if the ECB's net profit for the financial year in question is less than its income on banknotes in circulation. In addition, the Governing Council may decide, before the end of the financial year, on the principle of transferring all or part of the ECB's income relating to banknotes in circulation to a provision for foreign exchange rate, interest rate and gold price risks.⁽³⁾

8. Off-balance-sheet instruments

Foreign exchange instruments such as forward foreign exchange transactions, the forward leg of currency swaps and any other foreign currency instruments involving the exchange of one currency for another at a future date, are included in the net foreign exchange position for

(1) ECB Decisions dated 22 April 2004 (ECB/2004/9) and 15 December 2006 (ECB/2006/25) amending Decision ECB/2001/15 on the issue of euro banknotes.

(2) ECB Decision of 19 May 2006 amending Decision ECB/2001/16 on the allocation of the monetary income of the NCBs of participating Member States from the financial year 2002 (ECB/2006/7), OJ L148 of 02/06/2006.

(3) ECB Decision of 17 November 2005 on the distribution of the income of the European Central Bank on euro banknotes in circulation to the NCBs of the participating Member States (ECB/2005/11), OJ L311 of 26/11/2005.

the purpose of calculating the average cost price and exchange gains and losses. In the case of foreign exchange swaps, the forward position is revalued at the same time as the spot position. Since spot and forward amounts in foreign currencies are converted to euro at the same exchange rate, they do not influence the "Revaluation accounts" item on the liabilities side. Interest-rate instruments are revalued individually. The outstanding amounts of forward interest rate contracts are recorded under the off-balance-sheet items. Daily margin calls are recorded in the profit and loss account and influence the foreign exchange position. Profits and losses arising from off-balance-sheet instruments are recognised and treated in the same manner as those appearing in the balance sheet.

9. Post balance sheet events

The assets and liabilities are adjusted to take account of events occurring between the balance sheet date and the date of adoption of the annual accounts by the Bank's Board of Directors if those events have a material effect on the balance sheet asset and liability items.

II. RULES PURSUANT TO THE ORGANIC LAW, LAWS, STATUTES AND CONVENTIONS

1. Gold and gold receivables

The capital gains realised by the Bank on arbitrage transactions in gold assets against other external reserve components are recorded in a special unavailable reserve account in accordance with Article 30 of the Organic Law.

2. IMF operations

Under Article 1 of the agreement of 14 January 1999 between the Belgian State and the Bank determining certain procedures for implementing Article 9 of the Organic Law, the Bank carries the rights that the State holds as a member of the IMF in its accounts as its own assets. Article 9, paragraph 2, of the Organic Law goes on to stipulate that the State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank for the purpose of these operations.

3. Treasury's current account

Pursuant to an agreement of 12 March 1999, the balance of the Treasury's current account bears interest, up to a maximum figure of € 50 million, at the marginal interest rate applying to the main refinancing operations.

4. Provision for future foreign exchange losses

Under the agreement of 8 July 1998 between the State and the Bank, the State leaves the gains realised on foreign exchange at the disposal of the Bank, on condition that the Bank allocates them to a provision. Allocations to this provision are made after deduction of corporation tax.

The provision covers any realised or unrealised foreign exchange losses, particularly unrealised losses not covered by the revaluation accounts. Tax is recovered on any amounts used (or written back) from the provision.

The amount of the provision is assessed annually and matched to the best estimate of the risk to be covered, making use of the "value at risk" method.

5. Capital and reserve fund

5.1 Capital

Under Article 4 of the Organic Law, the share capital, totalling € 10 million, is represented by 400,000 shares, which do not have any nominal value. The share capital is fully paid-up. The Belgian State holds 200,000 registered, non-transferable shares, or 50 p.c. of the total voting rights.

5.2 Reserve fund

The reserve fund, provided for in Article 31 of the Organic Law, consists of the statutory reserve, the extraordinary reserve and the amortisation accounts

Its purpose is:

- 1° to make good the losses on the share capital;
- 2° to supplement the profits for the year up to an amount equalling a dividend of 6 p.c. of the capital.

On expiry of the Bank's right of issue, the State has a priority right to one-fifth of the reserve fund. The remaining four-fifths are divided among all the shareholders.⁽¹⁾

6. Determination of the result

6.1 Proceeds from statutory investments

The proceeds from bills and securities acquired in representation of the capital, reserves and amortisation accounts are at the Bank's free disposal, in accordance with Article 29 paragraph 3 of the Organic Law.

6.2 Rule on the allocation of proceeds from net profit-earning assets

By virtue of Article 29, paragraph 1, of the Organic Law, the net financial proceeds in excess of 3 p.c. of the difference between the average amount, calculated on an annual basis, of the Bank's profit-earning assets – except for bills and securities acquired in representation of the capital, reserves and amortisation accounts, the proceeds of which are at the Bank's free disposal – and the Bank's remunerated liabilities are assigned to the State.

Net financial proceeds means:

- 1° the share of monetary income allocated to the Bank in implementation of Article 32.5 of the Statute of the ESCB;
- 2° the share of the ECB's net profit allocated to the Bank in implementation of Article 33.1 of the Statute of the ESCB;
- 3° the proceeds of the Bank's profit-earning assets and its financial management transactions, less the financial charges in respect of the remunerated liabilities and the financial management transactions, not connected with the asset and liability items forming the basis for calculation of the proceeds referred to in 1° and 2° above.

If the amount of the net profit-earning assets does not reflect the Bank's share in the monetary base of the System, i.e. the sum of the banknotes in circulation and the liabilities resulting from the deposits made by credit institutions, this amount is adapted accordingly for the implementation of this article.

6.3 Proceeds fully assigned to the State

Proceeds from assets which are the counterpart of deposits, other than those included in liability sub-item 4.1, made within the framework of various particular agreements between the Belgian State and other states.

Furthermore, by virtue of Article 30 of the Organic Law, the net income from the assets which form the counterpart to the capital gains realised by the Bank through arbitrage transactions of gold assets against other external reserve components, entered in a special unavailable reserve account, is also assigned to the State. The implementing procedures relating to these provisions are governed by an agreement dated 30 June 2005 between the State and the Bank, published in the *Moniteur belge*/Belgisch Staatsblad of 5 August 2005.

Finally, the Bank pays annually to the Treasury, in accordance with the Law of 2 January 1991 on the market in public debt securities and monetary policy instruments, a sum of € 24.4 million to compensate for the additional expenses resulting for the latter from the conversion, in 1991, of the Treasury's consolidated debt to the Bank into freely negotiable securities.

6.4 Net foreign exchange differences accruing to the State

In accordance with Article 9 of the Organic Law, the international monetary cooperation agreements or transactions which the Bank carries out on behalf of the State or with its express approval are guaranteed by the State. Foreign exchange gains and losses realised on these operations accrue entirely to the State. Pursuant to Article 37 of the Organic Law, capital gains realised on the sale of gold to the Belgian Royal Mint are handed over to the State. Sales of gold to that Institution with a view to issuance by the State of numismatic or commemorative coins may not exceed 2.75 p.c. of the weight of gold shown under the assets of the Bank as at 1 January 1987.

