

# Report 2008

Corporate Report



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Governor

## FOREWORD

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During 2008, the various departments of the Bank continued to perform the multiple tasks relating to monetary policy and the public interest assigned to them under the European Treaty and by numerous requests on the part of the Belgian legislator. In this connection, the Bank developed various projects at either Belgian or Eurosystem level, which are described in this Corporate Report.

However, the year 2008 was notable for an exceptional event: the most serious international financial crisis since the Second World War.

As explained in the section on “Economic and financial developments” in the 2008 Report, the financial turbulence which had already emerged in 2007 as a result of the crisis on the American subprime mortgage market suddenly took a far more dramatic turn following the collapse of the major investment bank, Lehman Brothers, in mid September 2008, and escalated into a genuinely global crisis.

Some financial institutions, notably in Belgium, then faced serious refinancing problems on the interbank and wholesale markets, and the withdrawal of deposits by professional counterparties. In order to contain the systemic risks, the Eurosystem considerably increased the liquidity which it provided for the banking sector in both euro and foreign currency, and made major adjustments to the terms and conditions.

In principle, central banks may grant liquidity without restriction, though they are required to ensure that the risks inherent in these operations can still be controlled. Thus, within the framework of the implementation of monetary policy, credit institutions can only obtain liquidity from the Eurosystem against appropriate collateral.

Following the exceptionally sudden worsening of the financial crisis, however, the need for liquidity facing some institutions became so great that they also had to resort to emergency liquidity assistance (ELA). These operations do not come under monetary policy, but belong to the role of the national central banks as lenders of last resort. ELA must only ever be exceptional, and must never be regarded as automatic: these operations are the responsibility of the national

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central banks addressed by the credit institutions concerned, and are subject to the authorisation of the ECB Governing Council.

The sudden scarcity of liquidity which affected certain Belgian financial institutions – and more particularly Fortis – obliged the Bank, for the first time and in extreme urgency, to provide such aid in the form of substantial overnight loans, in euro or in dollar, at penalty interest rates, covered by collateral not eligible for the ECB's normal refinancing operations. It was very fortunate that, however unlikely such situations had long appeared to be, the legal and operational preparations for this exceptional supply of liquidity had already been made at the Bank some time previously, and could be finalised without delay.

At the beginning of this year, though we cannot yet say that the money markets and the banking world are back to normal, it is conceivable that, last autumn, the rescue operations conducted by the authorities (the central bank in regard to liquidity and the governments in regard to solvency), succeeded in avoiding the worst in the Belgian financial sector, and provided effective protection for the great majority of depositors.

I would like to thank the Bank's various departments and staff for their unstinting efforts during this troubled period and their continuing vigilance.

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# INTRODUCTION

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The events of 2008, and particularly those which occurred in the closing months, forced central banks to take vigorous action as both monetary authorities and lenders of last resort.

During the financial crisis, the European Central Bank and the other central banks which are members of the Eurosystem played a crucial role in maintaining the liquidity of the banking system. The ECB Governing Council adjusted its monetary policy stance by cutting its key rates on three occasions and by employing its usual instruments to increase the liquidity of the banking system and thus alleviate the deficiencies of the money market. Central bank lending is the basic instrument of monetary policy. It is used to provide liquidity for the banking sector. The Governing Council decides on lending at central level, whereas the implementation of the decision is decentralised.

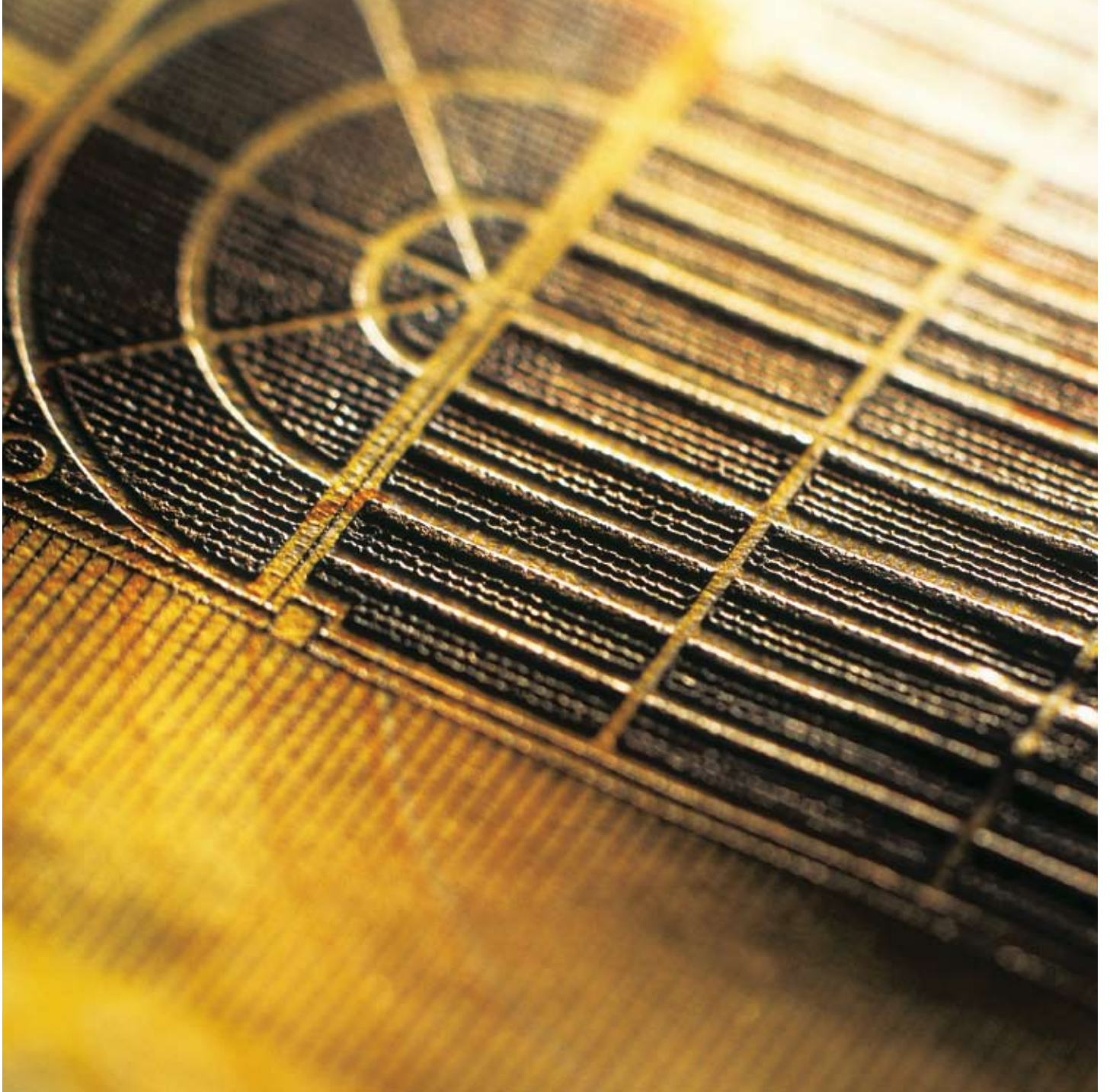
Initially, the Eurosystem was able to act within the existing operational framework. Subsequently, owing to the scale of the liquidity problems facing certain banks, some Eurosystem members had to resort to exceptional measures. Thus, the Bank supplied emergency liquidity to systemically important credit institutions which were under particularly severe strain owing to the virtually complete paralysis of interbank market trading. In so doing, the Bank prevented the problems from spreading throughout the Belgian and European financial system.

The Bank took emergency measures to effect these operations; they are described in detail in the first part of this Report, which then goes on to discuss the Bank's other key activities in 2008. This concerns in particular the efforts made to improve and simplify the collection of statistics, one aim being to alleviate the administrative burden on businesses, the international symposium held every two years on a subject relating to the Bank's research activities, and the finalisation of a business continuity plan. The Bank also took part in a series of European IT projects.

It should be remembered that the legislator has entrusted the Bank with numerous other tasks in the public interest. The Bank manages various payment systems, publishes a large number of studies on the economy in general or on particular sectors, and compiles and analyses the bulk of the country's economic and financial statistics. It also manages the Central Balance Sheet Office, the Central Individual Credit Register – intended to combat excessive debt – and the Central Corporate Credit Register. Finally, it prints euro banknotes and places them in circulation. These activities are carried out by its staff whose numbers have been declining for several years, as a result of the restructuring of the network of agencies and the productivity gains achieved in the various areas of activity.

As last year, a specific chapter is devoted to investments in sustainable development. It also gives a brief account of sponsorship activities. Chapter 4 presents the changes made to the Bank's governance, notably following the amendments to its Organic Law and Statutes.

Finally, chapter 5 contains the annual accounts for the past year and the management report, which explains the factors which determined the movement in the main balance sheet items and those which influenced the result. It also contains the auditor's report and records the approval of the Council of Regency.





# 1. FINANCIAL CRISIS

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During the financial crisis, the Eurosystem played a crucial role in maintaining the liquidity of the banking system.

## 1.1 Banking system liquidity management

The main objective of the Eurosystem is to maintain price stability. To achieve that, it influences very short-term interest rates by determining the monetary policy stance and by managing money market liquidity. The monetary policy stance is indicated by the reference rates at which the central bank grants loans to financial institutions, while liquidity is provided by the credit facilities which it offers them.

The banks have to request liquidity from the Eurosystem because it has a monopoly on banknote issuance and obliges the banks to maintain a minimum level of reserves. It is by using the monetary policy instruments that the Eurosystem manages liquidity conditions on the money market in order to keep very short-term interest rates close to its main key rate. These credit operations also enable the central banks to ensure that the interbank market functions smoothly and to help credit institutions to satisfy their liquidity needs.

The Eurosystem has a number of instruments for supplying credit to banks on a regular basis. The most important one is the weekly allotment of one-week credit. In normal times, the liquidity thus obtained circulates on the inter-bank market so as to cover most of the banks' liquidity deficit, while the central bank's overnight funding meets any additional need.

The conditions for granting these loans, in terms of interest rates, volume, duration and collateral, are decided centrally by the ECB Governing Council. Conversely, the execution of the operations is decentralised at the level of the national central banks (NCBs). Thus, the National Bank collects the bids from Belgian banks, monitors and executes the credit operations and manages the collateral covering the risks associated with those operations.



The challenges were all the greater in that the situations encountered and the scale of the problems were unprecedented.

## 1.2 Special measures taken within the existing operational framework

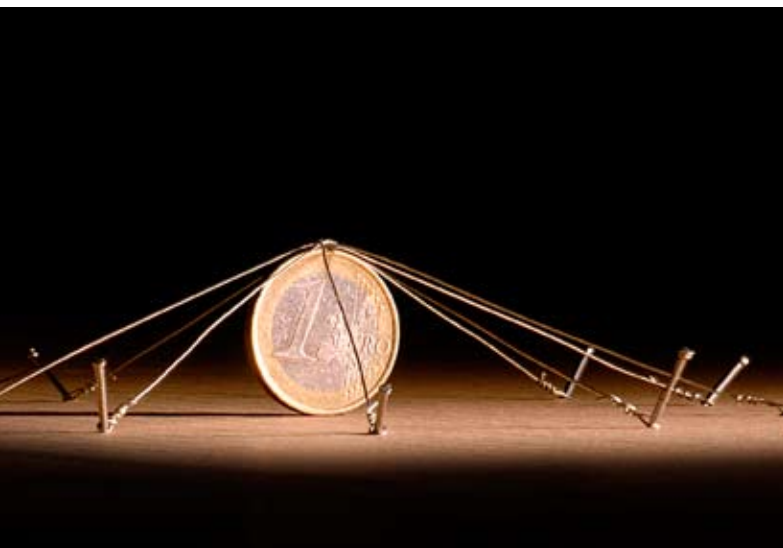
During the first phase of the financial turbulence, from August 2007 to September 2008, the Eurosystem was able to act within the existing operational framework, as the available instruments were adequate to cope with a deterioration in the conditions prevailing on the interbank market (higher interest rates, stricter collateral requirements and a sharp reduction in maturities). In that context, the Eurosystem increased its supply of liquidity by means of additional injections via the fine-tuning operations and larger credit allotments under the main refinancing operations (one-week credit). It also extended the average refinancing term by granting supplementary three-month loans from August 2007 and six-month loans from March 2008. The chronology of events and the national and international context in which they occurred, together with the response by the Eurosystem in the face of the worsening crisis, are described in detail in the Bank's report on economic and financial developments in 2008.

These developments also had an impact on the Bank's activities, as it was necessary to devise and implement more numerous credit operations, and the NCB representatives consulted one another on many occasions in the committees and working groups which prepare the ECB's decisions.

Since the collapse of Lehman Brothers in September 2008 had led to the abrupt and almost total paralysis of the interbank market, the Eurosystem had to take additional – sometimes exceptional – measures to preserve bank liquidity. Thus, the Governing Council decided that the refinancing operations would be conducted at a fixed rate, and that the banks' bids would be accepted in full. The Eurosystem also extended temporarily (until the end of 2009) the list of collateral which the banks may provide as the counterpart to the loans received. That list now includes certain assets denominated in US dollar, in yen and in pound sterling. Moreover, the asset eligibility threshold was lowered from A– to BBB+ and the risk management measures applied to certain asset categories were reinforced. Consequently, the Bank had to adapt the management of the collateral lodged by credit institutions on the basis of a list of eligible securities which had more than doubled.

## 1.3 Emergency loans

The climate of widespread mistrust placed some credit institutions under particularly severe strain. Like other central banks, the Bank had to supply emergency liquidity – for a limited period – to institutions presenting a systemic risk in so far as their difficulties could infect the whole of the Belgian, or even European, financial system.



The Bank had to supply emergency liquidity to institutions presenting a systemic risk at the national or even European level.

A number of the Bank's services took emergency action to set up and execute these operations. The challenges were all the greater in that the situations encountered were unprecedented, as was the scale of the problems. For the first time, it was necessary to resort to providing emergency liquidity assistance (ELA) and to grant overnight loans in euro and in US dollar for exceptional amounts. Implementation of this facility entailed significant operational and legal preparations.

In their capacity as lenders of last resort, central banks grant these loans on a discretionary basis to credit institutions which, though solvent, are facing a temporary liquidity problem. These operations are outside the normal framework of monetary policy operations. In fact, a bank does not request ELA unless it has exhausted all other options for obtaining credit from the Eurosystem. ELA is provided on penalty conditions against collateral which would not have been accepted for the usual Eurosystem operations. The Bank therefore had to examine that collateral in depth. It assessed its value by means of specific risk criteria and set an additional discount rate for certain types of collateral in order to determine the amount of liquidity which it was prepared to grant on that basis.

Moreover, since requests for credit in dollar were particularly substantial, exceptional financing operations had to be conducted.

In contrast to the risk associated with lending within the framework of monetary policy (a risk shared among the Eurosystem NCBs according to their share in the capital of the ECB), the risk associated with emergency loans is borne entirely by the lending NCB. That is why a law dated 15 October 2008 granted a retroactive State guarantee to the Bank in respect of all the operations which it performs in order to safeguard financial stability.

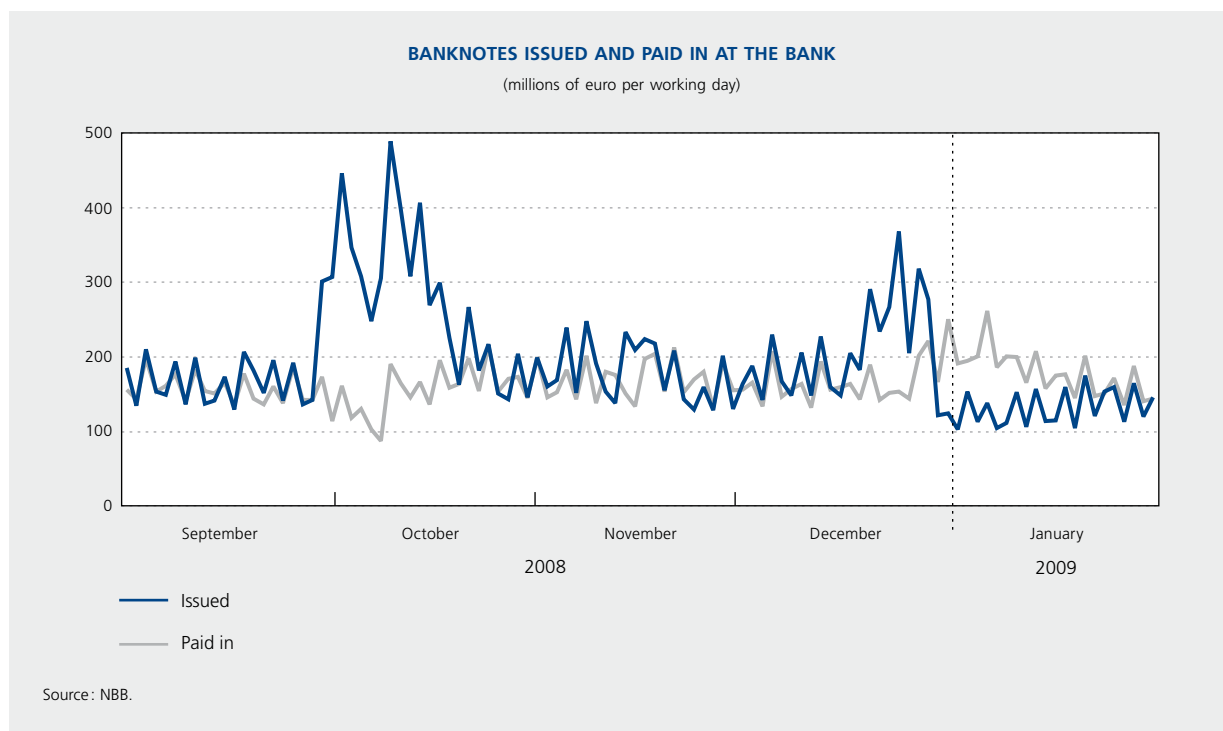
The granting of this credit, and the – more frequent – implementation of a wider variety of monetary policy operations denominated in various currencies had a major impact on the volume and complexity of the Bank's operational activities in 2008. The increase in the amount of credit granted by the Eurosystem and the extension of the list of eligible collateral caused the value of the collateral lodged with the Bank to double in the space of one year. Furthermore, the payment systems managed by the Bank (TARGET2 for large amounts, the CEC for others) formed the subject of special surveillance.

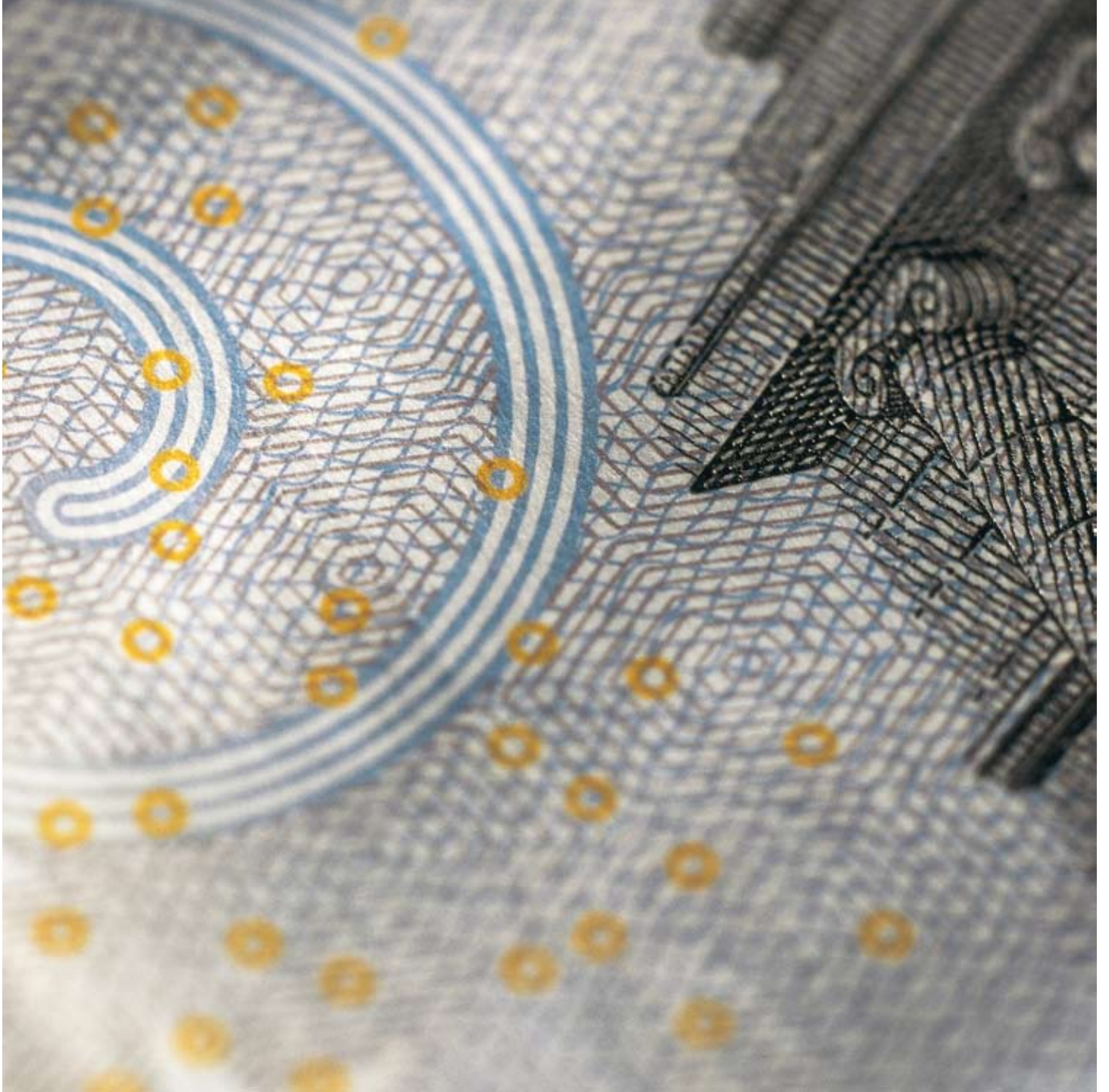


## 1.4 Circulation of banknotes and coins

During the final quarter of the year, demand for banknotes from credit institutions increased significantly.

The strongest demand was recorded in the three weeks which followed 29 September. After that, the pattern was erratic. From 8 October, for the first time since November 2004, the Bank supplied more banknotes than it received.





# 2. KEY PROJECTS IN 2008

During the course of the year, the Bank carried out projects in the field of statistics, research and the Eurosystem's IT infrastructure.