(1) Pursuant to Article 141, § 9 of the law of 2 August 2002 on the supervision of the financial sector and on financial services, Article 31 (2) of the law of 22 February 1998 establishing the organic statute of the National Bank of Belgium is interpreted as meaning that the right of issue in question includes that which the Bank may exercise pursuant to Article 106(1) of the Treaty establishing the European Community.

7. Profit distribution

Pursuant to Article 32 of the Organic Law, the annual profit shall be distributed as follows:

- 1° To the shareholders, a first dividend of 6 p.c.
- 2° Of the excess:
 - a) 10 p.c. to the reserve
 - b) 8 p.c. to the staff or to institutions in its favour.
- 3° The surplus is allocated as follows:
 - a) To the State, one fifth.
 - b) To the shareholders, an amount sufficient to pay them a second dividend determined by the Council of Regency.
 - c) The balance to the reserve.

III. ACCOUNTING RULES ESTABLISHED BY THE COUNCIL OF REGENCY

1. Participations

The participations, which the Bank holds in the form of shares representing the capital of various institutions, are recorded in the balance sheet at their acquisition price, as recommended by Guideline ECB/2006/16.⁽¹⁾

2. Fixed-income securities held in the statutory investment portfolio or held to maturity

These securities – recorded under sub-item 9.3 of the assets – constitute separate portfolios which are valued at their purchase price amortised on the basis of their actuarial yield, as recommended by the said Guideline.

3. Tangible and intangible fixed assets

Land, buildings, plant, machinery, computer hardware and software, furniture and vehicles are recorded at their acquisition value. Buildings under construction are recorded at the cost actually paid. Apart from land, investments, including ancillary costs, are written off entirely within the year in which they are acquired.

4. Stocks

Supplies intended for the production of orders for third parties, work in progress and the resulting finished products are valued at the material acquisition cost.

5. Provision for contingencies

The provision is intended to cater for

- fluctuations affecting the Bank's results;
- the risks inherent in the Bank's activity (particularly the credit risk on the Bank's transactions and investments and the operating risk).

This provision is based on the principle of prudence and is intended to ensure the continuity of the tasks in the public interest for which the Bank, as a central bank, is assigned responsibility by the legislature.

The amount of the provision is determined on the basis of analysis of the risks inherent in the Bank's activity, but also in order to clear any losses before they have absorbed all the profits, so that the second dividend can also be paid. The credit risk is assessed, in particular, by the "Creditmetrics" method.

6. Staff share of the profits

The share of the Bank's profits for the year accruing to the staff or to institutions in its favour pursuant to Article 32 of the Organic Law is ascribed to the financial year in which it is acquired.

(1) ECB Guideline of 10 November 2006 on the legal framework for accounting and financial reporting in the ESCB.

7. Off-balance-sheet items

	Category of off-balance-sheet items	Valuation principle
Liabilities which could lead to a credit risk	Commitments towards international institutions	Nominal value, currencies converted at the market exchange rate
	Commitments towards other institutions	
Valuables and claims entrusted to the institution	For encashment	Nominal value
	Assets managed on behalf of the Treasury	Nominal value/cost, currencies converted at the market exchange rate
	Assets managed on behalf of the ECB	
	Custody deposits	Nominal amount, currencies converted at the market exchange rate
Capital to be paid up on shares		Nominal amount, currencies converted at the market exchange rate

5.3.3 Notes to the balance sheet

Note 1 Gold and gold receivables

GOLD STOCKS

	31-12-2007	31-12-2006
In ounces of fine gold	7,317,563.6	7,319,966.9
In kg of fine gold	227,601.7	227,676.5
At market price (millions of euro) ..	4,158.1	3,533.3

The reduction in gold stocks is due to the sale of 74.8 kg of gold at market price to the Belgian Royal Mint.

As at 31 December 2007, 9.2 tonnes of gold were still available for the issue of numismatic or commemorative coins by the State.

On the balance sheet date, gold is valued on the basis of the euro price per fine ounce, notified by the ECB and derived from the quotation in USD established at the London fixing on 31 December 2007.

GOLD PRICE

(euro)

	31-12-2007	31-12-2006
Ounce of fine gold	568.236	482.688
Kg of fine gold	18,269.21	15,518.78

The Bank lent part of its gold assets against a guarantee covering the credit risk.

Note 2 Claims on non-euro area residents denominated in foreign currency

This item is broken down into two sub-items:

- receivables from the International Monetary Fund (IMF);

- balances held on accounts with banks which do not belong to the euro area as well as loans made to non-residents of the euro area, securities and other foreign currency assets issued by the latter.

RECEIVABLES FROM THE IMF

(millions of euro)

	31-12-2007	31-12-2006
Special drawing rights	413.7	413.2
Participation in the IMF	324.5	470.5
Loans to the PRGF Trust	77.6	74.6
Total	815.8	958.3

SDR RATE

	31-12-2007	31-12-2006
EUR/SDR	0.9311	0.8760

SPECIAL DRAWING RIGHTS (SDR)

SDRs are reserve assets created ex nihilo by the IMF and allocated by it to its members. The most recent allocation was made in 1981. SDRs are used in transactions between official monetary authorities. This item is subject to fluctuations as a result of encashments and interest payments, and transactions with other countries and with the Fund. Since September 2004, it has been possible for these transactions to be initiated by the IMF under an agreement with the Bank which stipulates in this regard that the assets in SDR must total between 40 and 80 p.c. of the net cumulative allocation (SDR 485.2 million).

The holding recorded on the SDR account came to SDR 385.2 million as at 31 December 2007, against SDR 362 million a year earlier. This increase is due to net purchases of SDR against euro effected under the above agreement. Net usage of the SDR holding, i.e. the difference between the SDR allocation and the SDR holdings on the balance sheet date, amounted to SDR 100 million.

PARTICIPATION IN THE IMF

This claim represents the euro equivalent of Belgium's reserve tranche, i.e. the rights that the Belgian State has as a member of the IMF. These rights correspond to the difference between Belgium's quota in the IMF, namely SDR 4,605.2 million, and the Fund's holdings of euro with the Bank. They may be sold to the IMF at any time in order to obtain convertible currencies for financing a balance of payments deficit.

The change in the amount of these rights may also result from the granting of credit by the IMF in favour of member countries faced with the same type of deficit, or from the repayment of such loans by those countries, as well as from euro transactions carried out by the Fund on its own behalf. The rate of interest on such loans is adjusted weekly. On the balance sheet date, the reserve tranche amounted to SDR 302.1 million, against SDR 412.1 million a year earlier. This reduction is due to net repayments by Fund member countries.