Numerous tasks have been assigned to the Bank by law, for the benefit of both enterprises (Central Balance Sheet Office, Central Corporate Credit Register) and individuals (banknote handling, Central Individual Credit Register) and the State (compilation of macroeconomic statistics, economic and financial research, management of public issues).<sup>(1)</sup> In this connection, in 2008, it carried out projects relating to statistics and macroeconomic research. It also contributed to the development of the Eurosystem's IT infrastructure, and made progress on devising a business continuity plan for the financial sector.

## 2.1 Statistical projects

The Bank holds an important position in the European and Belgian statistical machinery. As a Eurosystem participant, it contributes to the preparation of the statistics on which the ECB's monetary policy is based. At national level, it compiles the financial accounts, the balance of payments, and banking and financial market statistics; on behalf of the National Accounts Institute, it draws up the national and regional accounts and the foreign trade statistics. Most of these statistics are required by international institutions. The Bank also publishes a synthetic business

survey curve and a large number of statistical data intended for decision-makers, researchers and the general public. In addition, the Bank makes its expertise available to the authorities (giving opinions on regulations, developing applications, organising surveys, etc.).

### 2.1.1 Reducing the administrative burden on businesses

The quality of the statistics obviously depends on the quality of the underlying individual data. Data collection is a thankless task, since data reporting is generally regarded as an unnecessary and pointless burden. The Bank endeavours to keep it to a minimum.

### Increased use of sampling

Since 2007, the Bank has ceased to conduct exhaustive surveys – except in the case of banks, which are still systematically required to supply the data essential for defining and implementing the Eurosystem's monetary policy.

(1) These activities are presented in detail on the website ([www.nbb.be](http://www.nbb.be)).



The Bank reduced the administrative burden on businesses, whilst preserving the quality of its statistical series.

Nowadays, the data needed to compile Belgium's balance of payments and global external position are collected only via specifically targeted surveys of 14,000 enterprises potentially active abroad, representing less than 5 p.c. of the reference population.

### Data exchange

By making use of the data which it already held and those which the Banking, Finance and Insurance Commission (CBFA) had collected on the portfolios and securities issued by investment funds, the Bank was able to supply the ECB with new statistics on those funds without increasing their administrative burden.

The national accounts are based on administrative data (annual accounts and social balance sheets of enterprises and NPIs, VAT and NSSO statistics, etc.) which are already available, and on two surveys conducted by the Federal Public Service Economy, which are regulated by EU law (PRODCOM and the structural survey). The Bank also exchanges data with the CBFA, enabling it to compile the balance of payments without the need for duplicate collection.

### Survey simplification

The Bank systematically opts for the simplification measures permitted by EU law in regard to the declaration of trade in goods between firms in the European Union (Intrastat). Thus, in Belgium, the reporting thresholds are at the maximum level permitted by EU law. The number of declarations thus declined from 23,000 to 18,000 in 2006, and EU legislation will soon make it possible to cut that number to 13,000.

Regarding the balance of payments, a new collection method has led to a reduction in the number of registrations from 10 million to 1.3 million in 2007.

With the same aim of minimising the administrative burden on businesses, the Bank chose to limit the collection of data on securities to the outstanding amounts of financial assets and liabilities per security, and to do without the transaction details.

Moreover, the surveys on the location of dematerialised securities will be simplified to avoid any redundancy in relation to collection per security. Only securities issued by public authorities, principally OLOs and Treasury certificates, will be reported. Treasury bills and certificates of deposit issued by other sectors will no longer be requested. These measures will reduce the volume of data collected by over 50 p.c.



Finally, in the case of the sections of the PRODCOM survey and the structural survey intended for the national accounts, the number of firms polled has been cut by 30 p.c. and 36 p.c. respectively, and the questionnaires have been simplified. These changes will take effect from the surveys relating to 2008.

### 2.1.2 Improving the services offered

The reduction in the administrative burden on businesses must not be achieved at the expense of statistical quality. That is why the Bank uses sophisticated techniques which make it easier to check the basic information and to estimate missing data. In some areas (detection of anomalies, seasonal adjustment, etc.), it has thus acquired an international reputation which has led to its selection for the development of European projects.

Businesses can submit their declarations via the Central Server for Statistical Reporting (CSSR). With its standardised interface and communication rules, the CSSR makes life simpler for declarants by enabling them to use a single application for all their reporting. Other central banks are displaying interest in this user-friendly system.

Statistical data are circulated electronically via the Bank's website and in paper form. The Belgostat database contains over 70,000 series which are constantly updated. The Bank's website is arranged by subjects and presents

the key figures, notably in the form of constantly updated charts.

As required by international rules, the Bank publishes its statistics according to a pre-set timetable and supplies the technical information relating to them. It also has a data shop, which responds to specific requests, usually from universities but also from firms and the general public.

The development and use of sophisticated applications combined with the steady rise in the standard of staff skills has greatly enhanced the efficiency of the work. Despite a significant reduction in the workforce, the quality of the statistics has thus improved and new developments have been possible. However, European audit reports reveal a worrying level of under-staffing in certain areas of the national accounts.





## Revision of the composition of the business survey barometer

The Bank's business survey barometer is probably the most familiar statistic. Its reputation is due to the reliability which it has demonstrated over several decades in describing the pattern of economic activity in Belgium. That reputation even extends well beyond the country's borders, since it has been found that the Bank's business surveys can predict the profile of economic activity in the euro area. Every month, analysts await the Belgian barometer with interest, it being one of the first indicators to be published in Europe.

The current method of constructing the synthetic business survey curve dates from 1990. It has been revised and will be published in its new form for the first time in the spring of 2009. The aim is to improve the curve's correlation with GDP, to reduce its volatility and to reinforce its advance character by modifying the weight accorded to the various survey questions and by incorporating business services.



## Statistics and the financial crisis

In the context of the financial crisis, the Bank assisted the Belgian authorities in regard to statistics. It was asked to supply to the European Commission, the guardian of compliance with the competition rules, data demonstrating the systemic dimension of the banks which the government considered that it had to recapitalise. When Dexia invoked the guarantee provided by the Belgian, French and Luxembourg States in order to obtain refinancing, the Bank was given the task of developing the data collection system for monitoring the contracts concluded. It also analysed the impact of the public interventions in the financial sector on the movement in the general government financing balance and the public debt.

Moreover, it is highly likely that the financial crisis will prompt the ECB to step up its requirements concerning statistics. For that matter, it did not wait for the crisis to erupt before launching preparations for the establishment of a new reporting system for companies active in the securitisation sector; that measure is scheduled to enter into force in 2010.

The Bank's seminars encourage economic research and reinforce the scientific foundations of monetary policy.



### 2.1.3 New developments

Economic reality is becoming more complex so decision-makers' information needs are constantly increasing in terms of volume and frequency and speed. Thus, a new legislative framework has come into force in regard to the transmission to the ECB of data on investment funds, and the regulations on monetary financial institutions have extended the reporting obligation to new data.

Moreover, in 2008, at the request of the three Belgian Regions, the Bank embarked on a joint project for the development of regional statistics. In general, the aim is to supply the data more quickly and to extend the range of the available time series. Three development priorities have been defined: compilation of the accounts for the Communities, Regions and local authorities, a quarterly estimate of the value added of the Regions, and a regional breakdown of gross domestic product from the expenditure angle.

In addition, to improve the consistency of the macroeconomic statistics and to respond more effectively to users' needs, the International Monetary Fund, the Organisation for Economic Cooperation and Development, Eurostat and the ECB will implement a fundamental revision of the methodology for the statistics on direct investment in 2010 and for those on the balance of payments in 2013.

Finally, the European ESA 1995 Regulation concerning the national accounts will undergo complete revision in 2014. This balanced system of accounts is one of the most important macroeconomic analysis tools.

## 2.2 Macroeconomic research

On 16 and 17 October 2008, the Bank held an international symposium entitled *Towards an integrated macro-finance framework for monetary policy*. Over two hundred people took this opportunity to learn about the results of research by international experts and to hear contributions from G. Peersman (Ghent University) and H. Dewachter (Katholieke Universiteit Leuven), chosen from among a number of Belgian university projects. The Bank itself presented two papers, one of which had been written jointly with the Banque centrale du Luxembourg. The work of this symposium concerned risk premiums, relationships between monetary aggregates, asset prices, economic growth and inflation, structural models for the interaction between financial variables and the real economy, and the implications of these relationships and models in terms of monetary policy. This led to the identification of questions meriting more detailed econometric research.



Since 2000, the Bank has held an international symposium every two years. In fact, it decided to put the emphasis on economic research and the circulation of the results: since numerous analyses have shown that the most effective monetary policy is that conducted by independent central banks, there was felt to be a need to base monetary policy to a greater extent on sound econometric models, instruments and analyses. A monetary policy based on widely acknowledged research findings also facilitates communication with the public, and more particularly with the markets. Moreover, a series of committees processes large amounts of economic, financial and monetary information as the basis for the discussions of the ECB Governing Council, which formulates and implements the euro area's monetary policy. In order to participate fully in this work, it is important for the Bank to have a sound scientific basis.

The exchange of research expertise and verification of the findings are vital to the progress of economic science. To ensure that it is constantly informed of the latest state of research while encouraging the work of universities in the monetary and financial fields, the Bank takes on top class economists for a maximum of two years and offers internships of from three to six months for young researchers working in its field of competence. Furthermore, in order to strengthen its links with the universities, it arranges periodic seminars in collaboration with the Katholieke Universiteit Leuven, the Université catholique de Louvain and the Université Libre de Bruxelles, where specialists

present their research. It also takes part in a number of networks comprising research teams from the Eurosystem and from universities. The Euro Area Business Cycle Network analyses cyclical developments in the euro area. The Eurosystem's Wage Dynamics Network studies the characteristics and determinants of wage adjustments and labour costs, and their implications in terms of monetary policy. Finally, at the end of 2006, work began on setting up the Household Finance and Consumption Network, which will analyse the link between the financial situation of households and their consumption habits. These networks lend themselves to synergy: the Bank specialises in areas where it has gained a comparative advantage.<sup>(1)</sup> The results of the research are published in its Working Papers and in those of other institutions, including the ECB, or in scientific journals (cf. the website).

Research leads to a better understanding of economic phenomena and the development of analysis instruments. In order to formulate an accurate opinion on monetary policy, it is important for the governor to be constantly aware of the economic situation in Belgium and in the euro area in general, and all the factors which may influence it. With that in mind, the Bank prepares six-monthly macroeconomic projections for Belgium, intended for the Monetary Policy Committee, which submits recommendations to the Governing Council on strategic monetary policy issues.

(1) Macroeconomic dynamic stochastic general equilibrium models, analysis of microeconomic databases concerning pricing, wage-setting, international trade and cyclical analysis, etc.



Eurosystem members are increasingly offering services jointly, especially in the field of IT.

The Bank's economic analyses also enable the members of the Board of Directors to perform other duties. For instance, the governor is the vice-chairman of the High Council of Finance and chairman of the Study Group on Ageing, while other members of the Board of Directors are members of those institutions. Furthermore, the vice-governor has a seat on the European Union's Economic and Financial Committee, and Mr Smets is vice-chairman of the High Council of Employment. The offices held by members of the Board of Directors are listed in point 4.2 and on the website.

Economic research also forms the basis of the opinions which the Bank submits to the government and to a series of technical committees. Thus, in 2008, at the government's request, the Bank produced studies on inflation, a report on the impact of the financial crisis on activity in Belgium, and a report on the macroeconomic and fiscal impact of the tax deduction for risk capital. It also produces numerous studies which form the basis for discussion by the Council of Regency. Most of them are published in the Economic Review, which comes out three times a year (cf. the website).

### 2.3 European IT projects

While the performance of the Eurosystem tasks remains subject to the principle of decentralisation, the ECB and the NCBs of the euro area have undertaken to operate *in*

*a spirit of cooperation and teamwork*. Eurosystem members are increasingly offering services jointly, generally in the field of IT. The best known example is the TARGET2 platform. Three central banks – Banca d'Italia, Deutsche Bundesbank and Banque de France – jointly provide this technical infrastructure and operate it on behalf of the Eurosystem. All the euro area Member States joined the system in 2008 following its successful launch on 19 November 2007 in an initial group of countries. Belgium effected its migration on 18 February 2008.

The Bank's action is in line with these developments. In accordance with the Eurosystem's mission statement, the institution undertakes to *avoid unnecessary duplication of work and resources at functional levels, and to take advantage of the experience available both at the ECB and at the NCBs through intensified use of existing resources*. Thus, the ECB Governing Council assigned to the Bank and the Nederlandsche Bank the task of developing and operating the new Eurosystem collateral management platform, for both national and cross-border transactions (*Collateral Central Bank Management – CCBM2*). On 17 July 2008, the Governing Council confirmed its decision in principle of March 2007 whereby this new platform would be based on existing systems such as the Euro Collateral Management System, operated by the Bank and the Nederlandsche Bank.

The Bank specialises in areas where it has gained a comparative advantage.



Furthermore, in 2008, the Bank supplied to the ECB a new Currency Information System to replace the one which the Eurosystem had been using, since the introduction of euro notes and coins, to monitor the number of banknotes placed in circulation, validated, rejected or destroyed, using monthly data supplied by the NCBs. In 2006, with a view to the enlargement of the euro area and the introduction of a new series of banknotes, the ECB had decided to replace it with a more efficient system. The Bank had been commissioned to develop this system on account of its acknowledged expertise in cash handling, not only at functional level but also in regard to IT tools. It is prepared to continue making improvements to the functional and technical specifications of this application.

Other examples concern information technologies proper, which are vital both for central banks and for all major financial institutions. At national level, the Bank has developed a robust IT infrastructure for the economic and financial community. It has thus acquired considerable expertise in secure data exchange. Since 2007, together with its French counterpart, it has taken on responsibility for the EXDI project, at the request of the Eurosystem. An acronym for ESCB<sup>(1)</sup> XML<sup>(2)</sup> Data Interchange, EXDI is a common integration space for the uniform exchange of services between NCBs or between applications. It is one of the cornerstones of secure data exchange within the European System of Central Banks (ESCB). The first phase of this project was completed in 2008. In accordance with the wishes of the ECB and the Eurosystem, the Bank and

the Banque de France now constitute a permanent team, responsible for finalising the project. Moreover, during the year under review, these two NCBs were given the task of developing Identity and Access Management, a secure IT infrastructure for the management of access to the IT applications operated by the ECB and the other ESCB members.

The partnership which has existed since 2006, linking the Bank to the Nederlandsche Bank and the Banque centrale du Luxembourg and concerning the joint use of the CashSSP (Cash Single Shared Platform) application developed by the Bank, is now well-known. The Bank of Finland has also joined, so that CashSSP has been operational in Finland, too, since February 2008. This common IT platform enables the four NCBs to handle banknotes and coins both internally and in their dealings with financial institutions or secure transport operators in their own country. Banknotes and coins are paid in or withdrawn in the form of single sealed packages, announced in advance by electronic means. The subsequent administrative work (sending of confirmations, recording of payments, invoicing) is computerised.<sup>(3)</sup> The electronic notifications are sent in accordance with the XML communication standards, which are also used in EXDI. The information technology used by the Bank therefore already conforms largely to

(1) European System of Central Banks.

(2) XML: eXtensible Markup Language.

(3) The operations are recorded by an optical barcode reading system based on ESCB criteria.

There is a strong trend towards pooling resources in the European System of Central Banks. The Bank plays a highly active role in this field.



*The ECB Governing Council meeting in Brussels on 4 December 2008.*

the standards imposed by the Eurosystem. In 2008, the NCBs belonging to the partnership submitted a request to the ECB seeking further improvements in the compatibility of the CashSSP infrastructure with the Eurosystem infrastructures. Ultimately, the project partners will thus be able to achieve substantial savings, while the ECB and the other NCBs will be able to optimise the IT infrastructure by taking advantage of the experience of the Bank and its three partners.

Finally, with the Central Server for Statistical Reporting, the Bank has a powerful application in the field of statistics (cf. point 2.1). The CSSR permits secure electronic collection, simplifying the work of the entities required to supply the data. Thanks to the technology used, the data collected can be reused in other applications developed by the Bank on behalf of the Eurosystem or in collaboration with other NCBs. Other central banks have indicated that they might be interested in collaboration in this field.

These examples show that, in accordance with the Eurosystem's mission statement, central banks are tending to pool the resources and expertise at their disposal in order to devise solutions for the benefit of the ESCB as a whole. The Bank is a very active player in this field, and intends to remain so.

## 2.4 Business continuity planning

Business continuity planning (BCP) means planning the necessary precautionary measures to ensure that activities critical for the operation of the financial system can withstand any events which might affect the continuity of operations (natural disasters, social conflicts, acts of terrorism, epidemics, cyber-terrorism, etc.). During the 1990s, the Bank drew up an initial BCP following entry into service of TARGET<sup>(1)</sup> and in the run-up to the year 2000. The terrorist attacks of 11 September 2001 followed by those in Madrid (March 2004) and London (July 2005) prompted the central banks and entities managing payment and settlement infrastructures with a systemic dimension to develop new crisis scenarios.

In that context, the Financial Stability Committee (FSC) launched a national BCP for the financial sector as long ago as 2003. The aim was to identify the critical players and functions, and to report on the situation. In October 2004, following broad consultation with the players concerning the measures envisaged, the FSC submitted a series of recommendations to the critical financial institutions and infrastructures.

<sup>(1)</sup> A European system enabling credit institutions to execute large-value cross-border payments.



As early as 2003, the Financial Stability Committee recommended a business continuity plan for the financial sector as a whole.

Taking account of the heavy interdependence of institutions in the financial system, these recommendations aim to ensure that the key players for the operation of the system respect minimum BCP standards. The FSC opted for an approach geared to results rather than specific technical solutions. Thus, it recommends that critical activities should be resumed within a certain period of time following a breakdown. That period is between two and four hours, depending on the criticality of the activities. In all cases, they must be resumed before the end of the day, if necessary by postponing the closing time. The FSC also recommended that critical players should have a back-up IT centre, located sufficiently far from the main centre. It did not recommend a minimum distance, but did draw attention to the need to locate such centres in places with a different risk profile. The recommendations also concern the coordination of communication in the event of an incident, measures to ensure the availability of the telecommunications network, and the need to test the crisis procedures.

Following these recommendations, the Bank divided its IT infrastructure between two centres, one located at the Bank's head office and the other in an external company located in a region with a different risk profile. These centres conform to current best practice in terms of the arrangements: all data are duplicated synchronously; if necessary, each computer can handle all the processing;

internal and external telecommunication links are fully duplicated. This IT infrastructure is totally transparent to the user. The operation of the IT centre was also re-organised so that critical applications could be relaunched in accordance with the FSC's recommendations if one of the centres breaks down completely. That presupposes that the back-up IT centre has a permanent workforce. Initiatives have already been taken in regard to crisis communication, such as the establishment of call centres, the creation of a freephone number, and the construction of a crisis website. The Bank has also made provision in the BCP for some specific bodies, such as a Crisis Committee and a BCP officer. All the BCP arrangements are tested annually.

Furthermore, in November 2005, the FSC set up a procedure for coordinating the management of operational crises. It comprises several phases: notification of the incident by one or more of the players concerned, decision by the competent authority to initiate the procedure, convening of the members of the crisis units, establishing contact with the institution(s) directly or indirectly concerned, communication with the federal government crisis centre and foreign financial authorities, and notification of the outside world. It will be launched if, in the opinion of one or more operators affected by an incident, activities considered critical cannot be resumed within the periods recommended by the FSC. The Bank has set up



a single point of contact which is permanently available to receive and pass on any information indicating that a crisis is imminent.

Since the targets for the relaunch of activities have to be achieved between 2007 and 2009, the FSC secretariat has already examined the implementation of the FSC recommendations by the institutions and infrastructures concerned. This situation report was produced with the Bank's Oversight service, which is in charge of supervising the financial infrastructures, and the CBFA, responsible for the supervision of financial institutions. In general, the critical players in the Belgian financial sector achieve a very satisfactory score in conforming to the recommendations.

If it sees fit, the FSC will update its recommendations. As in 2004, it will take account of the situation elsewhere in the world, particularly in neighbouring countries. To that end, its secretariat sought information from the authorities of countries bordering on Belgium. It appears that Belgium is one of the most ambitious and advanced countries, both in the coordination of the work designed to ensure the continuity of critical activities, and as regards recommendations concerning the recovery time objective.





# 3. SUSTAINABILITY AND SPONSORSHIP

Sustainable development can be regarded as an extension of the Bank's tasks in the public interest.

The year 2008 marked a key stage in the Bank's commitment to sustainable development, as the Bank was awarded a two-star Ecodynamic Enterprise label by the Brussels Institute of Environmental Management (IBGE/BIM).

## 3.1 Track record

This label rewards the efforts which the Bank has been making for a number of years now, in the environmental field. The factors which determined the award of the label include:

- Full reimbursement of all public transport season ticket costs for commuting between home and work, a policy introduced in 1999; since then the proportion of staff using public transport has risen from two-thirds to three-quarters.
- Exclusive use of non-chlorine bleached paper in all publications; the paper used is also certified by the Forest Stewardship Council.
- Selective disposal of PET bottles, drinks cans and paper by staff.

- The Bank obtains 100 p.c. of its electricity from renewable sources, and cut gas consumption by 15 p.c. between 1 January 2006 and 1 January 2008.
- The Bank's printing works was awarded the ISO 14001 environmental management certificate.

The attempt to win the Ecodynamic Enterprise label was backed by an in-house publicity campaign. During 2008, a dozen intranet messages were devoted to environmental questions relating to the enterprise or broader issues. More than ever before, involving the staff is regarded as a key factor in boosting commitment to sustainable development; from the many positive reactions by staff, it seems clear that attitudes have changed.

## 3.2 Investments

The efforts made in recent years to give the enterprise a sustainable profile are gradually bearing fruit. Electricity consumption was cut by 4.3 p.c. in 2008 alone, and has been falling by an average of 2 p.c. per annum for five years. That has been achieved by a long-term policy including numerous energy-saving projects, such as renewal of the lighting and introduction of computer



The Bank is gradually acquiring a sustainable profile.

screens using less electricity. Conversely, the year 2008 was colder than the previous year, so that gas consumption increased. However, the measures taken in regard to the main heating system limited this increase and thus saved 50,000 m<sup>3</sup> of gas.

The year under review was devoted to preparations for an energy audit. Submitted last March, the report of the auditing firm led to development of an ambitious investment programme which will begin during 2009. The study reviewed various solutions of economic and ecological interest. The two options adopted consist in replacing the old heat pumps, refrigeration equipment and cooling towers, and installing a combined generation system, i.e. a gas-powered engine supplying electricity and producing heat to warm the premises. These investments were approved in 2008 and the work began. The replacement of the refrigeration equipment of the central energy plant, scheduled for 2010, will in itself produce annual savings of around 250,000 kWh, or 1 p.c. of the Bank's electricity consumption.