LOANS TO THE PRGF TRUST

The amount shown under this sub-item is the equivalent of the SDRs which the Bank has lent to the Poverty Reduction and Growth Facility (PRGF) Trust Fund, managed by the IMF. This credit facility is intended to support the efforts of low-income developing countries that commit themselves to macroeconomic and structural adjustment programmes. The resources lent to this Trust are used by the IMF to fund the principal of the loans granted to developing countries under this facility.

Pursuant to the lending agreement, which was concluded on 2 July 1999, the PRGF Trust has a credit line with the Bank; since 4 December 2001 this line has totalled SDR 350 million. The Bank's claims under this heading amounted on 31 December 2007, to SDR 72.3 million against SDR 65.3 million a year earlier, as the repayments made during the year were more than offset by new credit line drawings.

BALANCES WITH BANKS, SECURITY INVESTMENTS, LOANS AND OTHER EXTERNAL ASSETS

BREAKDOWN BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2007	31-12-2006
Sight deposits	332.1	435.9
Time deposits	142.7	254.4
Securities	3,993.8	4,234.0
Reverse repurchase agreements ...	1,712.5	738.5
Total	6,181.1	5,662.8

EXCHANGE RATES

	31-12-2007	31-12-2006
EUR/USD	1.4721	1.3170
EUR/JPY	164.9300	156.9300
EUR/CHF	1.6547	1.6069

BREAKDOWN BY CURRENCY

(millions of euro)

	31-12-2007	31-12-2006
USD	6,127.8	5,632.9
JPY	49.5	26.4
CHF	2.2	2.2
Other	1.6	1.3
Total	6,181.1	5,662.8

BREAKDOWN OF FIXED-INCOME SECURITIES BY THEIR RESIDUAL TERM

(millions of euro)

	31-12-2007	31-12-2006
≤ 1 year	1,087.0	1,016.0
> 1 year and ≤ 5 years	2,343.0	3,156.8
> 5 years	563.8	61.2
Total	3,993.8	4,234.0

These consist mainly of US Treasury issues. In addition, the Bank holds a small proportion of fixed-income securities issued by the BIS, securities issued by government-backed institutions or by certain supranational bodies, and finally corporate bonds with a high rating.

On the balance sheet date the unrealised gains and losses on securities valued at market price came to € 87.5 million and € 0.7 million respectively.

THE NET FOREIGN CURRENCY POSITION RESULTING FROM THE BALANCE SHEET ITEMS AND THE OFF-BALANCE-SHEET ITEMS DENOMINATED IN FOREIGN CURRENCIES, TAKEN AS A WHOLE (SPOT AND FORWARD CLAIMS AND LIABILITIES)

(market value in billions of euro)

	31-12-2007	31-12-2006	Variation
USD	1.5	1.7	-0.2

The reasons for this decrease are as follows:

- encashment of investment income	+0.2
- sales of dollars against euros	-0.2
- negative exchange differences taken to the profit and loss account	-0.2

Note 3 Claims on euro area residents denominated in foreign currency

BREAKDOWN BY TYPE OF INVESTMENT (USD)

(millions of euro)

	31-12-2007	31-12-2006
Time deposits	726.0	243.0
Securities	68.0	25.8
Total	794.0	268.8

An amount of € 403.5 million (USD 580.7 million) relates to special dollar-denominated financing operations for the purpose of concerted action by the ECB and the Federal Reserve.

These operations enabled euro area credit institutions to borrow a total of USD 20 billion from their respective central banks against provision of eligible collateral. The dollars were made available to the ECB by the Federal Reserve via a temporary mutual currency exchange (swap agreement). A similar swap agreement was then concluded between the ECB and the NCBs.

These operations increased sub-item 9.3 of the liabilities "Other liabilities within the Eurosystem (net)".

BREAKDOWN OF FIXED-INCOME FOREIGN CURRENCY SECURITIES ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

	31-12-2007	31-12-2006
≤ 1 year	51.4	4.5
> 1 year and ≤ 5 years	16.6	18.2
> 5 years	-	3.1
Total	68.0	25.8

On the balance sheet date, the value of the securities at market prices was € 0.4 million higher than the average cost price.

Note 4 Claims on non-euro area residents denominated in euro

BREAKDOWN BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2007	31-12-2006
Sight deposits	36.8	53.6
Securities	150.0	292.5
Total	186.8	346.1

**BREAKDOWN OF FIXED-INCOME SECURITIES
ACCORDING TO THEIR RESIDUAL TERM**

(millions of euro)

	31-12-2007	31-12-2006
≤ 1 year	43.9	101.5
> 1 year and ≤ 5 years	65.9	158.2
> 5 years	40.2	32.8
Total	150.0	292.5

On the balance sheet date, the unrealised losses on securities valued at market price came to € 1.2 million.

**Note 5 Lending to euro area credit institutions
related to monetary policy operations
denominated in euro**
MAIN REFINANCING OPERATIONS

Liquidity granted to credit institutions for a one-week term via weekly tenders.

To an even greater extent than during the previous year, in participating in these operations, credit institutions in Belgium obtained structurally more than the liquidity required to meet their monetary reserve obligations and the needs generated by autonomous factors. Thus, credit institutions had a cash surplus which was lent to financial institutions in other euro area countries via TARGET, the amount being reflected in sub-item 9.3 on the liabilities side of the balance sheet "Other liabilities within the Eurosystem (net)".

At the end of the year the ECB conducted a policy of expanding liquidity to calm the money market tension. On the balance sheet date, the injection of liquidity via the weekly main refinancing operations totalled € 368.6 billion for the euro area as a whole, of which € 51.1 billion (or 13.8 p.c.) was allocated to credit institutions in Belgium.

LONGER-TERM REFINANCING OPERATIONS

Credit extended to credit institutions by way of monthly 3-month tenders.

The money market tension also prompted the ECB to increase the amount of the 3-month refinancing operations. On the balance sheet date, the outstanding amount of these operations came to € 268.5 billion for the euro area, of which € 5.3 billion (or 2 p.c.) was allocated to credit institutions in Belgium.

**Note 6 Other claims on euro area credit
institutions denominated in euro**

Claims on credit institutions which do not relate to monetary policy operations.

BREAKDOWN BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2007	31-12-2006
Current accounts	0.9	0.6
Reverse repurchase agreements ...	30.0	350.0
Total	30.9	350.6

**Note 7 Securities of euro area residents
denominated in euro**

Portfolio of euro securities held for investment purposes and consisting mainly of negotiable government bonds denominated in euro issued by Member States of the European Union, bonds issued by certain credit institutions in euro area countries and backed by first-rate claims ("Pfandbriefe" type), and bonds issued by national public organisations.

**BREAKDOWN OF FIXED-INCOME SECURITIES
ACCORDING TO THEIR RESIDUAL TERM**

(millions of euro)

	31-12-2007	31-12-2006
≤ 1 year	1,402.1	960.4
> 1 year and ≤ 5 years	2,907.2	2,796.0
> 5 years	800.0	722.9
Total	5,109.3	4,479.3

On the balance sheet date, the unrealised gains and losses on securities at their market price came to € 1.5 million and € 31.5 million respectively.