Another source of energy saving lies in optimising the compressors needed for the operation of some of the printing presses; scheduled for the second quarter of 2009, this technical modification should generate savings of around 2 p.c. of electricity consumption.

Another feasibility study conducted during the year under review concerned the possibility of installing photovoltaic panels on the roof of the head office building. Insulation and energy-saving remain the priority. However, this year it is planned to bring into service a solar heating system to heat the water for the washrooms.

The Bank's sustainable development policy combines large-scale operations, such as the Accommodation Master Plan involving refurbishment of the head office, and smaller-scale measures: for instance, where possible printers have been configured to print on both sides of the paper as the default setting. This measure has had a considerable impact: during the year under review, paper consumption was down by around two million sheets, or almost 8 p.c. of the 2007 figure.

Finally, while the Ecodynamic Enterprise label applies only to the Brussels office, almost all the associated measures have also been adopted by the other branches. The electricity consumed at the Antwerp, Kortrijk, Ghent, Hasselt, Liège, Mons and Namur establishments also comes from sustainable sources, and here, too, environmental criteria are taken into account in defining the investment policy.



## Ecodynamic Enterprise Label

The Ecodynamic Enterprise Label was launched by the Brussels Institute of Environmental Management to encourage Brussels institutions and enterprises to improve their environmental performance and to set up an environmental management system.

Candidate enterprises sign a charter setting out the principles of good environmental management. They then have to submit an application dossier indicating how they intend to improve their performance in this area. The dossier is judged on the basis of ninety criteria.

The jury awards the label for a two-year period. It awards one, two or three stars, depending on the progress achieved by the enterprise.



The Bank is building up its sponsorship of projects with strong educational content.

### 3.3 Projects

Among the medium-term projects, those concerning the kitchens and staff restaurant merit special mention. Plans are already in place for the renovation of the refrigeration equipment; this will take place naturally by eliminating gases which are harmful to the ozone layer. By 2010, the persons in charge aim to establish biomethanisation of kitchen waste.

In the environmental programme submitted to the IBGE/BIM on which progress will be reviewed after two years, the Bank undertook to adopt a policy of sustainable procurement. This entails the inclusion of stricter environmental criteria in calls for tenders. The programme also provides for a cut in waste production; the container facility has already been reorganised to that end.

The targets which seem hardest to achieve are those requiring a change in certain individual habits, such as a reduction in meat consumption or in the number of journeys by air. Every effort will be made to ensure that, once the high-speed rail link has been completed, journeys to Frankfurt will be made by train whenever possible. Frankfurt, where the ECB has its headquarters, is in fact the leading destination for trips abroad by members of staff.

### 3.4 Sponsorship

One reason for the Bank's resolve to make a firm commitment to sustainable development is that it regards this as an extension of its tasks in the public interest. It also assumes what is nowadays known as "corporate social responsibility" in its many forms.

Every year, the Bank encourages initiatives in training and education, be it in a university context or in the workplace. For a number of years now it has also supported a range of cultural and environmental initiatives, evenly distributed between the communities and regions.

Part of its support is reserved for specific initiatives. In that connection, it focuses on youth, with special attention to projects with an educational content, or those targeting young people in trouble. In this area, in 2008 it supported educational projects in sport and in the field of culture and science. In the year under review, these included the substantial support provided for the refurbishment of the Janlet wing of the Museum of Natural Sciences in Brussels, better known as the "dinosaur gallery". This room now provides access to a permanent display devoted to evolution. The museum's new gallery aims to explain life, to promote an understanding of how it came about in its current extraordinary diversity of forms, and to explain the mechanisms which permitted this development. The scale and the educational purpose of the project fit in perfectly with the Bank's sponsorship



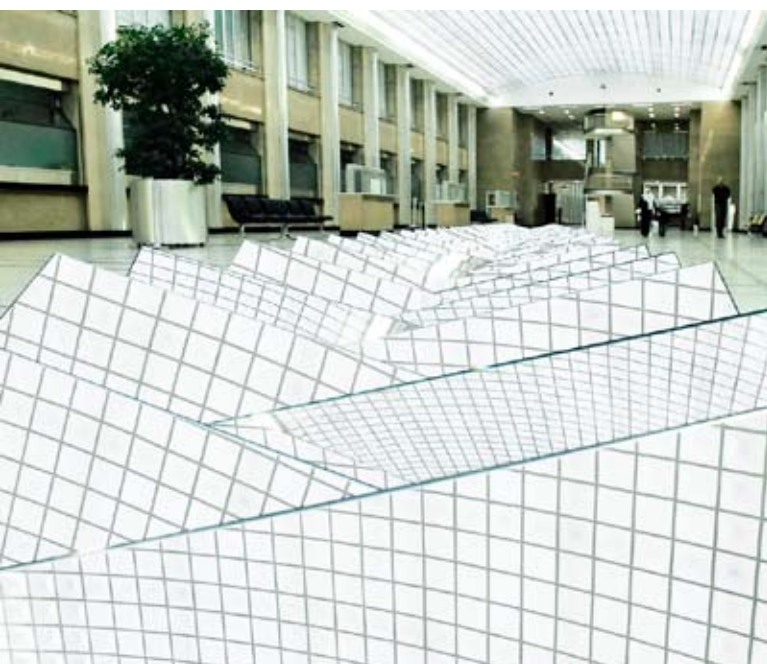
*The Bank's museum*

aims. The Bank has also supported two projects launched respectively by the Museums of Art and History and the Palais des Beaux-Arts.

The Bank has a museum of its own, which in 2002 was converted into an interactive tool for economic and financial education; it receives around 25,000 visitors each year. In line with this initiative, in 2008 it set up a

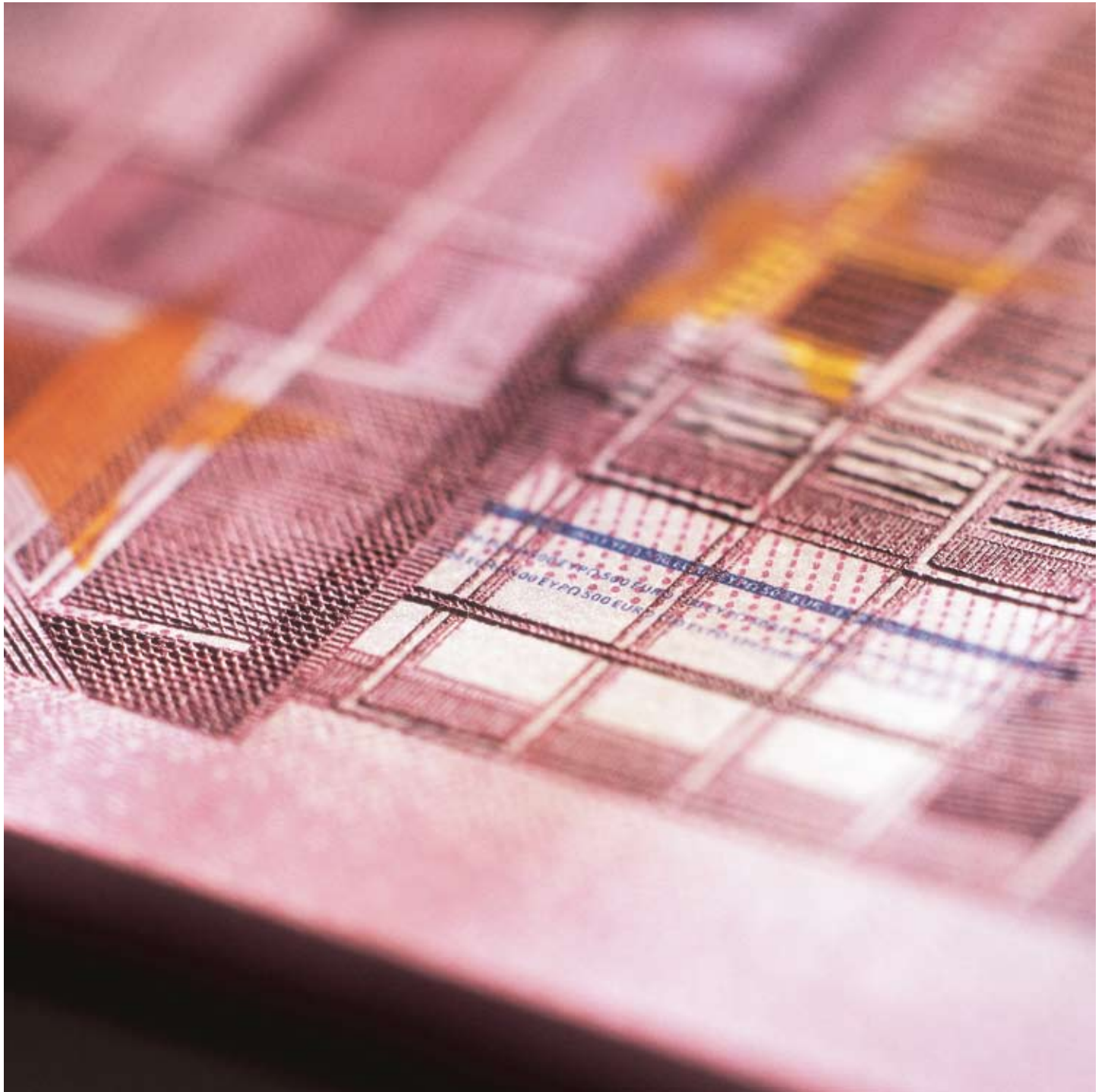


seminar for teachers of economics, to remedy some of the shortcomings identified in the existing information and training channels. Almost 500 teachers from the French and Flemish Communities have attended the seminar. They submitted suggestions for improving the teaching approach, and would like the seminar to be repeated at regular intervals.



## Support for artists

Since 1972, the Bank has supported Belgian artists by building up a representative collection of the main movements in which they excel. Furthermore, in 2008, at the first Brussels Biennial, the Bank made it possible for a monumental sculpture by Carla Arocha and Stéphane Schraenen to be displayed for three months in the entrance hall of the head office.



# 4. GOVERNANCE

In view of its status as central bank with responsibility for tasks in the public interest, the law has endowed the National Bank of Belgium with a special legal framework.

As Belgium's central bank, the Bank is an integral part of the Eurosystem, whose main objective is to maintain price stability for the benefit of the community. It also performs numerous other tasks in the general interest which have been entrusted to it by law. Its situation is therefore very different from that of an ordinary commercial company, whose main objective is to maximise its profits.

The pre-eminence of the Bank's tasks in the public interest, present from the start and now anchored in the Treaty establishing the European Community, justifies its special status. In particular, it accounts for the methods of appointing the members of its organs, the specific composition and role of the Council of Regency, the limited powers of the General Meeting of Shareholders and the special arrangements for organising supervision. It also accounts for the provisions governing the financial aspects of the Bank's activity, which provide it with a sound financial basis and attribute to the State, as a sovereign State, part of the income which the Bank obtains from its activities as a central bank (see also point 4.1.3).

It was also the Bank's tasks in the public interest, inherent in its role as a central bank, that caused the legislator to endow it with a special legal framework. The provisions

on public limited liability companies apply to it only additionally, i.e. in regard to matters not governed by the Treaty establishing the European Community, the Protocol on the Statutes of the ESCB and the ECB attached to the Treaty, the Organic Law and the Statutes of the Bank, and provided that the provisions on public limited liability companies do not conflict with those priority rules. Moreover, as a member of the Eurosystem, the Bank is subject to special accounting rules and enjoys special status regarding the information disclosure obligations.

## 4.1 Change of legal framework

### 4.1.1 State guarantee

In the event of a crisis within the national financial system, the Bank has special responsibility since, as the lender of last resort, it has discretionary power to grant emergency liquidity to banks which, though solvent, are confronted by a temporary liquidity problem. In order to enable the Bank to perform that traditional central bank task under all circumstances, the Organic Law provides that the risks associated with operations essential to ensure the stability





From now on, the Organic Law assigns to the Board of Censors the tasks of an audit committee.

of the financial system will henceforward be covered automatically by a State guarantee.<sup>(1)</sup>

The Law of 15 October 2008 also amended some other points in the Bank's Organic Law. Thus, in order to emphasise that the Bank acts totally independently in granting emergency liquidity, Article 12 (1) specifies that, in respect of the decisions which it takes and the operations which it carries out in connection with its contribution to financial stability, the Bank enjoys the same degree of independence as that provided for in Article 108 of the Treaty establishing the European Community. Moreover, to avoid any confusion, the Organic Law has been restructured and some points have been clarified.

The coordinated version of this law is contained in Annex 1. It is also available on the Bank's website.

#### 4.1.2 Audit committee

The Organic Law was amended in order to assign to the Board of Censors the tasks of an audit committee.<sup>(2)</sup> Article 21.2 of the Organic Law stipulates that the Board

of Censors is the Bank's audit committee and in that capacity performs the tasks listed in the new Article 21bis.

Given the composition and responsibilities of the Board of Censors, it seemed logical for it to be given the functions of an audit committee. This Board is in fact already in charge of supervising the preparation and implementation of the budget – a task which entails taking regular cognisance of the internal audit activities and duly informing the Council of Regency each year – and is composed of persons with particular expertise in auditing.

From the 2009 financial year, the Board of Censors will also be given an advisory role in monitoring the process of the preparation of financial information, monitoring the internal audit, monitoring the statutory audit of the annual accounts and examining and monitoring the independence of the auditor. In that context, the Board of Censors will report periodically to the Board of Directors and the Council of Regency, and will in particular submit comments and recommendations on questions in respect of which it has advisory powers.

The functioning of the audit committee is subject to the Audit Committee Regulations, which form an integral part of the Bank's Rules of Procedure and are set out in Annex 4.

(1) This change was introduced by the Law of 15 October 2008 on measures promoting financial stability and in particular establishing a State guarantee for the provision of credit and for other transactions carried out in the context of financial stability (Moniteur belge/Belgisch Staatsblad, 17 October 2008).

(2) These amendments were introduced by Articles 22 and 23 of the Law of 17 December 2008 establishing in particular an audit committee in listed companies and in financial enterprises (Moniteur belge/Belgisch Staatsblad, 29 December 2008).



A draft law intended notably to amend the rules on the distribution of the Bank's income and profits has been submitted to Parliament.

#### 4.1.3 Financial provisions and General Meeting

A draft law amending the financial provisions of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium was submitted to Parliament. Among other things, it is intended to amend the rules on the distribution of the income and profits by rescinding the 3 p.c. rule laid down in Article 29 of the Organic Law: following the formation of the necessary reserves and remuneration of the capital, the balance of the year's profits will from now on be assigned to the State; furthermore, the Bank will be able to form an available reserve for the purpose of discharging losses or supplementing the profits for distribution.

There is a statutory threshold applicable to dividends: provided the profits for distribution are sufficient, at least half of the net income from the assets forming the counterpart to the profits previously reserved (reserve fund and available reserve) will be distributed to the shareholders as a second dividend.

The assignment of part of the year's profits to the staff or to institutions for their benefit will be abolished, though that will not affect the remuneration policy.

The organs will consult one another on the policy to be adopted in regard to reserves and dividends. The decisions taken in that connection will be circulated immediately.

Finally, to ensure that the ECB's results are not revealed before their official publication, the draft law authorises the Council of Regency to delay the date of the Ordinary General Meeting of Shareholders until the last Monday in May.



## Legal proceedings

Three legal actions brought against the Bank by some of its shareholders are pending before the Brussels Court of Appeal. The Court of Appeal website indicates, as a guide, that the appeal might be heard in December 2009 in the first case, and in October 2010 in the second.

The first case concerns the appeal brought by a group of shareholders against the ruling handed down by the Brussels Commercial Court on 27 October 2005. The shareholders demanded liquidation of the Bank's reserve fund on the grounds that the Bank had lost its right of issue at the time of the transition to Economic and Monetary Union. The Court ruled that, since then, the Bank has shared the right of issue with the ECB and the central banks of the other countries which have adopted the euro. Consequently, it still has the right of issue and there is no reason to liquidate its reserve fund. The Court of Arbitration had already confirmed the maintenance of the Bank's right of issue in 2003.

The second legal action concerns the appeal brought by a group of shareholders against the ruling handed down by the Brussels Commercial Court on 2 February 2006. The applicant shareholders were seeking cancellation of the decision by the Council of Regency which, at the end of the 2003 financial year, approved an additional write-back on the provision for future foreign exchange losses, supplementing the write-back necessary to cover the exchange losses for the year, and the inclusion of that additional write-back in the proceeds to be shared between the Bank and the State pursuant to the rule laid down in Article 29 of the Organic Law and in Article 53 of the Bank's Statutes. The Brussels Commercial Court declared the action unfounded and ruled that the foreign exchange gains realised, forming the subject of an additional write-back, were correctly included in the sharing between the Bank and the sovereign State under the rule laid down by those two provisions.

The third action concerns the appeal by twenty shareholders against the judgment passed on 9 March 2007 by the Brussels Commercial Court. The applicant shareholders sought a ruling ordering the Bank and the State jointly, or in solidum, to pay them the sum of € 9,333.67 per share<sup>(1)</sup> in the Bank, plus interest. The shareholders claimed that, between 1996 and 2002, the State wrongfully appropriated the capital gains realised on the sale of gold reserves. The Court ruled that the applicants' plea was unfounded. It confirmed that the shareholders have no right to the capital gains made on the sale of gold, and that under the Organic Law and the Statutes, the capital gains realised are deducted from the profits to be distributed among the shareholders. It also ruled that the Bank had not committed any offence in transferring those capital gains to the State pursuant to the laws of 26 July 1996, 18 December 1998 and 10 December 2001.

It considered that, in respecting the will of the legislator, the Bank had exercised all due care, and that it cannot have acted illegally, and certainly cannot be held liable.

(1) The amount claimed in the initial citation was € 5,784 per share. The applicants increased it to € 9,333.67 per share during the proceedings.

The governor has a seat on the ECB Governing Council, the Eurosystem's main decision-making body for monetary policy in particular; the Bank is involved in preparing and carrying out its decisions.



## 4.2 Administration and supervision<sup>(1)</sup>

### 4.2.1 Governor

Mr Guy Quaden has held the post of governor since 1 March 1999. By Royal Decree of 22 December 2003, his term of office was renewed for a period of five years, commencing on 1 March 2004. The governor's curriculum vitae is available on the Bank's website.

The governor can prove ownership of twenty-five registered shares in the Bank, as required by Article 34, 3° of the Statutes. He does not hold any share options or any rights to acquire shares. During the past year, he has not purchased or sold any Bank shares or other financial instruments relating to such shares.

He also holds the following offices:

- › Member of the ECB Governing Council;
- › Director of the Bank for International Settlements
- › Governor of the International Monetary Fund
- › Alternate governor of the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation;
- › Chairman of the Financial Stability Committee, the Supervisory Board of the Financial Services Authority, the Professional Association of Public Credit Institutions, and the Study Group on Ageing (High Council of Finance);
- › Vice-chairman of the High Council of Finance;
- › Member of the Bureau of the High Council of Finance, the Board of Directors of the National Accounts Institute and the Carnegie Hero Fund Administrative Committee.

(1) Situation on 31 January 2009.



#### 4.2.2 Board of Directors

The Board of Directors met sixty times in 2008.

<b>Members:</b>	Term of office expiry date
Mr Guy Quaden, governor	28 February 2009
Mr Luc Coene, vice-governor and secretary	3 August 2009
Mrs Marcia De Wachter, director	28 February 2011
Mr Jan Smets, director	28 February 2011
Mrs Françoise Masai, director	28 February 2011
Mr Jean Hilgers, director and treasurer	28 February 2011
Mr Peter Praet, director	29 October 2012
Mr Norbert De Batselier, director	31 August 2012

The curriculum vitae of the directors is available on the Bank's website.

Each of the directors can prove ownership of twenty-five registered shares in the Bank, as required by Article 34, 3° of the Statutes. The directors do not hold any share options or any rights to acquire shares. During the past year, they have not purchased or sold any Bank shares or other financial instruments relating to such shares.

The vice-governor and the directors also hold the following offices:

##### **Mr Coene**

- › Member of the European Union Economic and Financial Committee, the ECB International Relations Committee, the Financial Stability Committee, the High Council of Finance and its Bureau, and Working Group No 3 of the Economic Policy Committee of the Organisation for Economic Cooperation and Development (OECD);
- › Alternate member of the Governing Council and General Council of the ECB, the G10 Committee of Governors, the International Monetary and Financial Committee and the Nuclear Supply Monitoring Committee;
- › Head of the Public Sector Borrowing Requirements section of the High Council of Finance.

##### **Mrs De Wachter**

- › Member of the Board of Directors of the CBFA, the Financial Stability Committee, the Belgian Institute of Public Finances and the Insurance Commission;
- › Alternate member of the General Committee of the Professional Association of Public Credit Institutions;
- › Adviser to the BIS Financial Stability Institute.

##### **Mr Smets**

- › Chairman of the Belgian Financial Forum Steering Committee;
- › Vice-chairman of the High Council of Employment;
- › Director of the Belgian Institute of Public Finances;



- › Alternate director of the BIS;
- › Member of the Financial Stability Committee, the Securities Regulation Fund Committee, the Board of Directors of the Protection Fund for Deposits and Financial Instruments, the Study Group on Ageing (High Council of Finance), the OECD Economic Policy Committee and the Editorial Board of the International Journal of Central Banking;
- › Alternate member of the Board of Directors of the National Accounts Institute.

#### **Mrs Masai**

- › Chairman of the Administrative Board of the Credit and Debt Observatory;
- › Member of the CBFA Board of Directors, the Financial Stability Committee, the Administrative Board of the Ageing Fund and the Administrative Board of the Royal Institute of International Relations.

#### **Mr Hilgers**

- › Member of the Financial Stability Committee, the Securities Regulation Fund Committee, the Board of Directors of the Protection Fund for Deposits and Financial Instruments, the Belgian Institute of Public Finances, and the Public Sector Borrowing Requirements section of the High Council of Finance.

#### **Mr Praet**

- › Chairman of the ECB Banking Supervision Committee;
- › Member of the CBFA Board of Directors, the Financial Stability Committee, the Public Sector Borrowing Requirements section of the High Council of Finance, the Bureau of the High Council of Finance, the Committee of European Banking Supervisors, the Committee on the Global Financial System, the Basel Committee on Banking Supervision, the Committee on Payment and Settlement Systems and the Board of Directors of XBRL Belgium;
- › Alternate director of the BIS;
- › Co-chairman of the Basel Committee on Banking Supervision Research Task Force;
- › Alternate member of the G10 Board of Governors;
- › Member of the Board of the Brussels European and Global Economic Laboratory (BRUEGEL).