Note 8 Intra-Eurosystem claims

PARTICIPATING INTEREST IN ECB CAPITAL

Since 1 January 2007, the subscribed capital of the ECB has totalled € 5,761 million. The Bank's share in that capital, which is fully paid, comes to 2.4708 p.c., or € 142.3 millions. The redistribution among the NCBs of the value of the ECB's own funds following the change to the capital distribution led to an increase in the cost of the Bank's share, bringing it to € 143.5 million.

CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN CURRENCY RESERVES

Euro-denominated claim amounting to € 1,423.3 million on the ECB arising from the transfer of foreign reserves. That claim is remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, adjusted to reflect a zero return on the gold component.

The reserves transferred at the beginning of 1999 are managed by the Bank on behalf of the ECB. They are recorded off-balance-sheet.

NET CLAIMS RELATED TO THE ALLOCATION OF EURO BANKNOTES WITHIN THE EUROSISTEM

Net claims on the Eurosystem relating to the allocation of euro banknotes in the Eurosystem (see accounting principles and valuation rules relating to the item "Banknotes in circulation"). This interest-bearing Eurosystem item corresponds to the difference between the amount of the banknotes in circulation allocated to the Bank and the amount of the banknotes which it has placed in circulation.

Note 9 Other assets

COINS OF THE EURO AREA

The Bank's holding of euro coins. The coins are put into circulation by the Bank on behalf of the Treasury, and credited to the latter's account. In accordance with the ECB decision of 24 November 2006 on the approval of

the volume of coin issuance, the maximum amount of the euro coins to issue in 2007 was € 117.5 million for Belgium. Since the amount actually issued in 2006 was € 1,009 million, the authorised amount therefore totalled € 1,126.5 million for 2007.

TANGIBLE AND INTANGIBLE FIXED ASSETS

In 2007, the Bank's investment in tangible and intangible fixed assets totalled € 11.7 million. In addition, an amount corresponding to the acquisition price of assets disposed of or taken out of use has been deducted from the "Tangible and intangible fixed assets" account (€ 13 million).

OTHER FINANCIAL ASSETS

The other financial assets comprise the statutory portfolio and the portfolio of held-to-maturity securities.

Statutory portfolio

Under Article 19 § 4 of the Organic Law, the Board of Directors decides on the investment of the capital, reserves and amortisation accounts after consultation with the Council of Regency and without prejudice to the rules adopted by the ECB. These statutory investments consist primarily of negotiable government bonds, bonds issued by certain credit institutions in euro area countries and backed by first-rate claims ("Pfandbriefe" type), securities representing the capital of financial institutions governed by special legal provisions or guaranteed or controlled by the State, and shares in the BIS.

BREAKDOWN OF PARTICIPATING INTERESTS

	31-12-2007		31-12-2006	
	Number of shares	Millions of euro	Number of shares	Millions of euro
BIS	50,100	329.8	50,100	329.8
SBI	801	2.0	801	2.0
SWIFT	137	0.2	137	0.2
Total		332.0		332.0

**BREAKDOWN OF FIXED-INCOME SECURITIES
ACCORDING TO THEIR RESIDUAL TERM**

(millions of euro)

	31-12-2007	31-12-2006
≤ 1 year	207.9	115.5
> 1 year and ≤ 5 years	785.1	712.2
> 5 years	889.8	886.0
Total	1,882.8	1,713.7

Held-to-maturity portfolio
BREAKDOWN ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

	31-12-2007	31-12-2006
≤ 1 year	987.7	–
> 1 year and ≤ 5 years	3,877.6	275.2
> 5 years	4,896.6	215.8
Total	9,761.9	491.0

**OFF-BALANCE-SHEET INSTRUMENTS REVALUATION
DIFFERENCES**

Net positive revaluation differences on forward foreign exchange transactions. These differences, which have their counterpart in the item "Revaluation accounts" on the liabilities side, relate to currency swaps of which the forward leg is recorded off-balance-sheet.

ACCRUALS AND PREPAID EXPENDITURE

Prepaid expenses and interest accrued but not yet received on securities and other assets.

SUNDRY

- Interest receivable on the claim resulting from the transfer of foreign reserves to the ECB and on the net claim relating to the allocation of euro banknotes in the Eurosystem
- Trade receivables
- Printing Works stocks

Note 10 Banknotes in circulation

The share in the circulation of euro banknotes in the Eurosystem, allocated to the Bank (see the accounting principles and valuation rules under I.7 "Banknotes in circulation").

**Note 11 Liabilities to euro area credit
institutions related to monetary policy
operations denominated in euro**
**CURRENT ACCOUNTS COVERING THE MINIMUM RESERVE
SYSTEM**

Euro-denominated accounts of credit institutions, which mainly serve to meet their minimum reserve requirements. These requirements have to be respected on average over the reserve maintenance period in accordance with the schedule published by the ECB. The minimum reserves are remunerated at the average of the marginal interest rates on the latest main refinancing operation in the maintenance period.

The size of the current account liabilities at the end of 2007, namely € 16.7 billion (an increase of € 8.8 billion against 2006), is due to the traditional increase in the liquidity needs of credit institutions around the end of the year. This tendency was reinforced by the money market tension following the credit crisis, to which the ECB responded by granting ample liquidity via its open market operations.

DEPOSIT FACILITY

Standing facility allowing credit institutions to make 24-hour deposits with the Bank at a pre-specified interest rate.

FIXED-TERM DEPOSITS

Deposits made at the Bank for the purpose of absorbing market liquidity in connection with fine-tuning operations in the Eurosystem.

During the final days of 2007 the ECB conducted multiple liquidity withdrawal operations to prevent the overnight interest rate from deviating excessively from the minimum bid rate of the main refinancing operations.

On the balance sheet date, liquidity amounting to € 101.6 billion was withdrawn from the market, of which € 1.1 billion came from credit institutions in Belgium.

Note 13 Liabilities to other euro area residents denominated in euro

LIABILITIES TO GENERAL GOVERNMENT

Balances of the current accounts opened in the name of the State and of general government. On the balance sheet date, the balance of the Treasury's current account came to € 2 million.

OTHER LIABILITIES

Current account balances held mainly by financial intermediaries which do not have access to standing facilities.

Note 14 Liabilities to non-euro area residents denominated in euro

Current accounts held by central banks, other banks, international and supranational institutions and other account holders situated outside the euro area.

Note 16 Liabilities to non-euro area residents denominated in foreign currency

(millions of euro)

	31-12-2007	31-12-2006
Repos in USD	1,563.6	705.1

Note 17 Counterpart of special drawing rights allocated by the IMF

Countervalue of SDRs, converted to euro at the same rate as applies to the SDR assets, which should be returned to the IMF if the SDR is cancelled, if the SDR Department established by the IMF is closed, or if Belgium decides to withdraw from it. This liability, of unlimited duration, amounts to SDR 485.2 million.