#### **Mr De Batselier**

- › Member of the Financial Stability Committee, the High Council of Finance and its Public Sector Borrowing Requirements section, and the Board of Directors of the National Accounts Institute.

### Council of Regency



- <sup>1</sup> Piet Vanthemsche, REGENT
- <sup>2</sup> Didier Matray, REGENT
- <sup>3</sup> Jean Hilgers, DIRECTOR
- <sup>4</sup> Rudi Thomaes, REGENT
- <sup>5</sup> Françoise Masai, DIRECTOR
- <sup>6</sup> Jean-Pierre Arnoldi, REPRESENTATIVE OF THE MINISTER OF FINANCE
- <sup>7</sup> Rudy De Leeuw, REGENT
- <sup>8</sup> Martine Durez, REGENT
- <sup>9</sup> Gérald Frère, REGENT

- <sup>10</sup> Norbert De Batselier, DIRECTOR
- <sup>11</sup> Christian Van Thillo, REGENT
- <sup>12</sup> Luc Cortebeek, REGENT
- <sup>13</sup> Guy Quaden, GOVERNOR
- <sup>14</sup> Jan Smets, DIRECTOR
- <sup>15</sup> Jacques Forest, REGENT
- <sup>16</sup> Marcia De Wachter, DIRECTOR
- <sup>17</sup> Peter Praet, DIRECTOR
- <sup>18</sup> Luc Coene, VICE-GOVERNOR

### 4.2.3 Council of Regency

The Council of Regency is composed of the governor, the directors, and ten regents.

<b>Regents:</b>	Term of office expiry date
Mr Gérald Frère <sup>(1)</sup>	29 March 2010
Mr Jacques Forest <sup>(2)</sup>	28 March 2011
Mr Luc Cortebeek <sup>(3)</sup>	30 March 2009
Mrs Martine Durez <sup>(1)</sup>	29 March 2010
Mr Rudi Thomaes <sup>(2)</sup>	30 March 2009
Mr Christian Van Thillo <sup>(1)</sup>	28 March 2011
Mr Didier Matray <sup>(1)</sup>	28 March 2011
Mr Rudy De Leeuw <sup>(3)</sup>	29 March 2010
Mr Pierre Wunsch <sup>(1)</sup>	30 March 2009
Mr Piet Vanthemsche <sup>(2)</sup>	30 March 2009

The Ordinary General Meeting on 31 March 2008 renewed the terms of office of the regents, Messrs Jacques Forest, Christian Van Thillo and Didier Matray. Mr Piet Vanthemsche was elected regent to replace Mr Noël Devisch. The term of office of Mr Vanthemsche, who will complete that of his predecessor, will end at the close of the Ordinary General Meeting in 2009. The other terms of office will end at the close of the Ordinary General Meeting in 2011. In accordance with Article 37 of the Statutes, the term of office of the regent Mr Pierre Wunsch ended automatically on 1 October 2008, when he was appointed as Director of the Strategic Finance Unit. That office remained vacant.

In practice, the Council of Regency meets at least three times a month, except during July and August, when it meets only once. It met thirty-six times in 2008.

(1) On the proposal of the Minister of Finance.

(2) On the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders.

(3) On the proposal of the most representative labour organisations.



## Board of Censors



<sup>1</sup> Luc Carsauw

<sup>2</sup> Jean-François Hoffelt

<sup>3</sup> Michèle Detaille

<sup>4</sup> Jan Vercamst

<sup>5</sup> Bernard Jurion

<sup>6</sup> Rik Branson

<sup>7</sup> Baron Paul Buysse, PRESIDENT

<sup>8</sup> Michel Moll

<sup>9</sup> Philippe Grulois, SECRETARY

<sup>10</sup> Jean-François Cats

#### 4.2.4 Board of Censors

##### Members:

##### Term of office expiry date

Baron Paul Buysse	29 March 2010
M. Philippe Grulois	30 March 2009
M. Rik Branson	31 March 2011
M. Jean-François Hoffelt	30 March 2009
M. Bernard Jurion	30 March 2009
M. Luc Carsauw	29 March 2010
Mrs Michèle Detaille	28 March 2011
Mr Michel Moll	28 March 2011
Mr Jean-François Cats	29 March 2010
Mr Jan Vercamst	28 March 2011

The Ordinary General Meeting on 31 March 2008 renewed the terms of office of the censors Mr Rik Branson, Mrs Michèle Detaille and Mr Michel Moll. Mr Jan Vercamst was elected censor to replace Mr Guy Haaze. These terms of office will expire at the close of the Ordinary General Meeting in 2011. Having reached the statutory retirement age, Mr Rik Branson resigned on 1 January 2009.

The Board of Censors met eight times in 2008.

#### 4.2.5 Budget Committee

The Budget Committee is composed as follows:

- › Chairman: Baron Paul Buysse, censor;
- › Mr Luc Coene, vice-governor;
- › Mr Gérald Frère, regent;
- › Mrs Martine Durez, regent;
- › Mr Philippe Grulois, censor;
- › Mr Jean-Pierre Arnoldi, representative of the Minister of Finance.

This Committee met once in 2008.

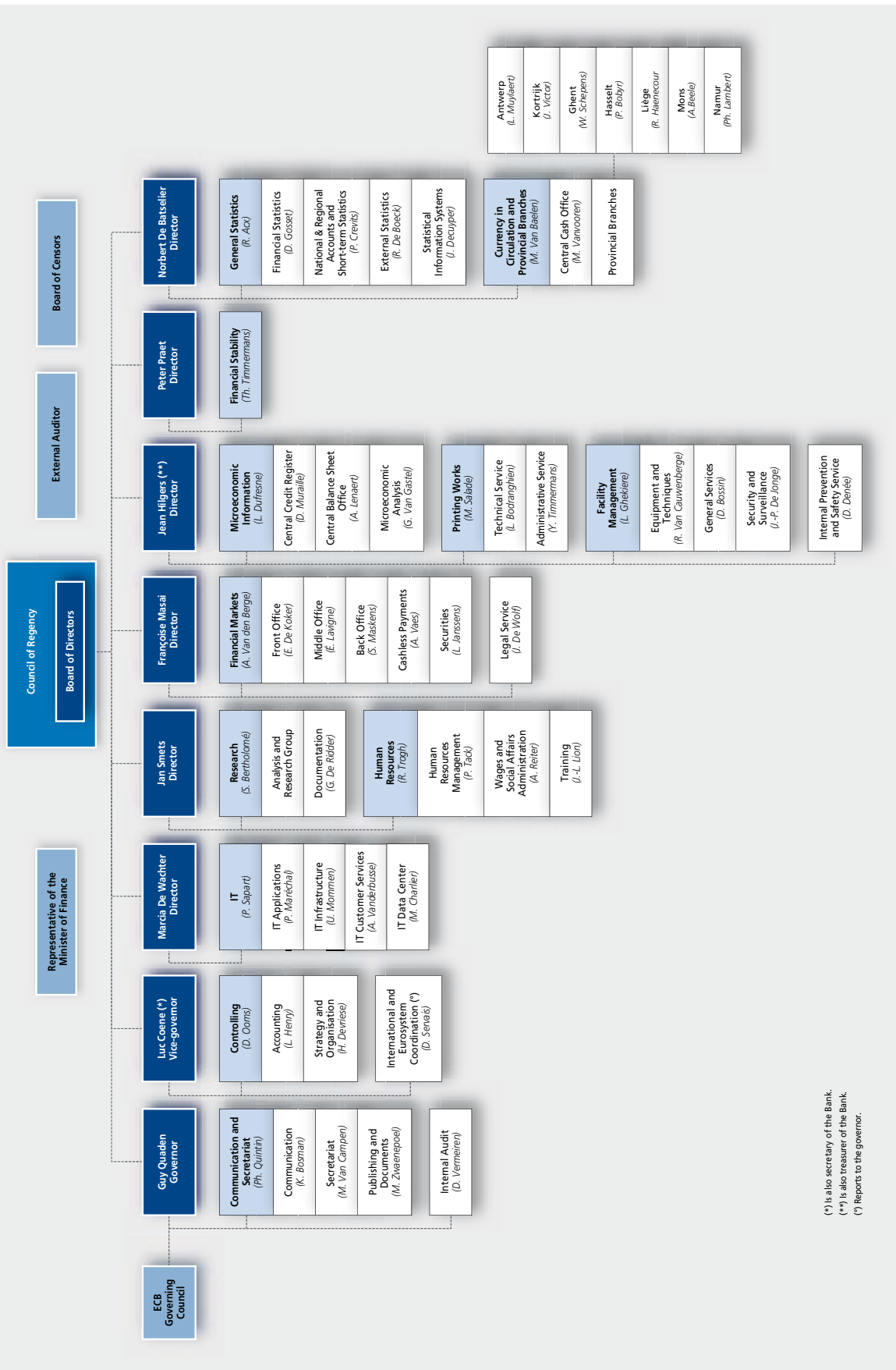
#### 4.2.6 Remuneration Committee

The Remuneration Committee is composed as follows:

- › Chairman: Mr Gérald Frère, regent;
- › Mrs Martine Durez, regent;
- › Baron Paul Buysse, censor;
- › Mr Philippe Grulois, censor;
- › Mr Jean-Pierre Arnoldi, representative of the Minister of Finance.

Since the remuneration of the members of the organs remained unchanged, the Committee did not meet in 2008.

Organisation chart as at 31 January 2009



(\*) Is also secretary of the Bank.  
 (\*\*) Is also treasurer of the Bank.  
 (\*) Reports to the governor.



#### 4.2.7 Representative of the Minister of Finance

Since 1 September 2005, the post of representative of the Minister of Finance has been filled by Mr Jean-Pierre Arnoldi, Treasury director general and acting chairman of the Board of Directors of the Federal Public Service Finance.

#### 4.2.8 General Meeting

At the Ordinary General Meeting on 31 March 2008, the governor and vice-governor reported on the operations of the financial year 2007 and informed the shareholders of the amendment to Article 4 of the Organic Law and Articles 3, 8, 51, 58 and 63 of the Bank's Statutes in connection with the introduction of dematerialised shares. The governor then read out the report of the Works Council on the annual information. The members of the

Board of Directors answered numerous questions. Finally, the shareholders present conducted the necessary elections to renew the expiring terms of office of regents, censors and auditor, and to fill the vacant posts. The minutes of this meeting are available on the Bank's website.

#### 4.2.9 Auditor

The firm Ernst & Young Bedrijfsrevisoren Réviseurs d'entreprises, represented by Mr Marc Van Steenvoort, acts as the Bank's auditor and was appointed by the Ordinary General Meeting on 29 March 2005 for a renewable term of three years. The appointment of Ernst & Young Bedrijfsrevisoren Réviseurs d'entreprises was renewed for a three-year term by the Ordinary General Meeting on 31 March 2008. It will expire at the close of the Ordinary General Meeting in 2011.

### Disclosure of posts held and assets

The members of the Board of Directors and the regents and censors are subject to the obligations arising from the laws of 2 May 1995 and 26 June 2004 concerning the disclosure of posts held and assets.

The Bank has been able to combine an extension of its responsibilities with cuts in the workforce. The number of employees has fallen by more than 20 p.c. since 1 January 1999, one of the sharpest reductions in the Eurosystem.

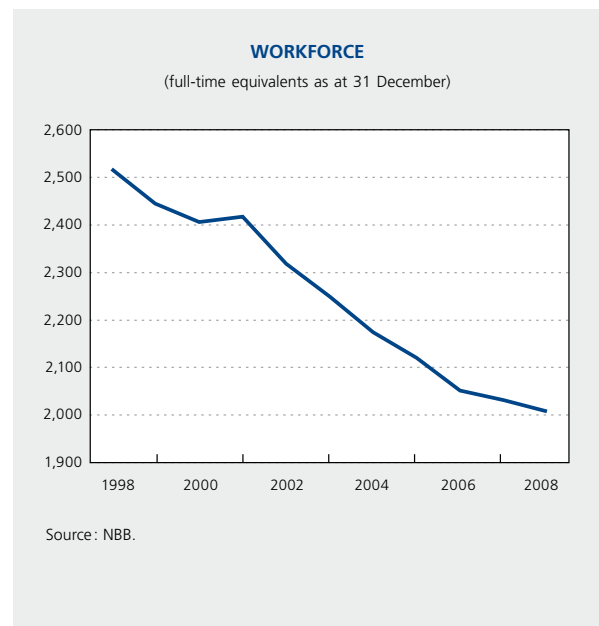
## 4.3 Human resources

### 4.3.1 Management

In the Eurosystem, the size of the workforce varies greatly from one central bank to another. That difference is due both to the size of the country and to the number of functions performed by each institution. In the Bank's case, as pointed out in the introduction, these tasks are particularly numerous. In recent years, thanks to constantly improving productivity, the Bank has been able to make sizeable cuts in its workforce despite a significant increase in its responsibilities. After declining by a further 24 units in 2008, the staff now comprises 2,008 full-time equivalents, a reduction of over 20 p.c. since 1 January 1999. Excluding the Bundesbank, that is the largest reduction in the Eurosystem.

In 2008, the Bank sent its managerial staff to a Development Centre to enable them to identify the skills which they can improve. On completion of this process, it is possible to draw up a personal development plan comprising the necessary training. The other members of staff may also draw up a plan of this type on the occasion of their annual job appraisal review.

To meet the new challenges which are emerging, the Bank is counting on the cooperation of the union representatives. The term of office of the staff representatives



was renewed in 2008 following the union elections on 16 May. The allocation of the Works Council offices and the composition of the union delegation form the subject of collective labour agreements.



### 4.3.2 Obituaries and retirement

In 2008, the Bank was saddened to hear of the death of Mr Georges Debunne, honorary regent, and of Mr Hubert Detremmerie, honorary censor. Mr Debunne was a regent from 1972 to 1983; Mr Detremmerie was a censor from 1969 to 1999 and chairman of the Board of Censors from 1995 to 1999.

The Bank was also saddened by the death of three members of its staff in 2008: Mrs Pascale Dropsy, and Messrs Franco Laini and Christian Leroy.

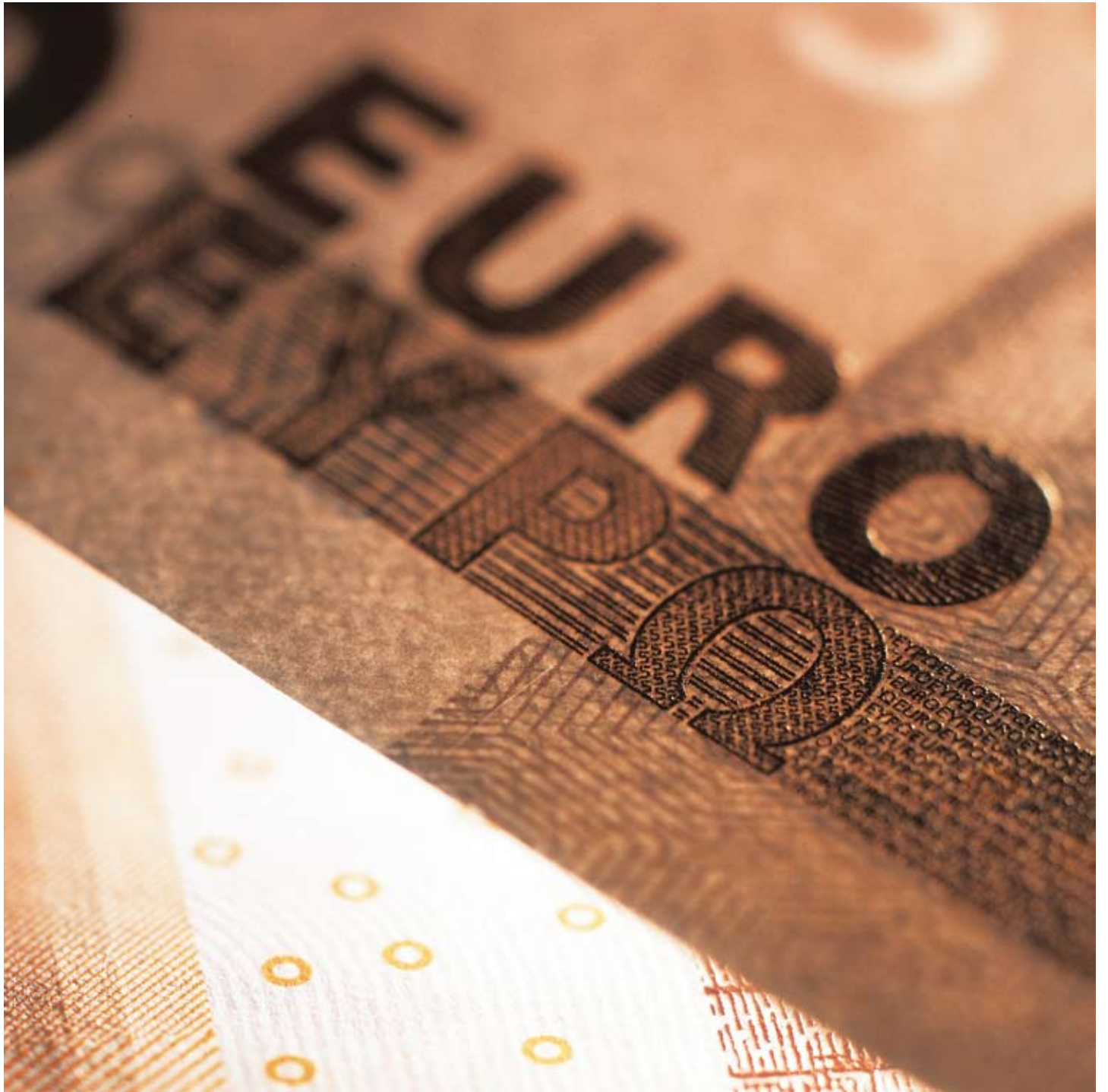
They will always be remembered.

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The Bank would like to express its gratitude to the members of its managerial and supervisory staff who reached the end of their career: Messrs Josef Helfgott and Philippe Vigneron.

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It also thanks the members of the clerical staff whose careers came to an end in the past year: Mesdames Suzanne Corbisier, Jacqueline De Muynck and Nicole Van Styvendael, and Messres Eddy Batta, Marcel Bouchat and Pierre Gyselinck.



# 5. ANNUAL ACCOUNTS AND REPORTS ON THE FINANCIAL YEAR

## 5.1 DIRECTORS' REPORT

### 5.1.1 Developments concerning the Bank's results and position

#### I. BALANCE SHEET

The balance sheet total grew by over 36 p.c. for the second consecutive year, and amounted to € 153.2 billion at the end of 2008.

In 2008, as in 2007, the decisive factor in the growth of the balance sheet total was the Eurosystem's massive injection of liquidity into the banking system. Whereas, at the end of 2007, the refinancing operations in euro had expanded considerably, the amount of those operations hardly changed at the end of 2008. On the 2008 balance sheet date, it was essentially lending in foreign currencies to Belgian banks that had grown, generating an increase of € 35.3 billion in item 3 of the assets "Claims on euro area residents denominated in foreign currency". The NCBs financed this additional lending in foreign currency by means of swap transactions with the ECB. This led to an increase in sub-item 9.3 of the liabilities "Other liabilities within the Eurosystem (net)", which records outgoing payments effected via the TARGET2 cross-border payments system. Sub-item 9.3 is also influenced by the € 7.5 billion reduction in the current account balances held by banks (sub-item 2.1 of the liabilities), which declined to € 9.2 billion at the end of 2008.

The financial crisis augmented demand for euro banknotes. For the first time since November 2004, the Bank supplied more banknotes than it received; at the end of 2008, the positive balance came to € 2.1 billion. On the balance sheet date, the share of the total euro banknotes in circulation allocated to the Bank (item 1 of the liabilities) had risen by € 2.7 billion to € 24.9 billion. Over the year as a whole, the increase averages 9 p.c., as in 2007.

The net position in dollar was unchanged at USD 2.2 billion. In view of the movement in the dollar exchange rate, its euro equivalent increased to € 1.6 billion. Since the market price had risen, the value of the gold reserves was up by € 0.4 billion, at € 4.5 billion.

#### II. RESULT

The profit for the year increased strongly – by 57 p.c. – to € 444.6 million. The two main factors behind this increase are the expansion in the volume of net interest-bearing assets and the decision not to make any allocation to the provision for contingencies in 2008. The impact of these factors was moderated by the increase in corporation tax.

As in 2007, the average yield of the net interest-bearing assets exceeded 3 p.c.; the first 3 p.c. therefore accrues to the Bank, while the balance is allocated to the Treasury (cf. infra). The volume of the net interest-bearing assets to which the 3 p.c. rule applies increased considerably in



2008, rising from € 21.1 billion to € 24.4 billion, partly because of the larger than expected increase in the banknotes in circulation and partly because, in 2008, account was taken of our share in the total banknotes in circulation allocated to the ECB (impact: € 1.9 billion). The ECB indeed decided, for the first time since 2003, that it would again distribute to the NCBs part of the revenue on its allotted share of the banknotes in circulation.

The second factor contributing to the Bank's very high profit figure was the decision not to make an allocation to the provision for contingencies during the past year, whereas € 70 million had been allocated in 2007. That provision is intended to cater for fluctuations in the results and the risks inherent in the Bank's activities (particularly the credit risk).

Regarding those risks, in 2008 the Bank incurred losses on securities issued by *Lehman Brothers Holding Inc.*, as the credit risk materialised. The amount of the losses was moderate (€ 3.8 million). For that reason, and taking account of the other results for the year, it was decided not to use the provision for contingencies.

The Bank uses the Creditmetrics method to estimate the credit risk at the end of the year. Since the amount of the provision was within the range applied, no allocation or write-back was effected.

Owing to the movement in the dollar exchange rate at the end of the financial year, no unrealised foreign exchange loss had to be recorded in the profit and loss account, in contrast to 2007. The amount of the provision for future exchange losses (after allocation of the small net amount of realised gains on foreign exchange) was sufficient to cover the estimated exchange risk. Taking account of the unrealised gains (€ 82 million), the amount of the provision (€ 150 million) and the tax to be recovered when using the provision (€ 77 million), the risk coverage is slightly higher than the upper limit of the range used. Consequently, it was decided not to effect any write-back or any additional allocation to the provision in 2008.

Under the 3 p.c. rule, the increase in the yield on net interest-bearing assets, up from 3.7 p.c. in 2007 to 4.3 p.c. in 2008, accrued to the State. In 2008 this yield was augmented by the proceeds from the emergency liquidity assistance (ELA) which the Bank granted to Belgian banks in the form of overnight loans, in euro and in dollar, at a penalty interest rate against collateral not regarded as eligible for the purpose of the Eurosystem's normal refinancing operations. Since the Bank had to finance this emergency assistance via liabilities which are remunerated, these operations had no impact on the volume of net interest-bearing assets. Thus, the Bank's share did not increase, in accordance with the 3 p.c. rule, and the whole of the proceeds accrued to the Treasury. For the 2008 financial year, the ELA thus had an impact of + € 52.9 million on the State's share.

Conversely, the yield on the net interest-bearing assets was depressed in 2008 by the decision of the Governing Council, which deemed it appropriate to establish a buffer amounting to a total of € 5.7 billion against counterparty risks in monetary policy operations. In accordance with Article 32.4 of the ESCB/ECB Statute, this buffer will be funded among all the NCBs of participating Member States in proportion to their subscribed capital key shares in the ECB. Consequently, the Bank formed a provision for monetary policy operations of € 203.3 million, equivalent to 3.5451 p.c. of the buffer. Under the 3 p.c. rule, that amount is charged to the State's share.

#### KEY FIGURES OF THE ANNUAL ACCOUNTS

	2008	2007
Average volume of the net interest-bearing assets (billions of euro) .....	24.4	21.1
Average yield of the net interest-bearing assets (percentages) .....	4.3	3.7
Average interest rate on lending operations related to monetary policy (percentages) .....	4.3	4.0
Average interest rate on investments in gold and foreign currencies (percentages) .....	2.6	4.2
EUR/USD exchange rate on the balance sheet date .....	1.3917	1.4721

## 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, like any financial institution, to financial risks (such as market and credit risks) and to operating risks. The Bank has defined a policy which aims to limit these risks in order to keep them at a level deemed appropriate. For instance, it specifies the strategic duration (and permitted deviations) 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. The decisions on limits and structure reflect the level of risk which the Bank considers acceptable.

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

Moreover, 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. In order to assess the credit risk of each issuer or counterparty, the Bank refers to the ratings accorded by a number of specialist agencies and uses 'prediction' methods which take account of developments on certain markets (credit default swaps, stock market value, etc.). For overall credit risk assessment, it uses the Creditmetrics method with very cautious parameters. 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 in the long term, the Bank invests a very 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 and any losses.

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 and the contagion which spread to other credit market segments had only a limited impact on the Bank's assets, since its portfolios are invested only in financial assets which are normally liquid and have an excellent rating. 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. As stated above, the default of the broker *Lehman Brothers* caused the Bank to sustain a financial loss. Nonetheless, that adverse impact was very largely negated by the strong downward trend in interest rates on international markets, which had a substantial beneficial effect on all the Bank's long-term 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.

The Eurosystem devises the risk management procedures applied to the lending transactions effected by the Bank in implementing the Eurosystem's monetary policy. Their application is harmonised so as to ensure that there is no discrimination in the conditions for the use of all types of eligible assets throughout the euro area. In regard to securities, a single list of eligible assets is drawn up and the same risk control measures are applied. For bank loans, the same selection criteria and the same risk management measures are applied throughout the Eurosystem. They vary according to the type of assets offered.

### 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. The 2008 financial year is a clear illustration of these principles.

### III. BUSINESS CONTINUITY RISK AND OPERATIONAL 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 manager of payment systems (TARGET2, ELLIPS and the CEC) and securities settlement systems.

At the Bank, as in most central banks in Europe, the organisation of the operational risk monitoring is fragmented. The various services are responsible for their own risk management policy. In that regard they are assisted by various entities with transverse responsibilities, such as the Data Security Coordination Unit for IT risks, the Facility Management Department and the Prevention and Protection Service for all environmental and work-related risks, the Strategy and Organisation Service, and the Legal Service. During regular audits, the Internal Audit service analyses the operational risks, management measures and any incidents which have occurred.

At the end of 2008, the ESCB (European System of Central Banks) published an Operational Risk Management Framework which will apply to all the Eurosystem’s own tasks. The Bank will align its own operational risk management with that framework, not only for the tasks which it carries out within the ESCB but for the whole of its activities.

#### 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 2008.

As a result of the Law of 17 December 2008 establishing, in particular, an audit committee in listed companies and financial enterprises, the Board of Censors is the Bank’s audit committee. That law entered into force on 8 January 2009. The tasks and responsibilities of the audit committee apply for the first time to the 2009 financial year.

#### 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 the provision of services within the Eurosystem concerning, in particular, the circulation of banknotes, the management of collateral relating to loans, and the use of information technology for banking applications.

#### 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.7) and in the notes to the accounts (notes 2, 3, 5, 6, 9, 16, 24, 38 and 39).

### 5.1.8 Expertise and independence of the audit committee

All members of the Board of Censors are experts in accountancy and auditing, in view of their higher education qualifications in economics and finance and/or their acknowledged professional experience in those fields. Most of them satisfy the independence criteria mentioned in Article 526<sup>ter</sup> of the Company Code.

Brussels, 10 February 2009

*The Board of Directors*

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## 5.2 ANNUAL ACCOUNTS

## 5.2.1 Balance Sheet

(before distribution of profit)

### ASSETS

(thousands of euro)

	See note below	31-12-2008	31-12-2007
<b>1. Gold and gold receivables</b> .....	<b>1</b>	<b>4,546,679</b>	<b>4,158,103</b>
<b>2. Claims on non-euro area residents denominated in foreign currency</b> ..	<b>2</b>	<b>6,663,472</b>	<b>6,996,921</b>
2.1 Receivables from the IMF .....		1,208,242	815,795
2.2 Balances with banks and security investments, external loans and other external assets .....		5,455,230	6,181,126
<b>3. Claims on euro area residents denominated in foreign currency</b> .....	<b>3</b>	<b>36,119,658</b>	<b>793,962</b>
<b>4. Claims on non-euro area residents denominated in euro</b> .....	<b>4</b>	<b>344,108</b>	<b>479,965</b>
<b>5. Lending to euro area credit institutions related to monetary policy operations denominated in euro</b> .....	<b>5</b>	<b>57,966,948</b>	<b>56,311,590</b>
5.1 Main refinancing operations .....		4,185,000	51,050,000
5.2 Longer-term refinancing operations .....		52,050,000	5,261,590
5.3 Fine-tuning reverse operations .....		-	-
5.4 Structural reverse operations .....		-	-
5.5 Marginal lending facility .....		1,731,948	-
5.6 Credits related to margin calls .....		-	-
<b>6. Other claims on euro area credit institutions denominated in euro</b> ...	<b>6</b>	<b>2,851,076</b>	<b>30,881</b>
<b>7. Securities of euro area residents denominated in euro</b> .....	<b>7</b>	<b>15,175,921</b>	<b>14,578,036</b>
<b>8. Intra-Eurosystem claims</b> .....	<b>8</b>	<b>24,374,279</b>	<b>25,502,215</b>
8.1 Participating interest in ECB capital .....		143,548	143,548
8.2 Claims equivalent to the transfer of foreign currency reserves .....		1,423,342	1,423,342
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem .....		22,807,389	23,935,325
8.4 Other claims within the Eurosystem (net) .....		-	-
<b>9. Other assets</b> .....	<b>9</b>	<b>5,162,371</b>	<b>3,504,449</b>
9.1 Coins of euro area .....		7,495	7,479
9.2 Tangible and intangible fixed assets .....		390,579	390,643
9.3 Other financial assets .....		2,434,094	2,214,754
9.4 Off-balance-sheet instruments revaluation differences .....		1,450,628	61,914
9.5 Accruals and prepaid expenditure .....		618,595	522,982
9.6 Sundry .....		260,980	306,677
<b>Total assets</b> .....		<b>153,204,512</b>	<b>112,356,122</b>

**LIABILITIES**

(thousands of euro)

	See note below	31-12-2008	31-12-2007
<b>1. Banknotes in circulation</b>	<b>10</b>	<b>24,877,907</b>	<b>22,129,413</b>
<b>2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>11</b>	<b>10,804,294</b>	<b>17,789,308</b>
2.1 Current accounts (covering the minimum reserve system)		9,196,994	16,735,366
2.2 Deposit facility		1,607,300	3,942
2.3 Fixed-term deposits		–	1,050,000
2.4 Fine-tuning reverse operations		–	–
2.5 Deposits related to margin calls		–	–
<b>3. Other liabilities to euro area credit institutions denominated in euro</b>	<b>12</b>	<b>130,193</b>	<b>–</b>
<b>4. Liabilities to other euro area residents denominated in euro</b>	<b>13</b>	<b>85,307</b>	<b>55,065</b>
4.1 General government		58,396	44,595
4.2 Other liabilities		26,911	10,470
<b>5. Liabilities to non-euro area residents denominated in euro</b>	<b>14</b>	<b>273,713</b>	<b>412,580</b>
<b>6. Liabilities to euro area residents denominated in foreign currency</b>	<b>15</b>	<b>–</b>	<b>–</b>
<b>7. Liabilities to non-euro area residents denominated in foreign currency</b>	<b>16</b>	<b>2,529,999</b>	<b>1,563,587</b>
<b>8. Counterpart of special drawing rights allocated by the IMF</b>	<b>17</b>	<b>536,100</b>	<b>521,154</b>
<b>9. Intra-Eurosystem liabilities</b>	<b>18</b>	<b>104,242,930</b>	<b>61,659,594</b>
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)		104,242,930	61,659,594
<b>10. Other liabilities</b>	<b>19</b>	<b>1,065,755</b>	<b>848,029</b>
10.1 Off-balance-sheet instruments revaluation differences		–	–
10.2 Accruals and income collected in advance		58,872	47,344
10.3 Sundry		1,006,883	800,685
<b>11. Provisions</b>	<b>20</b>	<b>1,156,915</b>	<b>948,068</b>
11.1 For future exchange losses		150,020	144,519
11.2 For new premises		–	–
11.3 For contingencies		803,549	803,549
11.4 In respect of monetary policy operations		203,346	–
<b>12. Revaluation accounts</b>	<b>21</b>	<b>4,655,322</b>	<b>3,930,309</b>
<b>13. Capital and reserve fund</b>	<b>22</b>	<b>2,401,477</b>	<b>2,215,797</b>
13.1 Capital		10,000	10,000
13.2 Reserve fund:			
Statutory reserve		862,429	676,971
Extraordinary reserve		1,150,790	1,150,543
Amortisation accounts in respect of tangible and intangible fixed assets		378,258	378,283
<b>14. Profit for the financial year</b>	<b>23</b>	<b>444,600</b>	<b>283,218</b>
<b>Total liabilities</b>		<b>153,204,512</b>	<b>112,356,122</b>

## 5.2.2 Profit and Loss Account

(thousands of euro)

	See note below	2008	2007
<b>I. Proceeds of net interest-bearing assets</b> .....	<b>24</b>	<b>1,063,069</b>	<b>842,445</b>
1. Interest income .....		4,013,952	3,078,699
2. Interest expenses (–) .....		–2,829,062	–2,203,864
3. Capital gains (losses (–)) on securities .....		91,200	–36,202
4. Allocation of monetary income from the Eurosystem .....		–52,417	3,812
5. Income from the ECB .....		42,742	–
6. Appropriation to the provision in respect of monetary policy operations (–) .....		–203,346	–
<b>II. Foreign exchange difference results</b> .....	<b>25</b>	<b>1,420</b>	<b>–111,824</b>
1. Foreign exchange difference results .....		6,920	–166,224
2. Use and write-back of provision for future exchange losses (appropriation (–)) .....		–5,500	54,400
<b>III. Commission</b> .....	<b>26</b>	<b>4,773</b>	<b>2,551</b>
1. Commission received .....		12,346	8,300
2. Commission paid (–) .....		–7,573	–5,749
<b>IV. Amounts recovered from third parties</b> .....	<b>27</b>	<b>65,185</b>	<b>61,815</b>
<b>V. Proceeds from statutory investments</b> .....	<b>28</b>	<b>94,187</b>	<b>87,078</b>
<b>VI. Other proceeds</b> .....	<b>29</b>	<b>5,808</b>	<b>4,035</b>
<b>VII. State share (–)</b> .....	<b>30</b>	<b>–355,119</b>	<b>–172,835</b>
1. Proceeds from net interest-bearing assets (Art. 29) .....		–317,279	–152,718
2. Proceeds fully assigned to the State .....		–39,280	–37,191
3. Foreign exchange difference results .....		1,440	17,074
<b>VIII. Transfer to the unavailable reserve of capital gains on gold (–)</b> .....	<b>31</b>	<b>–</b>	<b>–</b>
<b>IX. General expenses (–)</b> .....	<b>32</b>	<b>–248,902</b>	<b>–245,417</b>
1. Remuneration and social costs .....		–187,155	–183,257
2. Other expenses .....		–61,747	–62,160
<b>X. Exceptional costs (–)</b> .....	<b>33</b>	<b>–</b>	<b>–</b>
<b>XI. Depreciation of tangible and intangible fixed assets (–)</b> .....	<b>34</b>	<b>–13,738</b>	<b>–11,659</b>
<b>XII. Provisions</b> .....	<b>35</b>	<b>–</b>	<b>–70,000</b>
1. Use and write-back of provision for new premises (appropriation (–)) ..		–	–
2. Use and write-back of provision for contingencies (appropriation (–)) ..		–	–70,000
<b>XIII. Corporation tax (–)</b> .....	<b>36</b>	<b>–171,836</b>	<b>–102,971</b>
<b>XIV. Transfer to the tax-free reserves (–)</b> .....	<b>37</b>	<b>–247</b>	<b>–</b>
<b>Profit for the financial year</b> .....		<b>444,600</b>	<b>283,218</b>



## 5.2.3 Off-Balance-Sheet Items

(thousands of euro)

	See note below	31-12-2008	31-12-2007
Forward transactions in foreign currencies and in euro	<b>38</b>		
Forward claims .....		45,721,665	3,970,432
Forward liabilities .....		44,345,866	3,913,467
Forward transactions on interest rate and fixed-income securities .....	<b>39</b>	237,623	208,342
Liabilities which could lead to a credit risk	<b>40</b>		
Commitments towards international institutions .....		386,680	375,900
Commitments towards other institutions .....		548,692	1,294,299
Valuables and claims entrusted to the institution	<b>41</b>		
For encashment .....		335	115
Assets managed on behalf of the Treasury .....		63,763	61,152
Assets managed on behalf of the ECB .....		1,266,778	1,573,255
Custody deposits .....		849,726,941	560,302,012
Capital to be paid up on shares of the BIS .....	<b>42</b>	207,564	201,778

## 5.2.4 Allocation of Profit

(thousands of euro)

	2008	2007
<b>Profit for the financial year</b> .....	<b>444,600</b>	<b>283,218</b>
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 .....	44,400	28,262
b) 8 p.c. to the staff or to institutions in its favour .....	35,520	22,609
3. Of the amount in excess of this:		
a) to the State, one fifth .....	72,816	46,349
b) to the shareholders, a second dividend .....	29,400	28,200
c) the balance to the statutory reserve .....	261,864	157,198

In accordance with the decision of the General Meeting of 26 March 2001, the dividend will be payable from the second bank working day following the General Meeting namely 1 April 2009, on presentation of coupon No 207:

(euro)

	Gross amount	Withholding tax	Net amount
Dividend per share .....	75.00	18.75	56.25

## 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)	
			2008	2007
<b>1. In the financial year and the previous year</b>				
Average number of workers .....	1,455.15	877.67	2,148.38 (FTE)	2,168.69 (FTE)
Actual number of hours worked .....	2,171,065	1,043,341	3,214,406 (T)	3,233,454 (T)
Staff costs (in thousands of euro) .....	137,502	53,995	191,496 (T)	183,588 (T)
Value of benefits granted in addition to wages (in thousands of euro) .....	-	-	1,994 (T)	1,800 (T)
<b>2. At the end of the financial year</b>				
<b>a. Number of workers entered in the staff register</b>				
	1,457	870	2,143.25 (FTE)	
<b>b. By type of contract of employment</b>				
Permanent contract .....	1,391	863	2,073.15 (FTE)	
Fixed-term contract .....	66	7	70.10 (FTE)	
Contract for the execution of a clearly defined project .....	-	-	-	
Substitution contract .....	-	-	-	
<b>c. By gender and standard of education</b>				
Male .....	1,123	331	1,401.50 (FTE)	
Primary .....	13	4	16.50 (FTE)	
Secondary .....	485	200	653.80 (FTE)	
Higher non-university .....	275	66	329.60 (FTE)	
University .....	350	61	401.60 (FTE)	
Female .....	334	539	741.75 (FTE)	
Primary .....	10	11	18.50 (FTE)	
Secondary .....	187	353	451.70 (FTE)	
Higher non-university .....	65	115	151.65 (FTE)	
University .....	72	60	119.90 (FTE)	
<b>d. By occupational category</b>				
Management personnel .....	15	-	15 (FTE)	
Non-manual workers .....	1,442	870	2,128.25 (FTE)	
Manual workers .....	-	-	-	
Other .....	-	-	-	

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**B. TEMPORARY STAFF AND PERSONS MADE AVAILABLE TO THE ENTERPRISE**


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	Temporary staff	Persons made available to the enterprise
<b>During the year</b>		
Average number of persons employed .....	6.46	-
Actual number of hours worked .....	10,302	-
Costs to the enterprise (in thousands of euro) .....	238	-

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**2. Table of staff movements during the year**


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**A. STAFF ENTERING SERVICE**


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	Full-time	Part-time	Total in full-time equivalents
<b>a. Number of workers entered in the staff register during the year .....</b>	366	14	374.50
<b>b. By type of contract of employment</b>			
Permanent contract .....	25	2	26.30
Fixed-term contract .....	341	12	348.20
Contract for the execution of a clearly defined project .....	-	-	-
Substitute contract .....	-	-	-

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**B. STAFF LEAVING**


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	Full-time	Part-time	Total in full-time equivalents
<b>a. Number of workers whose contract termination date was recorded in the staff register during the year .....</b>	362	22	377.00
<b>b. By type of contract of employment</b>			
Permanent contract .....	23	12	31.80
Fixed-term contract .....	339	10	345.20
Contract for the execution of a clearly defined project .....	-	-	-
Substitute contract .....	-	-	-
<b>c. Reason for termination of contract</b>			
Retirement .....	8	8	13.30
Early retirement .....	-	-	-
Dismissal .....	7	1	7.80
Other reasons .....	347	13	355.90
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 .....	-	-	-

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### 3. Information on training for workers during the year

	Men	Women
<b>1. Formal further vocational training at the employer's expense</b>		
Number of workers concerned .....	1,078	615
Number of hours of training completed .....	32,494	17,437
Net cost to the firm (in thousands of euro) .....	4,194	2,246
of which:		
Gross cost directly relating to training (in thousands of euro) .....	4,110	2,205
Contributions and payments to communal funds (in thousands of euro)	85	40
Subsidies and other financial benefits received (to be deducted) (in thousands of euro) .....	-	-
<b>2. Semi-formal or informal further vocational training at the employer's expense</b>		
Number of workers concerned .....	1,341	675
Number of hours of training completed .....	28,170	14,176
Net cost to the firm (in thousands of euro) .....	1,714	863
<b>3. Basic vocational training at the employer's expense</b>		
Number of workers concerned .....	-	-
Number of hours of training completed .....	-	-
Net cost to the firm .....	-	-

## 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, as amended by the Guideline of 11 December 2008 (ECB/2008/21), OJ L36 of 5/02/2009.

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 17 December 2008.

They are presented in thousands of euro unless otherwise stated.

## 5.3.2 Accounting principles and valuation rules

### Changes during the financial year

#### *State guarantees*

Pursuant to Article 9 of the Organic Law, amended by the law of 15 October 2008, the State guarantees loans and other transactions effected by the Bank in connection with financial stability.

#### *Fixed-income negotiable securities held to maturity*

In accordance with Article 7 (5) of the ECB Guideline of 10 November 2006<sup>(1)</sup>, fixed-income negotiable securities held to maturity are valued at the amortised purchase price on the basis of their actuarial yield.

This rule is therefore no longer determined by the Council of Regency.

In order to improve transparency and augment the degree of harmonisation of annual accounts in the Eurosystem, this securities portfolio was re-classified. Thus, securities which used to appear under item 9.3 "Other financial assets" are now included under items 4 "Claims on non-euro area residents denominated in euro" and 7 "Securities of euro area residents denominated in euro".

For comparison, the figures for 2007 have been adjusted as follows:

<u>Asset item</u>	<u>billions of euro</u>
4	+0.3
7	+9.5
9.3	-9.8

These changes do not concern the statutory portfolio.

(1) ECB Guideline 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, as amended by the Guideline of 11 December 2008 (ECB/2008/21), OJ L36 of 5/02/2009.

### 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, excluding those held in the statutory portfolio and those held to maturity, 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 securities are treated as a separate portfolio and valued at the purchase price, amortised on the basis of their actuarial yield.

## 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 Statute 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 TARGET2 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 TARGET2 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 liability base, the difference is remunerated at the latest marginal interest rate applicable to the main refinancing operations of the Eurosystem.<sup>(1)</sup>

## 6. Banknotes in circulation

The ECB and the NCBs of the countries which have adopted the euro, and which together comprise the Eurosystem, issue euro banknotes.<sup>(2)</sup> 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, are disclosed under the sub-item "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem".

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.<sup>(3)</sup>

(1) ECB Decision of 22 November 2007 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/2007/15), OJ L333 of 19/12/2007.

(2) ECB Decisions dated 22 April 2004 (ECB/2004/9), 15 December 2006 (ECB/2006/25) and 7 December 2007 (ECB/2007/19) amending Decision ECB/2001/15 on the issue of euro banknotes.

(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.

## 7. 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 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.

## 8. Post balance sheet events

The assets and liabilities are adjusted to take account of information obtained between the balance sheet date and the date of adoption of the annual accounts by the Bank's Board of Directors if that information has 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 and Article 54 of the Statutes.

### 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 (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. Loans granted and other operations relating to financial stability

Under Article 9 (2) of the Organic Law<sup>(1)</sup>, the State guarantees the Bank the repayment of any loan granted in connection with its contribution to the stability of the financial system, and guarantees the Bank against any loss incurred as a result of any operation required in that regard.

### 4. 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.

### 5. 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 via the “value at risk” method.

<sup>(1)</sup> As amended by Article 8 of the Law of 15 October 2008 introducing measures to promote financial stability and establishing, in particular, a State guarantee relating to loans granted and other operations effected in connection with financial stability.

## 6. Capital and reserve fund

### 6.1 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.

### 6.2 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.<sup>(1)</sup>

## 7. Determination of the result

### 7.1 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 (3) of the Organic Law.

### 7.2 Rule on the allocation of proceeds from net interest-bearing assets

By virtue of Article 29 (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 placed at the Bank's 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 productive 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.