Note 18 Intra-Eurosystem liabilities

OTHER LIABILITIES WITHIN THE EUROSISTEM (NET)

The Bank's net liabilities resulting from all the intra-Eurosystem liabilities and claims, excluding those recorded under the balance sheet items "Net claims or liabilities related to the allocation of euro banknotes within the Eurosystem" (see note 8).

These net liabilities vis-à-vis the Eurosystem can be broken down as follows:

1. The Bank's position vis-à-vis the ECB resulting from cross-border transfers via TARGET with the other NCBs of the ESCB and the ECB (€ 61,663.4 million).
2. The intra-Eurosystem claim of € 3.8 million resulting from the pooling and distribution of monetary income within the Eurosystem (see item 1.4. "Allocation of monetary income from the Eurosystem" in the profit and loss account).

Note 19 Other liabilities

ACCRUALS AND INCOME COLLECTED IN ADVANCE

The costs attributable to interest accrued but not yet paid as well as deferred income.

SUNDRY

In particular

- trade debts and social contributions due;
- sums payable to the State in respect of its share in the Bank's income and expenditure for the last financial year;
- interest payable by the Bank on its net debt to the ECB in connection with TARGET;
- unavailable reserve of capital gains on gold (€ 298.9 million).

Note 20 Provisions

(millions of euro)

	31-12-2007	Appropriation	Use	31-12-2006
For future exchange losses	144.5	44.1	-98.5	198.9
For contingencies ...	803.5	70.0	-	733.5
Total	948.0	114.1	-98.5	932.4

The provision for future exchange losses was used to cover losses on the net currency position totalling € 149.2 million, of which € 98.5 million was imputed to the provision and € 50.7 million was recovered from corporation tax. An appropriation of € 44.1 million was effected in order to adjust the provision for future exchange losses in line with the best actual estimate of the exchange rate risk to be covered (see note 30). A sum of € 70 million was also allocated to the provision for contingencies on the basis of the analysis and assessment of the other risks inherent in the Bank's activity.

Note 21 Revaluation accounts

Positive exchange rate and price revaluation differences corresponding to the difference between, on the one hand, the market value of the net foreign reserve and security positions (other than the statutory portfolio and the portfolio of held-to-maturity securities) and, on the other hand, their average cost value.

(millions of euro)

	31-12-2007	31-12-2006
Positive exchange revaluation differences on:		
– gold	3,840.9	3,215.9
– foreign currencies	-	26.1
Positive price revaluation differences on:		
– securities in foreign currencies (asset items 2 and 3)	87.9	3.5
– securities in euro (asset items 4 and 7)	1.5	0.6
Total	3,930.3	3,246.1

Note 22 Capital and reserve fund

CAPITAL

The Bank has not received any declarations pursuant to Article 6 § 1 of the law of 2 May 2007 on the disclosure of large shareholdings in listed companies, notifying other shareholdings equal to 5 p.c. or more of the voting rights, other than those held by the State.

RESERVE FUND

The increase in the statutory reserve is the result of the distribution of the profit for the previous year. The amortisation accounts in respect of tangible fixed assets show a decrease of € 0.3 million, corresponding to the investments made in 2007, less a sum equal to the depreciation of the assets sold or no longer used. The tax-exempt part of the extraordinary reserve remains unchanged.

**CAPITAL, RESERVE FUND AND CORRESPONDING
PROFIT DISTRIBUTION**

(millions of euro)

	31-12-2007	31-12-2006
Capital	10.0	10.0
Reserve fund	2,205.8	2,049.4
Profit distribution	185.5	156.7
Total	2,401.3	2,216.1

On expiry of the Bank's right of issue, the State has a priority right to one-fifth of the reserve fund.

5.3.4 Notes to the profit and loss account

Note 24 Proceeds of net interest-bearing assets

The net interest-bearing assets comprise the total of the assets and liabilities in foreign currencies and in euro, on which the income net of interest charges on remunerated liabilities is distributed between the State and the Bank in accordance with the conditions set forth under item II.6.2 of the accounting principles and valuation rules.

INTEREST INCOME

INTEREST INCOME OF ASSETS IN EURO

	31-12-2007			31-12-2006		
	Income	Average volume	Average rate	Income	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Credit transactions relating to monetary policy ..	1,381.9	34,219.2	4.0	875.2	30,149.2	2.9
Securities portfolio in euro (including securities held to maturity)	439.0	10,663.1	4.1	158.7	4,937.9	3.2
Claims on the ECB equivalent to the transfer of foreign currency reserves	48.2	1,423.3	3.4	34.4	1,419.1	2.4
Net claims related to the allocation of euro banknotes within the Eurosystem	915.1	22,984.0	4.0	608.8	21,335.3	2.9
Other claims	9.9	256.7	3.9	7.4	245.7	3.0
Total	2,794.1	69,546.3	4.0	1,684.5	58,087.2	2.9

INTEREST INCOME OF EXTERNAL ASSETS

	31-12-2007			31-12-2006		
	Income	Average volume	Average rate	Income	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Claims related to international cooperation transactions	10.9	459.2	2.4	20.6	784.0	2.6
Investments in foreign currencies and in gold ...	273.7	6,509.0	4.2	236.3	6,103.2	3.9
Total	284.6	6,968.2	4.1	256.9	6,887.2	3.7

INTEREST EXPENSES

INTEREST EXPENSES ON LIABILITIES IN EURO

	31-12-2007			31-12-2006		
	Expenses	Average volume	Average rate	Expenses	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Monetary reserve accounts, deposit facility and other interest-bearing deposits	484.6	12,133.3	4.0	291.0	10,203.2	2.9
Net liabilities to the ECB related to TARGET	1,667.9	41,788.9	4.0	982.3	34,122.0	2.9
Other liabilities	0.1	3.7	4.0	0.2	6.5	2.5
Total	2,152.6	53,925.9	4.0	1,273.5	44,331.7	2.9

INTEREST EXPENSES ON EXTERNAL LIABILITIES

	31-12-2007			31-12-2006		
	Expenses	Average volume	Average rate	Expenses	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Repurchase agreement transactions in foreign currencies	46.1	1,020.7	4.5	43.1	857.8	5.0
Net use of assets in SDR	5.2	129.2	4.0	10.6	285.3	3.7
Total	51.3	1,149.9	4.5	53.7	1,143.1	4.7

CAPITAL GAINS (LOSSES (-)) ON SECURITIES

(millions of euro)

	31-12-2007	31-12-2006
Realised		
USD	9.6	-18.5
EUR	-12.4	-33.9
Unrealised		
USD	-0.7	-6.7
EUR	-32.7	-39.6
Total	-36.2	-98.7

ALLOCATION OF MONETARY INCOME FROM THE EUROSISTEM

The monetary income pooled in the Eurosystem is allocated among the NCBs of the euro area in accordance with the paid-up capital key (3.5546 p.c. for the Bank since 1 January 2007).