### 7.3 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

(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.

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.

#### 7.4 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.

### 8. Profit distribution

Pursuant to Article 32 of the Organic Law, the profits for the year are distributed as follows:

- 1° To the shareholders, an initial 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 in the statutory portfolio

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 the said Guideline.

#### 2. Fixed-income securities held in the statutory investment portfolio

These securities constitute a separate portfolio; they 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.

With effect from the 2009 financial year, tangible and intangible fixed assets (including ancillary costs) which have a limited useful life will no longer be written off entirely in the year in which they are acquired, but in accordance with the probable useful economic life accepted under the tax rules.

Useful economic life of the principal items:

– land:	unlimited
– buildings:	34 years
– renovations:	10 years
– furniture:	10 years
– software:	5 years
– machinery:	5 years
– security work:	3 years
– hardware:	3 years

Under this new accounting rule, depreciation would amount to € 1 million instead of € 14 million on the basis of the 2009 budgets.

#### 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.

#### 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

	31-12-2008	31-12-2007
In ounces of fine gold . . . . .	7,315,160.3	7,317,563.6
In kg of fine gold . . . . .	227,526.9	227,601.7
At market price (millions of euro) . .	4,546.7	4,158.1

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 2008, 9.1 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 2008.

##### GOLD PRICE

(euro)

	31-12-2008	31-12-2007
Ounce of fine gold . . . . .	621.542	568.236
Kg of fine gold . . . . .	19,983.04	18,269.21

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)

	31-12-2008	31-12-2007
Special drawing rights . . . . .	408.5	413.7
Participation in the IMF . . . . .	704.2	324.5
Loans to the PRGF Trust . . . . .	95.5	77.6
<b>Total</b> . . . . .	<b>1,208.2</b>	<b>815.8</b>

##### SDR RATE

	31-12-2008	31-12-2007
EUR/SDR . . . . .	0.9051	0.9311

##### 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 369.8 million as at 31 December 2008, against SDR 385.2 million a year earlier. This decrease is due to net sales 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 115.4 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 637.4 million, against SDR 302.1 million a year earlier. This increase is due to net loans 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 2008 to SDR 86.4 million against SDR 72.3 million a year earlier, as the repayments made during the year were more than offset by new credit line drawings.

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

##### BREAKDOWN BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2008	31-12-2007
Sight deposits .....	297.2	332.1
Time deposits .....	129.0	142.7
Securities .....	4,903.8	3,993.8
Reverse repurchase agreements ...	125.2	1,712.5
<b>Total</b> .....	<b>5,455.2</b>	<b>6,181.1</b>

##### EXCHANGE RATES

	31-12-2008	31-12-2007
EUR/USD .....	1.3917	1.4721
EUR/JPY .....	126.1400	164.9300
EUR/CHF .....	1.4850	1.6547

##### BREAKDOWN BY CURRENCY

(millions of euro)

	31-12-2008	31-12-2007
USD .....	5,173.1	6,127.8
JPY .....	278.3	49.5
CHF .....	2.0	2.2
Other .....	1.8	1.6
<b>Total</b> .....	<b>5,455.2</b>	<b>6,181.1</b>

**BREAKDOWN OF FIXED-INCOME SECURITIES  
BY THEIR RESIDUAL TERM**

(millions of euro)

	31-12-2008	31-12-2007
≤ 1 year .....	1,735.0	1,087.0
> 1 year and ≤ 5 years .....	2,495.2	2,343.0
> 5 years .....	673.6	563.8
<b>Total .....</b>	<b>4,903.8</b>	<b>3,993.8</b>

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 € 206.3 million and € 6.1 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)

	31-12-2008	31-12-2007
USD .....	1.6	1.5

The reasons for this decrease are as follows:

– encashment of investment income .....	+0.3
– sales of dollars against euros .....	–0.3
– positive exchange differences taken to the revaluation account .....	+0.1

**Note 3 Claims on euro area residents  
denominated in foreign currency****BREAKDOWN BY TYPE OF INVESTMENT (USD)**

(millions of euro)

	31-12-2008	31-12-2007
Time deposits .....	35,966.9	726.0
Securities .....	152.8	68.0
<b>Total .....</b>	<b>36,119.7</b>	<b>794.0</b>

An amount of € 35.8 billion (USD 49.9 billion) relates to special dollar-denominated financing operations for the purpose of concerted action by the Eurosystem and the United States Federal Reserve.

At the end of 2008, these operations enabled euro area credit institutions to borrow a total of USD 258.2 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)” (see note 18).

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

(millions of euro)

	31-12-2008	31-12-2007
≤ 1 year .....	107.0	51.4
> 1 year and ≤ 5 years .....	43.1	16.6
> 5 years .....	2.7	–
<b>Total .....</b>	<b>152.8</b>	<b>68.0</b>

On the balance sheet date, the unrealised gains and losses on the value of the securities at market prices came to € 1.3 million and € 0.5 million respectively.



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

##### BREAKDOWN BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2008	31-12-2007
Sight deposits .....	0.6	36.8
Securities .....	343.5	443.2
<b>Total</b> .....	<b>344.1</b>	<b>480.0</b>

##### BREAKDOWN OF FIXED-INCOME SECURITIES, OTHER THAN THOSE HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

	31-12-2008	31-12-2007
≤ 1 year .....	40.0	43.9
> 1 year and ≤ 5 years .....	36.0	65.9
> 5 years .....	19.1	40.2
<b>Total</b> .....	<b>95.1</b>	<b>150.0</b>

On the balance sheet date, the unrealised gains and losses on the value of the securities at market prices came to € 1.6 million and 0.5 million respectively.

##### BREAKDOWN OF FIXED-INCOME SECURITIES HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

	31-12-2008	31-12-2007
≤ 1 year .....	14.0	45.0
> 1 year and ≤ 5 years .....	132.9	101.8
> 5 years .....	101.5	146.4
<b>Total</b> .....	<b>248.4</b>	<b>293.2</b>

#### 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.

On the balance sheet date, the liquidity provided via the weekly main refinancing operations came to € 239.6 billion for the euro area as a whole, of which € 4.2 billion was attributed to credit institutions in Belgium.

##### LONGER-TERM REFINANCING OPERATIONS

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

A shift took place between one-week operations and longer-term operations. While at the end of 2007 the amount of the main refinancing operations on the balance sheet stood at € 51.1 billion and the longer-term refinancing operations stood at € 5.3 billion, in 2008 the main refinancing operations of Belgian banks amounted to € 4.2 billion and the longer-term refinancing operations came to € 52.1 billion. The financial crisis prompted banks to extend the term of their central bank financing, while the interbank markets at over one week virtually dried up, especially in Belgium.

On the balance sheet date, the outstanding amount of these operations came to € 616.9 billion for the euro area, of which € 52.1 billion was granted to credit institutions in Belgium.

Since the level of credit allocated did not vary overall, from one year to the next, the liabilities vis-à-vis TARGET2 relating to these operations remained unchanged (see note 18).

##### MARGINAL LENDING FACILITY

Loans granted via the standing facility enabling credit institutions to obtain 24-hour loans from the Bank at a pre-specified interest rate against eligible assets.

This amount illustrates the banks' difficulties in raising finance on the interbank market.

## 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)

	31-12-2008	31-12-2007
Current accounts .....	1.0	0.9
Reverse repurchase agreements ...	2,850.1	30.0
<b>Total</b> .....	<b>2,851.1</b>	<b>30.9</b>

The strong rise in reverse repurchase agreements in euro has its counterpart in the increase in repurchase agreements in USD (see note 16). These operations are connected with the Bank's foreign exchange investment policy.

## 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, OTHER THAN THOSE HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

	31-12-2008	31-12-2007
≤ 1 year .....	1,298.8	1,402.1
> 1 year and ≤ 5 years .....	3,473.1	2,907.2
> 5 years .....	848.8	800.0
<b>Total</b> .....	<b>5,620.7</b>	<b>5,109.3</b>

On the balance sheet date, the unrealised gains and losses on securities at their market price came to € 134.2 million and € 2.9 million respectively.

### BREAKDOWN OF SECURITIES HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

	31-12-2008	31-12-2007
≤ 1 year .....	978.8	942.6
> 1 year and ≤ 5 years .....	3,758.0	3,775.9
> 5 years .....	4,818.4	4,750.2
<b>Total</b> .....	<b>9,555.2</b>	<b>9,468.7</b>

## 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 million. The redistribution among the NCBs of the value of the ECB's capital following the change to the subscription key thus led to an increase in the Bank's share, bringing it to € 143.5 million.

### CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN CURRENCY RESERVES

Euro-denominated claim on the ECB amounting to € 1,423.3 million 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 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 23 November 2007 on the approval of the volume of coin issuance (ECB/2007/16), the maximum amount of the euro coins to issue in 2008 was € 130 million for Belgium. Since the net amount issued in 2007 was € 1,115.7 million, the authorised amount therefore totalled € 1,245.7 million for 2008.

### TANGIBLE AND INTANGIBLE FIXED ASSETS

In 2008, the Bank's investment in tangible and intangible fixed assets totalled € 13.7 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 (€ 13.8 million).

### OTHER FINANCIAL ASSETS

This sub-item comprises the securities acquired in representation of the capital, reserves and amortisation accounts in accordance with Article 19 (4) of the Organic Law. 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 BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2008	31-12-2007
Fixed-income securities	2,068.8	1,882.8
Participating interests	332.0	332.0
Reverse repurchase agreements	33.3	-
<b>Total</b>	<b>2,434.1</b>	<b>2,214.8</b>

### BREAKDOWN OF FIXED-INCOME SECURITIES BY THEIR RESIDUAL TERM

(millions of euro)

	31-12-2008	31-12-2007
≤ 1 year	137.1	207.9
> 1 year and ≤ 5 years	739.9	785.1
> 5 years	1,191.8	889.8
<b>Total</b>	<b>2,068.8</b>	<b>1,882.8</b>

### BREAKDOWN OF PARTICIPATING INTERESTS

	31-12-2008		31-12-2007	
	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
<b>Total</b>		<b>332.0</b>		<b>332.0</b>

### 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 on which the forward leg is recorded off-balance-sheet.

## ACCRUALS AND PREPAID EXPENDITURE

These are subdivided into:

- Expenses carried forward (€ 3.5 million);
- Income acquired (€ 615.1 million), essentially interest accrued but not received on securities and other assets.

## SUNDRY

Principally:

- 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 (€ 252.6 million);
- Trade receivables (€ 5.2 million);
- Printing Works stocks (€ 2 million).

**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.6 "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.

## DEPOSIT FACILITY

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

This amount illustrates the illiquidity of the interbank market.

**Note 12 Other liabilities to euro area credit institutions denominated in euro**

Liabilities to credit institutions unconnected with monetary policy operations. This concerns "repurchase agreement" operations relating to the management of the securities portfolio.

**Note 13 Liabilities to other euro area residents denominated in euro**

## 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 € 2.4 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)

	31-12-2008	31-12-2007
Repurchase agreements in USD . . .	2,530.0	1,563.6

Repurchase agreements in USD are the counterpart to the reverse repurchase agreements in euro (see note 6).

### 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 SDRs are 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:

- the Bank's liabilities vis-à-vis the ECB resulting from cross-border transfers effected via TARGET2 with the other NCBS of the Eurosystem and the ECB (€ 104,233.3 million). The increase in the volume of TARGET2 transfers is due to the euro element of the special refinancing operations denominated in dollar, discussed in note 3;
- the intra-Eurosystem liability totalling € 52.4 million, resulting from the mechanism for the pooling and distribution of monetary income within the Eurosystem (see item I.4 "Allocation of monetary income from the Eurosystem" in the profit and loss account);
- the intra-Eurosystem claim of € 42.7 million relating to distribution of ECB income from banknotes (see item I.5 of the profit and loss account).

### Note 19 Other liabilities

#### ACCRUALS AND INCOME COLLECTED IN ADVANCE

Accruals (€ 58.9 million), in particular interest accrued but not yet paid on liabilities.

#### SUNDRY

In particular:

- trade debts (€ 5.7 million);

- taxes, wages and social contributions due (€ 129.9 million);
- sums payable to the State in respect of its share in the Bank's income and expenditure for the last financial year (€ 353.8 million);
- interest payable by the Bank on its net debt to the ECB in connection with TARGET2 (€ 146.9 million);
- unavailable reserve of capital gains on gold (€ 298.9 million);
- repurchase agreements concerning statutory investments (€ 33.3 million).

### Note 20 Provisions

(millions of euro)

	31-12-2008	Appropriation	31-12-2007
For future exchange losses . . . . .	150.0	5.5	144.5
For contingencies . . . . .	803.5	–	803.5
In respect of monetary policy operations . . . . .	203.3	203.3	–
<b>Total . . . . .</b>	<b>1,156.8</b>	<b>208.8</b>	<b>948.0</b>

The € 5.5 million appropriation to the provision for future exchange losses was effected via realised gains on foreign currencies after deduction of the corporation tax on those gains.

As stated in the management report, there was no appropriation (or write-back) in the case of the provision for contingencies.

In accordance with the accounting principle of prudence, the Governing Council deemed it appropriate to establish a buffer totalling € 5.7 billion against counterparty risks in monetary policy operations. In accordance with Article 32.4 of the ESCB/ECB Statute, this buffer will be funded among all the NCBS of participating Member States in proportion to their subscribed capital key shares in the ECB. Consequently, the Bank formed a provision for monetary policy operations of € 203.3 million, equivalent to 3.5451 p.c. of the buffer. Under the 3 p.c. rule, that amount is charged to the State's share.

## 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)		
	31-12-2008	31-12-2007
Positive exchange revaluation differences on:		
– gold	4,229.6	3,840.9
– foreign currencies	82.3	–
Positive price revaluation differences on:		
– securities in foreign currencies other than held to maturity (items 2 and 3 of the assets)	207.6	87.9
– securities in euro other than held to maturity (items 4 and 7 of the assets)	135.8	1.5
<b>Total</b>	<b>4,655.3</b>	<b>3,930.3</b>

## 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.

Representation of the capital	Number of shares
Registered shares	205,659
Dematerialised shares	170,853
Bearer shares	23,488
<b>Total</b>	<b>400,000</b>

### 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 and intangible fixed assets are virtually unchanged, as the amount invested in 2008 more or less equalled the depreciation of the assets sold or no longer used. The tax-exempt part of the extraordinary reserve comes to € 15.7 million.

### CAPITAL, RESERVE FUND AND CORRESPONDING PROFIT DISTRIBUTION

(millions of euro)

	31-12-2008	31-12-2007
Capital	10.0	10.0
Reserve fund	2,391.5	2,205.8
Profit distribution	306.3	185.5
<b>Total</b>	<b>2,707.8</b>	<b>2,401.3</b>

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 items II.7.2 and II.7.3 of the accounting principles and valuation rules.

## INTEREST INCOME

## INTEREST INCOME OF ASSETS IN EURO

	31-12-2008			31-12-2007		
	Income	Average volume	Average rate	Income	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Credit transactions relating to monetary policy . . .	1,879.7	43,600.0	4.3	1,381.9	34,219.2	4.0
Securities portfolio in euro (including securities held to maturity) . . . . .	646.7	15,074.6	4.3	439.0	10,663.1	4.1
Claims on the ECB equivalent to the transfer of foreign currency reserves . . . . .	49.6	1,423.3	3.5	48.2	1,423.3	3.4
Net claims related to the allocation of euro banknotes within the Eurosystem . . . . .	981.9	25,718.1	3.8	915.1	22,984.0	4.0
Other claims <sup>(1)</sup> . . . . .	63.5	1,453.1	4.4	9.9	256.7	3.9
<b>Total</b> . . . . .	<b>3,621.4</b>	<b>87,269.1</b>	<b>4.1</b>	<b>2,794.1</b>	<b>69,546.3</b>	<b>4.0</b>

(1) For 2008, the item comprises the amount of the interest income on the "Emergency Liquidity Assistance – ELA" in euro granted to credit institutions in Belgium and the average of the productive assets relating thereto.

## INTEREST INCOME OF EXTERNAL ASSETS

	31-12-2008			31-12-2007		
	Income	Average volume	Average rate	Income	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Claims related to international cooperation transactions . . . . .	8.1	503.2	1.6	10.9	459.2	2.4
Investments in foreign currencies and in gold <sup>(1)</sup> . .	384.4	14,838.2	2.6	273.7	6,509.0	4.2
<b>Total</b> . . . . .	<b>392.5</b>	<b>15,341.4</b>	<b>2.6</b>	<b>284.6</b>	<b>6,968.2</b>	<b>4.1</b>

(1) For 2008, the item comprises the interest income on the "ELA" in foreign currency granted to credit institutions in Belgium and the average volume relating thereto. The average volume also includes the amount of the "Term Auction Facilities – TAF" in USD. These do not generate income for the Bank.

## INTEREST EXPENSES

## INTEREST EXPENSES ON LIABILITIES IN EURO

	31-12-2008			31-12-2007		
	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 .....	543.2	13,430.8	4.0	484.6	12,133.3	4.0
Net liabilities to the ECB related to TARGET2 <sup>(1)</sup> ..	2,174.5	60,408.9	3.6	1,667.9	41,788.9	4.0
Other liabilities .....	0.2	5.4	3.5	0.1	3.7	4.0
<b>Total</b> .....	<b>2,717.9</b>	<b>73,845.1</b>	<b>3.7</b>	<b>2,152.6</b>	<b>53,925.9</b>	<b>4.0</b>

(1) The average volume in 2008 comprises the euro equivalent of the "TAF" corresponding to the Bank's liabilities commitments towards the ECB. The "TAF" in USD are not remunerated.  
For 2008, the item also includes the interest expenses relating to the "ELA" and the average outstanding amounts relating thereto.

## INTEREST EXPENSES ON EXTERNAL LIABILITIES

	31-12-2008			31-12-2007		
	Expenses	Average volume	Average rate	Expenses	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Repurchase agreement transactions in foreign currencies <sup>(1)</sup> .....	108.3	3,941.7	2.7	46.1	1,020.7	4.5
Net use of assets in SDR .....	2.8	113.7	2.5	5.2	129.2	4.0
<b>Total</b> .....	<b>111.1</b>	<b>4,055.4</b>	<b>2.7</b>	<b>51.3</b>	<b>1,149.9</b>	<b>4.5</b>

(1) For 2008, the item includes the interest expenses on loans used to finance the "ELA" granted to credit institutions in Belgium, and the average outstanding amounts relating thereto.



## CAPITAL GAINS (LOSSES (-)) ON SECURITIES

(millions of euro)

	31-12-2008	31-12-2007
<b>Realised</b>		
USD .....	87.9	9.6
EUR .....	13.3	-12.4
<b>Unrealised</b>		
USD .....	-6.6	-0.7
EUR .....	-3.4	-32.7
<b>Total</b> .....	<b>91.2</b>	<b>-36.2</b>

The high level of the realised and unrealised gains is due to the very strong appreciation of the bond markets following the widespread decline in interest rates. At the end of the year, the Bank recorded positive price revaluation differences on securities in euro and in foreign currency (see note 21).

Following the default of Lehman Brothers Holding Inc, the Bank sustained losses on certain securities in its portfolio. Those losses came to USD 5.1 million (€ 3.8 million).

In view of the limited amount of these losses and taking account of its other results, the Bank did not use the provision for contingencies.

## 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 (3.5451 p.c. for the Bank since 1 January 2008).

## CALCULATION OF NET MONETARY INCOME ALLOCATED TO THE BANK

(millions of euro)

	31-12-2008	31-12-2007
Monetary income pooled by the Bank in the Eurosystem ...	-1,028.1	-819.5
Monetary income allocated to the Bank by the Eurosystem ...	975.7	823.3
<b>Net monetary income allocated</b>	<b>-52.4</b>	<b>3.8</b>

## INCOME FROM THE ECB

In 2008, the ECB retained part of the income which it draws in respect of its share in the issue of euro banknotes, in order to fund the provision against foreign exchange rate, interest rate and gold price risks in accordance with the Governing Council decision of 18 December 2008. The Bank's share in the distributed balance came to € 42.7 million.

## Note 25 Foreign exchange difference results

(millions of euro)

	31-12-2008	31-12-2007
<b>Available to the Bank</b>		
Realised		
USD .....	8.3	-10.0
Unrealised		
USD .....	-	-139.1
<b>Accruing to the State</b>		
Realised		
SDR .....	-1.0	-0.8
Gold .....	1.3	1.2
Unrealised		
SDR .....	-1.7	-17.5
<b>Total</b> .....	<b>6.9</b>	<b>-166.2</b>

During 2008, the movement in the dollar exchange rate led to the realisation of foreign exchange gains. At the end of the year, in contrast to 2007, the Bank recorded positive foreign exchange differences in foreign currencies (see note 21).

#### Note 26 Commission

- Commission received as remuneration for the Bank's services as financial intermediary: € 12.3 million of which € 11 million related to the collateralisation of securities and € 1.3 million to transactions with customers. Given the massive recourse by commercial banks to liquidity provided by the central banks during the crisis, there was a substantial increase in the guarantees mobilised within the framework of the "Correspondent Central Bank Model" (CCBM) during 2008. Since the Bank is an important correspondent central bank, owing to the presence of Euroclear in its territory, the commission received and paid thus increased strongly in parallel with the amount of the guarantees held by the Bank in Euroclear for other central banks of the Eurosystem.
- Commission paid by the Bank for financial services rendered to the Bank by third parties (€ 7.6 million).

#### 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 Central Balance Sheet Register, the Central Individual Credit Register and the Central Corporate Credit Register (€ 32.4 million);
- work done by the printing department (€ 6.2 million);
- payment systems such as TARGET2, ELLIPS, the CEC and the Clearing House (€ 6.5 million);
- the securities settlement system (€ 6.3 million);
- cooperation with the CBFA (€ 4.7 million);
- the Cash and Bond centres (€ 3.5 million);
- the internationalisation of IT applications (€ 2.5 million).

#### Note 28 Proceeds from statutory investments

(millions of euro)

	31-12-2008	31-12-2007
Bond portfolio		
Interest income . . . . .	83.8	74.6
Realised capital gains (losses (-))	-3.4	-1.9
Participations		
Dividends . . . . .	13.8	14.4
<b>Total</b> . . . . .	<b>94.2</b>	<b>87.1</b>

#### Note 29 Other proceeds

This item comprises proceeds from the sale of premises, the disposal of used equipment and furniture, and other miscellaneous proceeds.

The sale of the Ghent and Namur agencies accounts for most of the € 1.8 million increase against 2007.