CALCULATION OF NET MONETARY INCOME
ALLOCATED TO THE BANK

(millions of euro)

Monetary income pooled by the Bank in the Eurosystem	-819.5
Monetary income allocated to the Bank by the Eurosystem	823.3
Net monetary income allocated	3.8

INCOME FROM THE ECB

As in 2006, the ECB retained the whole of the income which it draws in respect of its share in the issue of euro banknotes, in accordance with the decision of the Governing Council on 20 December 2007 to establish a provision for foreign exchange rate, interest rate and gold price risks.

Note 25 Foreign exchange difference results

(millions of euro)

	31-12-2007	31-12-2006
Available to the Bank		
Realised		
USD	-10.0	47.4
Unrealised		
JPY	-	-0.1
USD	-139.1	-
Accruing to the State		
Realised		
SDR	-0.8	24.8
Gold	1.2	-
Unrealised		
SDR	-17.5	-3.5
Total	-166.2	68.6

Note 26 Commission

- Commission received as remuneration for the Bank's services as financial intermediary: € 8.3 million of which € 7.4 million related to the collateralisation of securities and € 0.9 million to transactions with customers.
- Commission paid by the Bank for financial services rendered to the Bank by third parties (€ 5.7 million). The increase against 2006 is due to the rise in custody fees caused by the expansion of the securities portfolio in euro and the revival in the Bank's activity as a correspondent bank.

Note 27 Amounts recovered from third parties

The amounts recovered from third parties concern income from the supply of goods and rendering of services in various spheres, such as

- the Balance Sheet Office and the Central Offices for Credit to Individuals and to Enterprises (€ 34.1million);
- payment systems such as TARGET, ELLIPS, the CEC and the Clearing House (€ 6.3 million);
- the securities settlement system (€ 5.5 million);
- the Cash and Bond centres (€ 3.6 million);

- the internationalisation of IT applications (€ 3.3 million);
- cooperation with the CBFA (€ 2.7 million).

Note 28 Proceeds from statutory investments

(millions of euro)

	31-12-2007	31-12-2006
Bond portfolio		
Interest income	74.6	66.3
Realised capital gains (losses (-))	-1.9	4.4
Participations		
Dividends	14.4	14.3
Total	87.1	85.0

Note 29 Other proceeds

The other proceeds consist of those from the sale of premises, the disposal of used equipment and furniture, and other miscellaneous proceeds.

In 2007, the sale of the Bruges agency accounts for most of the € 2.3 million increase in other proceeds.

Note 30 State share

PROCEEDS FROM NET INTEREST-BEARING ASSETS (ARTICLE 29)

The additional € 44.1 million allocated to the provision for future exchange losses was deducted from the financial proceeds which are shared between the Bank and the State. This had a negative influence on the State's share.

The volume of net interest-bearing assets totals € 21.1 billion. Since their yield is 3.7 p.c., the State obtains a sum of € 152.7 million pursuant to Article 29 of the Organic Law.

PROCEEDS FULLY ASSIGNED TO THE STATE

(millions of euro)

	31-12-2007	31-12-2006
Proceeds of deposits other than those in item 4.1 of the liabilities	1.7	2.5
Income from capital gains on gold	11.1	8.2
Conversion of the consolidated debt	24.4	24.4
Total	37.2	35.1

FOREIGN EXCHANGE DIFFERENCE RESULTS ACCRUING TO THE STATE

SDR transactions generated foreign exchange losses of € 18.3 million, and sales of gold to the Belgian Royal Mint produced gains of € 1.2 million (see note 25). The net amount of 17.1 million was charged to the State's share.

Note 32 General expenses

REMUNERATION AND SOCIAL COSTS

These expenses comprise the remuneration and social costs of the staff, the Board of Directors, temporary staff and students, and also the pensions of former members of the Board of Directors and the attendance fees of the members of the Council of Regency and the Board of Censors.

OTHER EXPENSES

This sub-item comprises in particular administrative and IT expenses (€ 18 million), those relating to the repair and maintenance of premises (€ 9.3 million), printing work (€ 7.7 million) and work done and services rendered by third parties (€ 10.3 million). The withholding tax on income from immovable property and the regional, provincial and municipal taxes are also included here (€ 4.4 million).

Note 34 Depreciation of tangible and intangible fixed assets

The depreciation applied as at 31 December 2007 covers the following investments:

(millions of euro)

Renovation of premises	3.5
Hardware and software	3.0
Equipment for the Printing Works	3.4
Other equipment and furniture	1.8
Total	11.7

Note 36 Corporation tax

The foreign exchange losses incurred on the dollar (€ 149.2 million) had no influence on the profits for the year, since they were fully offset by a write-back from the provision for future foreign exchange losses (€ 98.5 million) plus a recovery of corporation tax (€ 50.7 million). This factor largely explains why corporation tax remained at the same level as in 2006, despite the profit growth and the absence of tax losses carried forward (in contrast to 2006).

5.3.5 Notes to the off-balance-sheet items

Note 38 Forward transactions in foreign currencies and in euro

(millions of euro)

	31-12-2007	31-12-2006
Forward claims		
in EUR	3,922.0	3,670.0
in USD	48.4	26.1
Forward liabilities		
in USD	3,865.0	3,621.9
in JPY	48.5	25.5

These currency swaps and forward exchange transactions were concluded for the major part against euro. The forward claims and liabilities in foreign currencies were revalued in euro at the same exchange rates as those used for spot holdings in foreign currencies.

These transactions include forward liabilities towards the ECB for an amount equivalent to € 403.5 million, following the joint special operations with the Federal Reserve (see note 3).

Note 39 Forward transactions on interest rates and fixed-income securities

At the end of the financial year, the Bank holds a net short position in futures in US government securities and in 3-month euro-dollar rate futures. These contracts were revalued at market price. As at 31 December 2007, the Bank held a net short position of € 208.3 million.

These transactions in futures are intended to facilitate the management of the foreign currency portfolios.

Note 40 **Liabilities which could lead to a credit risk**

Liabilities towards international institutions include the commitment signed by the Bank to lend SDR 350 million (€ 375.9 million) to the PRGF Trust. The amount still available comes to SDR 277.7 million (€ 298.3 million). This loan is guaranteed by the Belgian State.

Note 41 **Valuables and claims entrusted to the institution**

The custody deposits comprise the nominal amount of securities (Treasury certificates, linear bonds, securities resulting from the splitting of linear bonds, Treasury bills, certificates of deposit and certain classical loans) recorded under the securities settlement system and held on behalf of third parties

Note 42 **Capital to be paid up on shares of the BIS**

The BIS shares held by the Bank are paid up to the extent of 25 p.c. The amount shown under this item represents the uncalled capital, totalling SDR 187.9 million (€ 201.8 million).

5.3.6 Remuneration of the members of the Board of Directors, the Council of Regency and the Board of Censors

The governor's gross salary for the year 2007 came to € 474,792, while the vice-governor and the other members of the Board of Directors received a gross salary of € 381,381 and € 327,972 respectively.

In 2007, the regents and censors received gross attendance fees of € 443 per meeting attended.