#### Note 30 State share

PROCEEDS FROM NET INTEREST-BEARING ASSETS (ARTICLE 29)

The average volume of the net interest-bearing assets comes to € 24.4 billion. Since their yield is 4.3 p.c., the State obtains a sum of € 317.3 million pursuant to Article 29 of the Organic Law.

## PROCEEDS FULLY ASSIGNED TO THE STATE

(millions of euro)

	31-12-2008	31-12-2007
Proceeds of deposits other than those in item 4.1 of the liabilities	2.0	1.7
Income from capital gains on gold	12.9	11.1
Conversion of the consolidated debt	24.4	24.4
<b>Total</b>	<b>39.3</b>	<b>37.2</b>

## FOREIGN EXCHANGE DIFFERENCE RESULTS ACCRUING TO THE STATE

SDR transactions generated foreign exchange losses of € 2.7 million, and sales of gold to the Belgian Royal Mint produced gains of € 1.3 million (see note 25). The net amount of € 1.4 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 (€ 15.4 million), those relating to the repair and maintenance of premises (€ 11.2 million), printing work (€ 8.3 million) and work done and services rendered by third parties (€ 7.9 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 2008 covers the following investments:

(millions of euro)

Renovation of premises	1.9
Hardware and software	3.0
Equipment for the Printing Works	6.4
Other equipment and furniture	2.4
<b>Total</b>	<b>13.7</b>

## Note 36 Corporation tax

The tax due is divided into:

(millions of euro)

– tax on the profit for the year	168.0
– tax on profits in earlier years	3.8
<b>Total</b>	<b>171.8</b>

The main disparities between the pre-tax profit and the taxable profit concern the risk capital deduction (€59.3 million) and the non-taxable share in the profits accruing to the State (€ 72.8 million).

## Note 37 Transfer to the tax-free reserves

This item records the tax-exempt amount included in the extraordinary reserve (see note 22) of the capital gain realised on the sale of premises (see note 29) in accordance with Articles 44 §1, 2° and 190 of the C.I.R.92.

### 5.3.5 Notes to the off-balance-sheet items

#### Note 38 Forward transactions in foreign currencies and in euro

(millions of euro)

	31-12-2008	31-12-2007
Forward claims		
EUR .....	42,685.5	3,922.0
USD .....	260.3	48.4
CHF .....	2,775.9	-
Forward liabilities		
EUR .....	2,896.3	-
USD .....	38,396.2	3,865.0
JPY .....	277.5	48.5
CHF .....	2,775.9	-

The 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 € 35.8 billion, following the joint special operations with the Federal Reserve (see note 3).

In addition, Swiss francs were made available to Belgian financial institutions via swap agreements concluded between the ECB and the Swiss National Bank.

#### Note 39 Forward transactions on interest rate 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 2008 the Bank held a net short position of € 237.6 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 (€ 386.7 million) to the PRGF Trust. The amount still available comes to SDR 263.6 million (€ 291.2 million). This loan is guaranteed by the Belgian State.

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

The large increase in the custody deposits is due essentially to the expansion in securities issued by enterprises and recorded in the securities settlement system, and in the guarantees received by the Bank.

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 (€ 207.6 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 2008 came to € 492,877, while the vice-governor and the other members of the Board of Directors received a gross salary of € 395,985 and € 340,586 respectively.

In 2008, the regents and censors received gross attendance fees of € 452 per meeting attended.

As has been the case for a number of years, these amounts were adjusted only in line with the health index.

### 5.3.7 Auditor's remuneration

The remuneration paid to Ernst & Young Reviseurs d'Entreprises SCCRL totalled € 83,999 for the audit assignment. That remuneration comprises a sum of € 52,913 for certification of the annual accounts and a sum of € 31,086 for certification work on behalf of the ECB auditor.

### 5.3.8 Legal proceedings

An action is currently pending before the Court of First Instance in Brussels, brought against the Bank and its pensions insurer by 27 retired former employees of the Bank and their spouses entitled to benefit. The applicants are contesting the method of calculating the supplementary pension benefits which they receive under the pension scheme rules applicable.

The Bank considers that the claims of most, if not all, of the applicants are time barred, and that there is no question of incorrect application of the law or of the pension scheme rules. It has therefore formed no provision for current legal proceedings.

In addition, three actions were brought against the Bank by various groups of shareholders during 2008. These were 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 found against the applicants. They were seeking cancellation of the decision by the Council of Regency which, at the end of the 2003 financial year, had approved an additional write-back on the provision for future exchange losses, and approved its inclusion 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 considered the appeals to be unfounded, the Bank made no provision for current legal proceedings.

### 5.3.9 Post-balance-sheet events

In accordance with Article 29.3 of the ESCB Statute, the ECB capital key weighting is adjusted every five years. The previous adjustment had been made on 1 January 2004. In accordance with the Governing Council decision of 15 July 2003 on the statistical data to be used for the adjustment of the key for subscription to the capital of the ECB, the shares of the NCBs were adjusted as follows on 1 January 2009.

	Key for subscription to the capital of the ECB (percentages)	
	as at 31 December 2008	from 1 January 2009
National Bank of Belgium . . . . .	2.4708	2.4256
Deutsche Bundesbank . . . . .	20.5211	18.9373
Central Bank and Financial Services Authority of Ireland . . . . .	0.8885	1.1107
Bank of Greece . . . . .	1.8168	1.9649
Banco de España . . . . .	7.5498	8.3040
Banque de France . . . . .	14.3875	14.2212
Banca d'Italia . . . . .	12.5297	12.4966
Central Bank of Cyprus . . . . .	0.1249	0.1369
Banque centrale du Luxembourg . .	0.1575	0.1747
Central Bank of Malta . . . . .	0.0622	0.0632
De Nederlandsche Bank . . . . .	3.8937	3.9882
Österreichische Nationalbank . . . .	2.0159	1.9417
Banco de Portugal . . . . .	1.7137	1.7504
Banka Slovenije (Slovenia) . . . . .	0.3194	0.3288
Národná banka Slovenska (Slovakia) . . . . .	–	0.6934
Suomen Pankki (Finland) . . . . .	1.2448	1.2539
<i>Subtotal Eurosystem . . . . .</i>	<i>69.6963</i>	<i>69.7915</i>
Bulgarian National Bank . . . . .	0.8833	0.8686
Česká národní banka (Czech Republic) . . . . .	1.3880	1.4472
Danmarks Nationalbank . . . . .	1.5138	1.4835
Eesti Pank (Estonia) . . . . .	0.1703	0.1790
Latvijas Banka (Latvia) . . . . .	0.2813	0.2837
Lietuvos Bankas (Lithuania) . . . . .	0.4178	0.4256
Magyar Nemzeti Bank (Hungary) . .	1.3141	1.3856
Narodowy Bank Polski . . . . .	4.8748	4.8954
Banca Națională a României (Romania) . . . . .	2.5188	2.4645
Národná banka Slovenska (Slovakia) . . . . .	0.6765	–
Sveriges Riksbank (Sweden) . . . . .	2.3313	2.2582
Bank of England . . . . .	13.9337	14.5172
<i>Subtotal NCBs outside the euro area</i>	<i>30.3037</i>	<i>30.2085</i>
<b>Total . . . . .</b>	<b>100.0000</b>	<b>100.0000</b>

As at 1 January 2009, the share of the National Bank of Belgium in the paid-up capital of the ECB declined by 0.0452 p.c. to 2.4256 p.c. In consequence, item 8.1 of the assets "Participating interest in ECB capital" was reduced by € 2.6 million to € 139.7 million, owing to repayment of part of the share in the capital.

The adjustment to the ECB capital subscription key entails not only a change in the shares of the euro area NCBs in the paid-up capital of the ECB, but also the adjustment of the ECB's liabilities in favour of the euro area NCBs on account of the transfer by those NCBs of foreign currency reserves to the ECB. Thus, the claim of the National Bank of Belgium on the ECB in respect of the transfer of foreign currency reserves (item 8.2 of the assets) was reduced by € 26.0 million to € 1,397.3 million as at 1 January 2009.

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## 5.4 COMPARISON OVER FIVE YEARS

## 5.4.1 Balance Sheet

### ASSETS

(thousands of euro)

	2008	2007	2006	2005	2004
<b>1. Gold and gold receivables</b> .....	<b>4,546,679</b>	<b>4,158,103</b>	<b>3,533,260</b>	<b>3,183,132</b>	<b>2,664,670</b>
<b>2. Claims on non-euro area residents denominated in foreign currency</b> .....	<b>6,663,472</b>	<b>6,996,921</b>	<b>6,621,103</b>	<b>7,030,957</b>	<b>7,515,315</b>
2.1 Receivables from the IMF .....	1,208,242	815,795	958,274	1,497,732	2,217,927
2.2 Balances with banks and security investments, external loans and other external assets .....	5,455,230	6,181,126	5,662,829	5,533,225	5,297,388
<b>3. Claims on euro area residents denominated in foreign currency</b> .....	<b>36,119,658</b>	<b>793,962</b>	<b>268,782</b>	<b>471,093</b>	<b>419,888</b>
<b>4. Claims on non-euro area residents denominated in euro</b> ..	<b>344,108</b>	<b>186,819</b>	<b>346,096</b>	<b>431,299</b>	<b>333,755</b>
<b>5. Lending to euro area credit institutions related to monetary policy operations denominated in euro</b> .....	<b>57,966,948</b>	<b>56,311,590</b>	<b>39,910,452</b>	<b>28,950,433</b>	<b>22,695,205</b>
5.1 Main refinancing operations .....	4,185,000	51,050,000	39,100,000	27,895,000	22,391,000
5.2 Longer-term refinancing operations .....	52,050,000	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 .....	1,731,948	-	-	-	-
5.6 Credits related to margin calls .....	-	-	-	-	-
<b>6. Other claims on euro area credit institutions denominated in euro</b> .....	<b>2,851,076</b>	<b>30,881</b>	<b>350,619</b>	<b>51,157</b>	<b>318</b>
<b>7. Securities of euro area residents denominated in euro</b> ....	<b>15,175,921</b>	<b>5,109,271</b>	<b>4,479,265</b>	<b>4,672,397</b>	<b>4,604,179</b>
<b>8. Intra-Eurosystem claims</b> .....	<b>24,374,279</b>	<b>25,502,215</b>	<b>23,803,328</b>	<b>22,034,183</b>	<b>18,671,519</b>
8.1 Participating interest in ECB capital .....	143,548	143,548	142,816	142,816	142,816
8.2 Claims equivalent to the transfer of foreign currency reserves	1,423,342	1,423,342	1,419,102	1,419,102	1,419,102
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem .....	22,807,389	23,935,325	22,241,410	20,472,265	17,109,601
8.4 Other claims within the Eurosystem (net) .....	-	-	-	-	-
<b>9. Other assets</b> .....	<b>5,162,371</b>	<b>13,266,360</b>	<b>3,463,490</b>	<b>2,542,385</b>	<b>2,510,272</b>
9.1 Coins of euro area .....	7,495	7,479	10,069	10,021	12,749
9.2 Tangible and intangible fixed assets .....	390,579	390,643	391,898	391,471	392,435
9.3 Other financial assets .....	2,434,094	11,976,665	2,536,705	1,806,975	1,682,542
9.4 Off-balance-sheet instruments revaluation differences .....	1,450,628	61,914	64,374	-	84,015
9.5 Accruals and prepaid expenditure .....	618,595	522,982	228,000	189,646	192,723
9.6 Sundry .....	260,980	306,677	232,444	144,272	145,808
<b>Total assets</b> .....	<b>153,204,512</b>	<b>112,356,122</b>	<b>82,776,395</b>	<b>69,367,036</b>	<b>59,415,121</b>



**LIABILITIES**

(thousands of euro)

	2008	2007	2006	2005	2004
<b>1. Banknotes in circulation</b>	<b>24,877,907</b>	<b>22,129,413</b>	<b>20,618,837</b>	<b>18,550,389</b>	<b>16,451,255</b>
<b>2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>10,804,294</b>	<b>17,789,308</b>	<b>7,928,100</b>	<b>6,785,900</b>	<b>5,416,413</b>
2.1 Current accounts (covering the minimum reserve system)	9,196,994	16,735,366	7,928,100	6,785,900	5,416,413
2.2 Deposit facility	1,607,300	3,942	-	-	-
2.3 Fixed-term deposits	-	1,050,000	-	-	-
2.4 Fine-tuning reverse operations	-	-	-	-	-
2.5 Deposits related to margin calls	-	-	-	-	-
<b>3. Other liabilities to euro area credit institutions denominated in euro</b>	<b>130,193</b>	<b>-</b>	<b>-</b>	<b>50,854</b>	<b>-</b>
<b>4. Liabilities to other euro area residents denominated in euro</b>	<b>85,307</b>	<b>55,065</b>	<b>59,547</b>	<b>48,254</b>	<b>144,781</b>
4.1 General government	58,396	44,595	46,398	37,369	135,150
4.2 Other liabilities	26,911	10,470	13,149	10,885	9,631
<b>5. Liabilities to non-euro area residents denominated in euro</b>	<b>273,713</b>	<b>412,580</b>	<b>521,940</b>	<b>320,960</b>	<b>422,841</b>
<b>6. Liabilities to euro area residents denominated in foreign currency</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>155,763</b>	<b>74,996</b>
<b>7. Liabilities to non-euro area residents denominated in foreign currency</b>	<b>2,529,999</b>	<b>1,563,587</b>	<b>705,112</b>	<b>377,936</b>	<b>1,011,421</b>
<b>8. Counterpart of special drawing rights allocated by the IMF</b>	<b>536,100</b>	<b>521,154</b>	<b>553,957</b>	<b>587,099</b>	<b>552,986</b>
<b>9. Intra-Eurosystem liabilities</b>	<b>104,242,930</b>	<b>61,659,594</b>	<b>45,268,675</b>	<b>35,592,396</b>	<b>29,997,845</b>
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)	104,242,930	61,659,594	45,268,675	35,592,396	29,997,845
<b>10. Other liabilities</b>	<b>1,065,755</b>	<b>848,029</b>	<b>638,184</b>	<b>667,914</b>	<b>179,403</b>
10.1 Off-balance-sheet instruments revaluation differences	-	-	-	22,695	-
10.2 Accruals and income collected in advance	58,872	47,344	32,465	26,243	15,500
10.3 Sundry	1,006,883	800,685	605,719	618,976	163,903
<b>11. Provisions</b>	<b>1,156,915</b>	<b>948,068</b>	<b>932,468</b>	<b>852,268</b>	<b>931,082</b>
11.1 For future exchange losses	150,020	144,519	198,919	188,719	289,019
11.2 For new premises	-	-	-	-	-
11.3 For contingencies	803,549	803,549	733,549	663,549	593,549
11.4 In respect of monetary policy operations	203,346	-	-	-	48,514 <sup>(1)</sup>
<b>12. Revaluation accounts</b>	<b>4,655,322</b>	<b>3,930,309</b>	<b>3,246,095</b>	<b>3,203,584</b>	<b>2,348,907</b>
<b>13. Capital and reserve fund</b>	<b>2,401,477</b>	<b>2,215,797</b>	<b>2,059,408</b>	<b>1,814,789</b>	<b>1,714,529</b>
13.1 Capital	10,000	10,000	10,000	10,000	10,000
13.2 Reserve fund:					
Statutory reserve	862,429	676,971	520,306	276,196	175,209
Extraordinary reserve	1,150,790	1,150,543	1,150,543	1,150,543	1,150,492
Amortisation accounts in respect of tangible and intangible fixed assets	378,258	378,283	378,559	378,050	378,828
<b>14. Profit for the financial year</b>	<b>444,600</b>	<b>283,218</b>	<b>244,072</b>	<b>358,930</b>	<b>168,662</b>
<b>Total liabilities</b>	<b>153,204,512</b>	<b>112,356,122</b>	<b>82,776,395</b>	<b>69,367,036</b>	<b>59,415,121</b>

(1) Provision for loss from the ECB.

## 5.4.2 Profit and Loss Account

(thousands of euro)

	2008	2007	2006	2005	2004
<b>I. Proceeds of net interest-bearing assets</b>	<b>1,063,069</b>	<b>842,445</b>	<b>515,339</b>	<b>433,003</b>	<b>355,194</b>
1. Interest income	4,013,952	3,078,699	1,941,382	1,300,993	990,564
2. Interest expenses (-)	-2,829,062	-2,203,864	-1,327,214	-831,607	-616,410
3. Capital gains (losses (-)) on securities	91,200	-36,202	-98,700	-39,929	23,302
4. Allocation of monetary income from the Eurosystem	-52,417	3,812	-129	3,546	6,252
5. Income from the ECB	42,742	-	-	-	-
6. Appropriation to the provision in respect of monetary policy operations (-)	-203,346	-	-	-	-48,514 <sup>(1)</sup>
<b>II. Foreign exchange difference results</b>	<b>1,420</b>	<b>-111,824</b>	<b>58,355</b>	<b>529,065</b>	<b>-50,750</b>
1. Foreign exchange difference results	6,920	-166,224	68,555	428,765	-269,950
2. Use and write-back of provision for future exchange losses (appropriation (-))	-5,500	54,400	-10,200	100,300	219,200
<b>III. Commission</b>	<b>4,773</b>	<b>2,551</b>	<b>4,401</b>	<b>3,425</b>	<b>4,665</b>
1. Commission received	12,346	8,300	8,376	7,458	8,665
2. Commission paid (-)	-7,573	-5,749	-3,975	-4,033	-4,000
<b>IV. Amounts recovered from third parties</b>	<b>65,185</b>	<b>61,815</b>	<b>60,509</b>	<b>65,224</b>	<b>63,692</b>
<b>V. Proceeds from statutory investments</b>	<b>94,187</b>	<b>87,078</b>	<b>85,000</b>	<b>86,318</b>	<b>93,611</b>
<b>VI. Other proceeds</b>	<b>5,808</b>	<b>4,035</b>	<b>1,697</b>	<b>8,901</b>	<b>1,850</b>
<b>VII. State share (-)</b>	<b>-355,119</b>	<b>-172,835</b>	<b>-56,409</b>	<b>-140,064</b>	<b>25,473</b>
1. Proceeds from net interest-bearing assets (Art. 29)	-317,279	-152,718	-	-70,127	-
2. Proceeds fully assigned to the State	-39,280	-37,191	-35,098	-30,463	-25,976
3. Foreign exchange difference results	1,440	17,074	-21,311	-39,474	51,449
<b>VIII. Transfer to the unavailable reserve of capital gains on gold (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-298,904</b>	<b>-</b>
<b>IX. General expenses (-)</b>	<b>-248,902</b>	<b>-245,417</b>	<b>-229,133</b>	<b>-231,941</b>	<b>-233,376</b>
1. Remuneration and social costs	-187,155	-183,257	-181,237	-183,014	-188,138
2. Other expenses	-61,747	-62,160	-47,896	-48,927	-45,238
<b>X. Exceptional costs (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XI. Depreciation of tangible and intangible fixed assets (-)</b>	<b>-13,738</b>	<b>-11,659</b>	<b>-8,761</b>	<b>-9,761</b>	<b>-12,025</b>
<b>XII. Provisions</b>	<b>-</b>	<b>-70,000</b>	<b>-70,000</b>	<b>-70,000</b>	<b>-66,000</b>
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
<b>XIII. Corporation tax (-)<sup>(2)</sup></b>	<b>-171,836</b>	<b>-102,971</b>	<b>-116,926</b>	<b>-16,285</b>	<b>-13,672</b>
<b>XIV. Transfer to the tax-free reserves (-)</b>	<b>-247</b>	<b>-</b>	<b>-</b>	<b>-51</b>	<b>-</b>
<b>Profit for the financial year</b>	<b>444,600</b>	<b>283,218</b>	<b>244,072</b>	<b>358,930</b>	<b>168,662</b>

(1) Provision for loss from the ECB.

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

### 5.4.3 Dividend

(euro)

	2008	2007	2006	2005	2004
Net dividend allocated per share .....	56.25	54.00	52.50	51.35	50.00
Withholding tax deducted per share .....	18.75	18.00	17.50	17.12	16.67
Gross dividend allocated per share .....	75.00	72.00	70.00	68.47	66.67

*Free translation from the Dutch/French original*

## 5.5 AUDITOR'S REPORT TO THE COUNCIL OF REGENCY

### Auditor's report to the Council of Regency of the National Bank of Belgium on the financial statements for the year ended 31 December 2008

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 Statutes 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 2008, prepared in accordance with the financial reporting framework applicable to the National Bank of Belgium (the "Bank"), which show a balance sheet total of 153,204,512 thousands of EUR and a profit for the year of 444,600 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 2008 give a true and fair view of the Bank's 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 content of the directors' report as well as 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, 11 February 2009

Ernst & Young Reviseurs d'Entreprises scrl  
Auditor  
represented by

Marc Van Steenvoort  
Partner

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## 5.6 APPROVAL BY THE COUNCIL OF REGENCY

At its meeting on 18 February 2009, the Council of Regency approved the annual accounts and the report on the company's operations in the year 2008, and finally determined the distribution of the profits for that year. In accordance with Article 44 of the Statutes, the approval of the accounts implies a discharge for the administration.



# Annex 1 Organic Law<sup>(1)</sup>

**Art. 1.** – This Law shall govern a matter referred to in Article 78 of the Constitution.

## Chapter I

### Nature and objectives

**Art. 2.** – The National Bank of Belgium, in Dutch “Nationale Bank van België”, in French “Banque Nationale de Belgique”, in German “Belgische Nationalbank”, established by the Law of 5 May 1850, shall form an integral part of the European System of Central Banks, hereinafter referred to as ESCB, whose Statute has been established by the Protocol relating to it and annexed to the Treaty establishing the European Community.

Furthermore, the Bank shall be governed by this Law, its own Statutes and, additionally, by the provisions relating to limited liability companies by shares [sociétés anonymes – naamloze vennootschappen]<sup>(2)</sup>.

**Art. 3.** – The Bank’s registered office shall be in Brussels.

The Bank shall establish outside offices in locations on Belgian territory where the need for them exists.

**Art. 4.** – The Bank’s share capital, which shall amount to ten million euro, shall be represented by four hundred thousand shares, of which two hundred thousand – registered and non-transferable – shall be subscribed by the Belgian State and two hundred thousand shall be registered, bearer or dematerialised shares. The share capital shall be fully paid up.

Bearer shares, which have already been issued and held on securities accounts as at 1 January 2008, shall be converted into dematerialised shares on this date. Other bearer shares shall be automatically converted into dematerialised shares as they are booked onto securities accounts from 1 January 2008 onwards.

Except for those belonging to the State, the shares may be converted into registered or dematerialised shares, free of charge, as the owner wishes.