Since many years these amounts are only adapted to the evolution of the health index.

5.3.7 Auditor's remuneration

The remuneration paid to Ernst & Young Reviseurs d'Entreprises SCCRL totalled € 83,900 for the audit assignment. That remuneration comprises a sum of € 51,630 for certification of the annual accounts and a sum of € 32,270 for certification work on behalf of the ECB auditor.

5.3.8 Legal proceedings

During the financial year 2007, three legal actions were pursued against the Bank by various groups of shareholders. These are three appeals lodged before the Brussels Court of Appeal against the judgments pronounced by the Brussels Commercial Court on 27 October 2005, 2 February 2006 and 9 March 2007 respectively.

By the judgment of 27 October 2005, the Commercial Court dismissed the claim by the applicant shareholders seeking liquidation of the Bank's reserve fund on the grounds that the Bank had lost its right of issue.

By the judgment of 2 February 2006, the Commercial Court dismissed the claim by the applicant shareholders seeking cancellation of the decision of the Council of Regency which, at the end of the financial year 2003, had approved an additional write-back on the provision for future exchange losses, and the inclusion of this amount in the proceeds to be shared between the Bank and the State, in accordance with the rule laid down in Article 29 of the Organic Law and Article 53 of the Bank's Statutes.

Finally, by the judgment of 9 March 2007 the Commercial Court rejected the applicant shareholders' action claiming a sum of € 9,333.67 per share in the Bank (plus interest) from the State and the Bank on the grounds that, between 1996 and 2002, the State wrongfully appropriated the capital gains realised by the Bank on the sale of gold reserves.

These three rulings demonstrate the merits of the arguments which the Bank has always upheld.

Since it considers the appeals to be unfounded, the Bank made no provision for current legal proceedings.

On 21 March 2007, summary proceedings against the Bank were brought before the President of the Brussels Commercial Court at the request of 22 shareholders.

On the basis of the assertion that the Bank does not own the gold reserves, these shareholders demanded suspension of the annual general meeting and its postponement by one month, rectification of the 2006 accounts and, if appropriate, the convening of an extraordinary general meeting if the corrected annual accounts showed that the net assets had fallen to less than 50 p.c. of the capital. By an order issued on 23 March 2007, the court hearing the summary proceedings rejected the demand for suspension of the general meeting. Since the applicants have not taken appropriate steps to obtain a decision from the court on the other claims, the latter were referred to the case list.

Since it considers these claims to be unfounded, the Bank made no provision for current legal proceedings.

5.4 Comparison over five years

5.4.1 Balance Sheet

ASSETS

(thousands of euro)

	2007	2006	2005	2004	2003
1. Gold and gold receivables	4,158,103	3,533,260	3,183,132	2,664,670	2,739,197
2. Claims on non-euro area residents denominated in foreign currency	6,996,921	6,621,103	7,030,957	7,515,315	8,704,377
2.1 Receivables from the IMF	815,795	958,274	1,497,732	2,217,927	3,026,021
2.2 Balances with banks and security investments, external loans and other external assets	6,181,126	5,662,829	5,533,225	5,297,388	5,678,356
3. Claims on euro area residents denominated in foreign currency	793,962	268,782	471,093	419,888	321,230
4. Claims on non-euro area residents denominated in euro ..	186,819	346,096	431,299	333,755	244,817
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	56,311,590	39,910,452	28,950,433	22,695,205	16,748,708
5.1 Main refinancing operations	51,050,000	39,100,000	27,895,000	22,391,000	16,748,708
5.2 Longer-term refinancing operations	5,261,590	810,452	1,055,433	304,205	–
5.3 Fine-tuning reverse operations	–	–	–	–	–
5.4 Structural reverse operations	–	–	–	–	–
5.5 Marginal lending facility	–	–	–	–	–
5.6 Credits related to margin calls	–	–	–	–	–
6. Other claims on euro area credit institutions denominated in euro	30,881	350,619	51,157	318	359
7. Securities of euro area residents denominated in euro	5,109,271	4,479,265	4,672,397	4,604,179	4,109,447
8. Intra-Eurosystem claims	25,502,215	23,803,328	22,034,183	18,671,519	12,654,164
8.1 Participating interest in ECB capital	143,548	142,816	142,816	142,816	143,290
8.2 Claims equivalent to the transfer of foreign currency reserves	1,423,342	1,419,102	1,419,102	1,419,102	1,432,900
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem	23,935,325	22,241,410	20,472,265	17,109,601	11,077,974
8.4 Other claims within the Eurosystem (net)	–	–	–	–	–
9. Other assets	13,266,360	3,463,490	2,542,385	2,510,272	2,465,913
9.1 Coins of euro area	7,479	10,069	10,021	12,749	9,018
9.2 Tangible and intangible fixed assets	390,643	391,898	391,471	392,435	385,313
9.3 Other financial assets	11,976,665	2,536,705	1,806,975	1,682,542	1,617,015
9.4 Off-balance-sheet instruments revaluation differences	61,914	64,374	–	84,015	113,334
9.5 Accruals and prepaid expenditure	522,982	228,000	189,646	192,723	193,692
9.6 Sundry	306,677	232,444	144,272	145,808	147,541
Total assets	112,356,122	82,776,395	69,367,036	59,415,121	47,988,212

LIABILITIES

(thousands of euro)

	2007	2006	2005	2004	2003
1. Banknotes in circulation	22,129,413	20,618,837	18,550,389	16,451,255	14,199,612
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	17,789,308	7,928,100	6,785,900	5,416,413	8,324,897
2.1 Current accounts (covering the minimum reserve system)	16,735,366	7,928,100	6,785,900	5,416,413	8,324,897
2.2 Deposit facility	3,942	–	–	–	–
2.3 Fixed-term deposits	1,050,000	–	–	–	–
2.4 Fine-tuning reverse operations	–	–	–	–	–
2.5 Deposits related to margin calls	–	–	–	–	–
3. Other liabilities to euro area credit institutions denominated in euro	–	–	50,854	–	–
4. Liabilities to other euro area residents denominated in euro	55,065	59,547	48,254	144,781	180,920
4.1 General government	44,595	46,398	37,369	135,150	151,852
4.2 Other liabilities	10,470	13,149	10,885	9,631	29,068
5. Liabilities to non-euro area residents denominated in euro	412,580	521,940	320,960	422,841	270,829
6. Liabilities to euro area residents denominated in foreign currency	–	–	155,763	74,996	52,398
7. Liabilities to non-euro area residents denominated in foreign currency	1,563,587	705,112	377,936	1,011,421	1,032,172
8. Counterpart of special drawing rights allocated by the IMF	521,154	553,957	587,099	552,986	571,620
9. Intra-Eurosystem liabilities	61,659,594	45,268,675	35,592,396	29,997,845	17,835,886
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates	–	–	–	–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–	–	–	–
9.3 Other liabilities within the Eurosystem (net)	61,659,594	45,268,675	35,592,396	29,997,845	17,835,886
10. Other liabilities	848,029	638,184	667,914	179,403	291,427
10.1 Off-balance-sheet instruments revaluation differences	–	–	22,695	–	–
10.2 Accruals and income collected in advance	47,344	32,465	26,243	15,500	4,660
10.3 Sundry	800,685	605,719	618,976	163,903	286,767
11. Provisions	948,068	932,468	852,268	931,082	1,035,768
11.1 For future exchange losses	144,519	198,919	188,719	289,019	508,219
11.2 For new premises	–	–	–	–	–
11.3 For contingencies	803,549	733,549	663,549	593,549	527,549
11.4 For loss from the ECB	–	–	–	48,514	–
12. Revaluation accounts	3,930,309	3,246,095	3,203,584	2,348,907	2,428,584
13. Capital and reserve fund	2,215,797	2,059,408	1,814,789	1,714,529	1,636,364
13.1 Capital	10,000	10,000	10,000	10,000	10,000
13.2 Reserve fund:					
Statutory reserve	676,971	520,306	276,196	175,209	104,627
Extraordinary reserve	1,150,543	1,150,543	1,150,543	1,150,492	1,150,492
Amortisation accounts in respect of tangible and intangible fixed assets	378,283	378,559	378,050	378,828	371,245
14. Profit for the year	283,218	244,072	358,930	168,662	127,735
Total liabilities	112,356,122	82,776,395	69,367,036	59,415,121	47,988,212

5.4.2 Profit and Loss Account

(thousands of euro)

	2007	2006	2005	2004	2003
I. Proceeds of net interest-bearing assets	842,445	515,339	433,003	355,194	520,410
1. Interest income	3,078,699	1,941,382	1,300,993	990,564	785,040
2. Interest expenses (–)	–2,203,864	–1,327,214	–831,607	–616,410	–426,387
3. Capital gains (losses (–)) on securities	–36,202	–98,700	–39,929	23,302	129,434
4. Allocation of monetary income from the Eurosystem	3,812	–129	3,546	6,252	10,582
5. Income from the ECB	–	–	–	–	21,741
6. Appropriation to the provision for covering losses from the ECB (–)	–	–	–	–48,514	–
II. Foreign exchange difference results	–111,824	58,355	529,065	–50,750	–98,742
1. Foreign exchange difference results	–166,224	68,555	428,765	–269,950	–516,042
2. Use and write-back of provision for future exchange losses (appropriation (–))	54,400	–10,200	100,300	219,200	417,300
III. Commission	2,551	4,401	3,425	4,665	1,933
1. Commission received	8,300	8,376	7,458	8,665	4,675
2. Commission paid (–)	–5,749	–3,975	–4,033	–4,000	–2,742
IV. Amounts recovered from third parties	61,815	60,509	65,224	63,692	59,848
V. Proceeds from statutory investments	87,078	85,000	86,318	93,611	113,139
VI. Other proceeds	4,035	1,697	8,901	1,850	3,332
VII. State share (–)	–172,835	–56,409	–140,064	25,473	–135,715
1. Proceeds from net interest-bearing assets (Art. 29)	–152,718	–	–70,127	–	–347,160
2. Proceeds fully assigned to the State	–37,191	–35,098	–30,463	–25,976	–28,382
3. Foreign exchange difference results	17,074	–21,311	–39,474	51,449	239,827
VIII. Transfer to the unavailable reserve of capital gains on gold (–)	–	–	–298,904	–	–
IX. General expenses (–)	–245,417	–229,133	–231,941	–233,376	–235,470
1. Remuneration and social costs	–183,257	–181,237	–183,014	–188,138	–185,764
2. Other expenses	–62,160	–47,896	–48,927	–45,238	–49,706
X. Exceptional costs (–)	–	–	–	–	–
XI. Depreciation of tangible and intangible fixed assets (–)	–11,659	–8,761	–9,761	–12,025	–19,898
XII. Provisions	–70,000	–70,000	–70,000	–66,000	–66,000
1. Use and write-back of provision for new premises (appropriation (–))	–	–	–	–	–
2. Use and write-back of provision for contingencies (appropriation (–))	–70,000	–70,000	–70,000	–66,000	–66,000
XIII. Corporation tax (–)⁽¹⁾	–102,971	–116,926	–16,285	–13,672	–14,790
XIV. Transfer to the tax-free reserves (–)	–	–	–51	–	–312
Profit for the year	283,218	244,072	358,930	168,662	127,735

(1) From 2007 onwards, taxes other than corporation tax as well as dues are recorded in section IX.

5.4.3 Dividend

(euro)

	2007	2006	2005	2004	2003
Net dividend allocated per share	54.00	52.50	51.35	50.00	49.00
Withholding tax deducted per share	18.00	17.50	17.12	16.67	16.33
Gross dividend allocated per share	72.00	70.00	68.47	66.67	65.33

5.5 Auditor's report

Free translation from the Dutch/French original

Auditor's report to the Council of Regency of the National Bank of Belgium on the financial statements for the year ended 31 December 2007

We report to you on the performance of the audit mandate. This report contains our opinion on the financial statements as well as certain additional comments.

UNQUALIFIED OPINION ON THE FINANCIAL STATEMENTS

In accordance with Article 27.1 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, we have audited the financial statements for the year ended 31 December 2007, prepared in accordance with the financial reporting framework applicable to the National Bank of Belgium (the "Bank"), which show a balance sheet total of 112.356.122 thousands of EUR and a profit for the year of 283.218 thousands of EUR.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE PREPARATION AND FAIR PRESENTATION OF THE FINANCIAL STATEMENTS

The board of directors is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITY OF THE AUDITOR

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Bank and the presentation of the financial statements, taken as a whole. Finally, we have obtained from the board of directors and the Bank's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the financial statements for the year ended 31 December 2007 give a true and fair view of the Bank's assets and liabilities, its financial position and the results of its operations in accordance with the financial reporting framework applicable to the Bank.

ADDITIONAL COMMENTS

The preparation and the assessment of the information that should be included in the directors' report and the Bank's compliance with the Organic Law, its bylaws, the applicable requirements of the Company Code (*Wetboek van vennootschappen/Code des sociétés*) and the legal and regulatory requirements applicable to the accounting records and the financial statements of the Bank, are the responsibility of the board of directors.

Our responsibility is, on the basis of a number of specific additional audit procedures carried out at the request of the Bank, to include in our report the following additional comments, which do not modify the scope of our opinion on the financial statements:

- The directors' report deals with the information required by law and is consistent with the financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the Bank

is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable to the accounting records and the financial statements of the National Bank of Belgium.
- We do not have to report any transactions undertaken or decisions taken in violation of the Organic Law, the Bank's bylaws or the requirements of the Company Code applicable to the National Bank of Belgium.
- The appropriation of the results proposed to you complies with the legal and statutory provisions.

Brussels, 13 February 2008

Ernst & Young Reviseurs d'Entreprises SCCRL
Statutory auditor
represented by

Marc Van Steenvoort
Partner