(1) Unofficial consolidation of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.

(2) The provisions on limited liability companies by shares do not apply to the National Bank of Belgium except :  
– in regard to matters which are not governed either by the provisions of Title VII of Part Three of the Treaty establishing the European Community and the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, or by the abovementioned Law of 22 February 1998 or the Statutes of the National Bank of Belgium; and  
– in so far as they are not in conflict with the provisions referred to in 1.

(Article 141 § 1 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services)



## CHAPTER II

### Tasks and transactions

#### Art. 5.

1. In order to achieve the objectives of the ESCB and to carry out its tasks, the Bank may:
  - operate in the financial markets, by buying and selling outright (spot and forward), or under repurchase agreement or by lending or borrowing claims and marketable instruments expressed in Community or in non-Community currencies, as well as precious metals;
  - conduct credit operations with credit institutions and other money market or capital market participants, with lending being based on adequate collateral.
2. The Bank shall comply with the general principles defined by the ECB for open market and credit operations, including those relating to announcement of the conditions under which such transactions are carried out.

**Art. 6.** – Within the limits and in accordance with the detailed terms and conditions adopted by the ECB, the Bank may also carry out, *inter alia*, the following transactions:

1. issue and redeem its own loan instruments;
2. accept deposits of securities and precious metals, undertake the redemption of securities and Law on behalf of other parties in transactions in securities, other financial instruments and precious metals;
3. carry out transactions in interest-rate instruments;
4. carry out transactions in foreign currencies, gold or other precious metals;
5. carry out transactions with a view to the investment and financial management of its holdings of foreign currencies and of other external reserve elements;
6. obtain credit from foreign sources and provide guarantees for that purpose;
7. carry out transactions relating to European or international monetary cooperation.

**Art. 7.** – The Bank's claims arising from credit transactions shall entail a preferential claim on all securities which the debtor holds in an account with the Bank or in its securities clearing system as his own assets.

This preferential claim shall have the same rank as the preferential claim of the creditor secured with a pledge.

In the event of default on payment of the Bank's claims referred to in the first paragraph, the Bank may, after notifying the debtor in writing that he is in default, take Lawion automatically, without a prior court decision, to realise the securities on which it has a preferential claim, notwithstanding the possible bankruptcy of the debtor or any other situation in which there is concurrence as between his creditors. The Bank must endeavour to convert the securities into cash at the most advantageous price and as quickly as possible, account being taken of the volume of the transactions. The proceeds from this conversion into cash shall be allocated to the Bank's claim in respect of principal, interest and costs, any balance remaining after settlement reverting to the debtor.

When the Bank accepts claims as a pledge, as soon as the pledge agreement has been entered into, it is noted in a register kept at the National Bank of Belgium or with a third party appointed for this purpose.

By being recorded in this register, which is not subject to any specific formalities, the National Bank of Belgium's pledge is given a firm date and becomes opposable *erga omnes*, with the exception of the debtor of the pledged claim.

The register may only be consulted by third parties who are considering acceptance of an *in rem* (collateral) right over claims which may be taken as a pledge by the National Bank of Belgium. Consultation of the register is governed by terms to be stipulated by the National Bank of Belgium.

In the event of insolvency proceedings being instituted, as set out in Article 3, paragraph 5 of the Law of 15 December 2004 relating to financial collateral and various tax provisions in relation to *in rem* collateral arrangements and loans relating to financial instruments, to the account of a credit institution having pledged claims to the National Bank of Belgium, the following provisions will apply:

- a) the registered lien of the National Bank of Belgium on claims takes precedence of all other *in rem* collateral subsequently arranged or granted to third parties over the same claims, irrespective of whether or not the debtor of the pledged claims has been notified of the abovementioned liens and whether or not the abovementioned liens have been recognised by the debtor of the pledged claims; in the event that the National Bank of Belgium brings the pledge to the attention of the debtor of the pledged claim, the latter may now

only make payment in full discharge to the National Bank of Belgium;

- b) third parties acquiring a lien concurrent with that of the National Bank of Belgium, as described in the preceding paragraph, are obliged, in any event, to transfer to the National Bank of Belgium, without delay, the amounts which they have received from the debtor of the pledged claim upon insolvency proceedings being instituted. The National Bank of Belgium is entitled to demand payment of these amounts, without prejudice to its right to damages and interest;
- c) notwithstanding any provisions to the contrary, set-off that might result in the cancellation of all or part of the claims pledged to the National Bank of Belgium is not authorised under any circumstances;
- d) Article 8 of the Law of 15 December 2004 relating to financial collateral and various tax provisions in relation to *in rem* collateral arrangements and loans relating to financial instruments, shall apply by analogy to the taking of claims as a pledge by the National Bank of Belgium, the words "financial instruments" being replaced by "claims";
- e) the combined provisions of Articles 5 and 40 of the Law relating to mortgages (*loi hypothécaire*) do not apply.

**Art. 8.** – The Bank shall ensure that the clearing and payment systems operate properly and shall make certain that they are efficient and sound.

It may carry out all transactions or provide facilities for these purposes.

It shall provide for the enforcement of the regulations adopted by the ECB in order to ensure the efficiency and soundness of the clearing and payment systems within the European Community and with other countries.

**Art. 9.** – Without prejudice to the powers of the institutions and organs of the European Communities, the Bank shall implement the international monetary cooperation agreements by which Belgium is bound in accordance with the procedures laid down by agreements concluded between the Minister of Finance and the Bank. It shall provide and receive the means of payment and credits required for the implementation of these agreements.

The State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank as a result of the implementation of the agreements referred to in the preceding paragraph or as a result

of its participation in international monetary cooperation agreements or transactions to which, subject to approval by the Council of Ministers, the Bank is a party. The State shall also guarantee the Bank the repayment of any credit granted in the context of its contribution to the stability of the financial system and guarantee the Bank against any loss incurred as a result of any transLawion necessary in this regard.

**Art. 9bis.** – Within the framework set by Article 105(2) of the Treaty establishing the European Community and Articles 30 and 31 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, the Bank shall hold and manage the official foreign reserves of the Belgian State. Those holdings shall constitute assets allocated to the tasks and transactions coming under this chapter and the other tasks of public interest entrusted to the Bank by the State. The Bank shall record these assets and the income and charges relating thereto in its accounts in accordance with the rules referred to in Article 33.

**Art. 10.** – The Bank may, on the conditions laid down by, or by virtue of, law, and subject to their compatibility with the tasks within the domain of the ESCB, be entrusted with the performance of tasks of public interest.

**Art. 11.** – The Bank shall Law as State Cashier on the conditions determined by law.

It shall be entrusted, to the exclusion of all other Belgian or foreign bodies, with the conversion into euro of the currencies of States not participating in Monetary Union or of States which are not members of the European Community borrowed by the State.

The Bank shall be informed of all plans for the contrLawion of foreign currency loans by the State, the Communities and the Regions. At the request of the Bank, the Minister of Finance and the Bank shall consult together whenever the latter considers that these loans are liable to prejudice the effectiveness of monetary or foreign exchange policy. The terms and conditions of this giving of information and this consultation shall be laid down in an agreement to be concluded between the Minister of Finance and the Bank, subject to approval of this agreement by the ECB.

**Art. 12.** – The Bank shall contribute to the stability of the financial system. For all decisions and transactions made in the context of its contribution to the stability of the financial system, the Bank shall enjoy the same degree

of independence as that determined by Article 108 of the Treaty establishing the European Community.

The Bank may further be charged with the gathering of statistical information or with the international cooperation relating to any task referred to in Article 10.

**Art. 13.** – The Bank may carry out all transactions and provide all services which are ancillary to or follow from the tasks referred to in this Law.

**Art. 14.** – The Bank may entrust the performance of tasks not within the domain of the ESCB with which it is charged or for which it takes the initiative, to one or more distinct legal entities specially set up for this purpose and in which the Bank holds a significant interest; one or more members of the Bank's Board of Directors shall participate in directing such entities.

If the task is entrusted by law to the Bank, the prior consent of the King, on the proposal of the competent minister, shall be required.

**Art. 15.** – Repealed.

**Art. 16.** – The legal entities referred to in Article 14 and controlled exclusively by the Bank shall be subject to auditing by the Court of Auditors [Cour des Comptes – Rekenhof].

## CHAPTER III

### Organs – composition – incompatibilities

**Art. 17.** – The organs of the Bank shall be the Governor, the Board of Directors, the Council of Regency and the Board of Censors.

**Art. 18.**

1. The governor shall direct the Bank and preside over the Board of Directors and the Council of Regency.
2. If he is unable to attend, he shall be replaced by the vice-governor without prejudice to the application of Article 10.2 of the Statute of the ESCB.

**Art. 19.**

1. In addition to the governor, who presides, the Board of Directors shall be composed of at least five but not more than seven directors, one of whom shall bear the title of vice-governor, conferred on him by the King. The Board of Directors shall include an equal number of French and Dutch speakers, with, possibly, the exception of the governor.
2. The Board shall be responsible for the administration and management of the Bank and shall decide on the direction of its policy.
3. It shall exercise regulatory power in the cases laid down by law.
4. It shall decide on the investment of the capital, reserves and depreciation accounts after consultation with the Council of Regency and without prejudice to the rules adopted by the ECB.
5. It shall pronounce upon all matters which are not expressly reserved for another organ by law, the Statutes or the internal regulations.
6. In accordance with Articles 49 § 6, 3 and 85 § 6, 3 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, depending on the case, two or three members of the Board of Directors shall, on a personal basis, have a seat in the Board of Directors of the Banking, Finance and Insurance Commission, and one or two members in that of the Insurance Supervision Office.

**Art. 20.**

1. The Council of Regency shall be composed of the governor, the directors and ten regents. It shall include an equal number of French- and Dutch-speaking regents.
2. The Council shall exchange views on general questions concerning the Bank, monetary policy and the economic situation of the country and the European Community. It shall take cognisance every month of the situation of the institution.

On a proposal from the Board of Directors, it shall lay down the Rules of Procedure, containing the basic rules for the operation of the Bank's organs and the

organisation of its departments, services and outside offices.

3. The Council shall fix the individual salaries and pensions of the members of the Board of Directors. These salaries and pensions may not include a share in the profits and no remuneration whatsoever may be added thereto by the Bank, either directly or indirectly.
4. The Council shall approve the expenditure budget and the annual accounts submitted by the Board of Directors. It shall finally determine the distribution of profits proposed by the Board.
5. Three regents shall, on a personal basis, have a seat in the supervisory board of the Banking, Finance and Insurance Commission and in that of the Insurance Supervision Office.

#### **Art. 21.**

1. The Board of Censors shall be composed of ten members. It shall include an equal number of French and Dutch speakers. At least one member of the Board of Censors shall be independent as defined by Article 526ter of the Company Code.
2. The Board of Censors shall supervise the preparation and implementation of the budget. It is the audit committee of the Bank and shall exercise in this capacity the tasks laid down by Article 21bis.
3. The censors shall receive an allowance, the amount of which shall be set by the Council of Regency.

#### **Art. 21bis.**

1. Without prejudice to the responsibilities of the organs of the Bank and without prejudice to the execution of the tasks and transactions within the domain of the ESCB and their review by the statutory auditor, the audit committee shall, at least:
  - a) monitor the financial reporting process;
  - b) monitor the effectiveness of the internal control and risk management systems, and of the Bank's internal audit;
  - c) monitor the statutory audit of the annual accounts, including the compliance with the questions and recommendations formulated by the statutory auditor;

d) review and monitor the independence of the statutory auditor, and in particular the provision of additional services to the Bank.

2. Without prejudice to Article 27.1 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, and without prejudice to the competence of the Works Council with respect to the nomination, the proposal of the Board of Directors for the appointment of the statutory auditor shall be given on proposal of the audit committee. The Works Council shall be informed of this proposal. The audit committee shall also advise on the tender procedure for the appointment of the statutory auditor.
3. Without prejudice to any reports and notices of the statutory auditor to the organs of the Bank, he shall report to the audit committee on key matters arising from the statutory audit, and in particular on material weaknesses in internal control in relation to the financial reporting process.
4. The statutory auditor shall:
  - a) confirm annually in writing to the audit committee his independence from the Bank;
  - b) disclose annually to the audit committee any additional services provided to the Bank;
  - c) discuss with the audit committee the threats to his independence and the safeguards applied to mitigate those threats and that have been documented by him in the audit working papers.
5. The Rules of Procedure shall specify the rules of procedure of the audit committee.

#### **Art. 22.**

1. Except as regards the tasks and transactions within the domain of the ESCB, the Minister of Finance, through his representative, shall have the right to supervise the Bank's transactions and to oppose the implementation of any measure which is contrary to the law, the Statutes or the interests of the State.
2. The representative of the Minister of Finance shall, *ex officio*, attend the meetings of the Council of Regency and the Board of Censors. Except as regards the functions and transactions within the domain of the ESCB, he shall supervise the Bank's transactions and suspend and bring to the attention of the Minister of Finance

any decision which is contrary to the law, the Statutes or the interests of the State.

If the Minister of Finance has not given a decision within eight days on the suspension, the decision may be implemented.

3. The salary of the representative of the Minister of Finance shall be fixed by the Minister of Finance in consultation with the management of the Bank and shall be borne by the latter.

The representative of the Minister shall report to the Minister of Finance each year on the performance of his task.

#### **Art. 23.**

1. The governor shall be appointed by the King for a renewable term of five years. He may be relieved from office by the King only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. With regard to this decision, he shall have the right of appeal as provided in Article 14.2 of the Statute of the ESCB.
2. The other members of the Board of Directors shall be appointed by the King, on the proposal of the Council of Regency, for a renewable term of six years. They may be relieved from office by the King only if they no longer fulfil the conditions required for the performance of their duties or if they have been guilty of serious misconduct.
3. The regents shall be elected for a three-year term by the General Meeting. Their term may be renewed. Two regents shall be chosen on the proposal of the most representative labour organisations. Three regents shall be chosen on the proposal of the most representative organisations from industry and commerce, from agriculture and from small firms and traders. Five regents shall be chosen on the proposal of the Minister of Finance. The methods of proposing candidates for these appointments shall be laid down by the King, after deliberation in the Council of Ministers.
4. The censors shall be elected for a three-year term by the General Meeting of Shareholders. They shall be chosen from among persons with special qualifications in the field of supervisory procedures. Their term may be renewed.

**Art. 24.** – The regents shall receive attendance fees and, if appropriate, a travel allowance. The amount of such remunerations shall be fixed by the Council of Regency.

**Art. 25.** – Members of the Legislative Chambers, the European Parliament, the Councils of the Communities and the Regions, persons who hold the position of minister or secretary of state or of member of the Government of a Community or Region and members of the staff of a member of the Federal Government or of the Government of a Community or Region may not hold the office of governor, vice-governor, member of the Board of Directors, regent or censor. The last-mentioned functions shall automatically cease when their holder takes the oath of office for exercise of the abovementioned offices or performs such functions.

#### **Art. 26.**

**§ 1.** The governor, the vice-governor and the other members of the Board of Directors may not hold any office in a commercial company or a company which is commercial in form or in any public body which carries on an industrial, commercial or financial Lawivity. Subject to the approval of the Minister of Finance, they may however hold office in:

1. international financial institutions established under agreements to which Belgium is party;
2. the Securities Regulation Fund (Fonds des Rentes – Rentenfonds), the Protection Fund for Deposits and Financial Instruments (Fonds de protection des dépôts et des instruments financiers – Beschermingsfonds voor deposito's en financiële instrumenten), the Rediscount and Guarantee Institute (Institut de Réescompte et de Garantie – Herdiscontering- en Waarborginstituut) and the National Delcredere Office (Office National du Ducreire – Nationale DelcredereDienst);
3. the legal entities referred to in Article 14.

The prohibitions referred to in the first paragraph shall continue to apply for one year after the governor, vice-governor or other members of the Board of Directors have relinquished their office; this term shall be extended to two years in the case of an office to be held in a credit institution.

The Council of Regency shall determine the conditions relating to the relinquishment of office. It may, on the recommendation of the Board of Directors, waive the prohibition laid down for the period concerned after the relinquishment of office if it finds that the Lawivity envisaged

has no significant influence on the independence of the person in question.

**§ 2.** Regents may not hold office as managing director, director or manager in a credit institution.

**§ 3.** Members of the Board of Directors and members of the Bank's staff must respect the code of conduct drawn up by the Council of Regency on the proposal of the Board of Directors. Persons responsible for supervising compliance with that code must maintain professional secrecy as provided for in Article 458 of the Penal Code.

**Art. 27.** – The terms of the members of the Board of Directors, the Council of Regency and the Board of Censors shall expire no later than when they reach the age of sixty-seven years.

However, subject to authorisation by the Minister of Finance, they may complete their current term. The terms of the members of the Board of Directors may afterwards still be extended by one year, which term may be renewed. In the case of the governor's term of office, the authorisation to complete the current term or its extension shall be granted by Royal Decree deliberated in the Council of Ministers.

On no account may the office-holders referred to above remain in office beyond the age of seventy years.

**Art. 28.** – The governor shall send to the chairmen of the Chamber of Representatives and the Senate the annual report referred to in Article 109 B(3) of the Treaty establishing the European Community. The governor may be heard by the competent committees of the Chamber of Representatives and the Senate at the request of these committees or on his own initiative.

## Chapter IV

### Financial provisions and revision of the Statutes

**Art. 29.** – The net financial proceeds in excess of 3% of the difference between the average amount, calculated on an annual basis, of the Bank's profit-earning assets and remunerated liabilities shall be assigned to the State. For the purposes of this provision, net financial proceeds shall mean:

1. the share of the 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 points 1 and 2 above.

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

This provision shall not apply to the bills and securities acquired in representation of the capital, reserves and depreciation accounts whose proceeds are at the Bank's free disposal.

The terms and conditions for application of the provisions of this article shall be fixed by agreements to be concluded between the State and the Bank. These agreements shall be published in the Belgian Gazette (*Moniteur belge/Belgisch Staatsblad*).

**Art. 30.** – Any capital gain realised by the Bank through arbitrage transactions of gold assets against other external reserve components shall be entered in a special unavailable reserve account. This capital gain shall be exempt from all taxation. However, where some external reserve components have been arbitrated against gold, the difference between the purchase price of that gold and the average purchase price of the existing gold stock shall be deducted from the amount of that special account.

The net income from the assets which form the counterpart to the capital gain referred to in the first paragraph shall be allocated to the State.

External reserve components acquired as a result of the transactions referred to in the first paragraph shall be covered by the State guarantee as provided in Article 9 (2) of this Law.

The terms and conditions for application of the provisions contained in the preceding paragraphs shall be fixed by agreements to be concluded between the State and the Bank. These agreements shall be published in the Belgian Gazette (*Moniteur belge/Belgisch Staatsblad*).

**Art. 31.** – The reserve fund is intended for:

1. compensating for losses in capital stock;
2. supplementing any shortfall in the annual profit up to a dividend of six per cent of the capital.

Upon expiration of the Bank's right of issue<sup>(1)</sup>, the State shall have a priority claim to one fifth of the reserve fund. The remaining four fifths shall be distributed among all the shareholders.

**Art. 32.** – The annual profit shall be distributed as follows:

1. A first dividend of six per cent to the shareholders;
2. Of the remainder:
  - a) ten per cent to reserve;
  - b) eight per cent to the staff or to institutions in its favour;
3. From the surplus, the following allocations shall be made:
  - a) one fifth to the State;
  - b) an amount to the shareholders making it possible to allocate to them a second dividend to be determined by the Council of Regency;
  - c) the balance to reserve.

**Art. 33.** – The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

1. in accordance with this Law 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 Law 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.

**Art. 34.** – The Bank and its outside offices shall comply with the statutory provisions on the use of languages in administrative matters.

<sup>(1)</sup> The right of issue shall include the right which the Bank may exercise pursuant to Article 106 (1) of the Treaty establishing the European Community (*Art. 141 § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services*).

**Art. 35.** – Except when called upon to give evidence in court in a criminal case, members of the Bank's organs and members of its staff shall be subject to professional secrecy and may not divulge:

1. to any person or authority whatsoever not qualified to have knowledge thereof, the confidential information which has to be communicated to the Bank by virtue of statutory provisions or regulations, or similar information received from foreign authorities;
2. to any person or authority whatsoever, the confidential information which is communicated to the Bank by the European Monetary Institute, the ECB, other central banks or monetary institutions, other public authorities entrusted with the oversight of payment systems as well as Belgian or foreign authorities responsible for the supervision of credit institutions, investment firms, undertakings for collective investment in transferable securities, insurance companies and financial markets.

The members of the Bank's organs and its members of staff shall be exempt from the obligation contained in Article 29 of the Code of Criminal Procedure if the information received by the Bank originates from authorities or institutions which are themselves not subject to or exempt from this obligation.

Paragraph 1 shall not preclude the communication of such information:

1. to the European Monetary Institute, the ECB, other central banks or monetary institutions when such communication is necessary for their function as monetary authorities, including the oversight of payment systems;
2. to the authorities responsible for supervising credit institutions, investment firms, undertakings for collective investment in transferable securities and insurance enterprises when such information is necessary for their supervisory function;
3. to the authorities responsible for supervising financial markets when such information is necessary to take a decision concerning the application of sanctions to participants on the market in question;
4. to other public authorities charged with the oversight of payment systems, in so far as the recipients of the information are subject to an equivalent obligation to maintain professional secrecy.

Contraventions of this article shall incur the penalties laid down by Article 458 of the Penal Code.

The provisions of Book I of the Penal Code, including Chapter VII and Article 85, shall be applicable to contraventions of this article.

The first and the second paragraph do not at all prevent the observance, by the members of the bodies of the Bank and its staff, of more restrictive provisions as to professional secrecy when the Bank, pursuant to Article 12, is charged with collecting statistical information.

**Art. 36.** – The Council of Regency shall amend the Statutes in order to bring them into conformity with this Law and with the international obligations which are binding on Belgium.

Other amendments to the Statutes shall be adopted, on the proposal of the Council of Regency, by a majority of three-quarters of the votes pertaining to the total number of shares present or represented at the General Meeting of Shareholders.

Amendments to the Statutes shall require the approval of the King.

## CHAPTER V

### Transitional and repealing provisions – entry into force

**Art. 37.** – The capital gain made from the transfer of assets in gold with regard to the issuing by the State of numismatic or commemorative coins, shall be allotted to the State to the extent of the unused balance of the 2.75% of the weight of gold which appeared in the Bank's assets on 1 January 1987, and which could be used by the State, particularly for issuing coins, by virtue of Article 20bis (2) of the Law of 24 August 1939 on the National Bank of Belgium.

**Art. 38.** – *pro memoria.*



# Annex 2 Statutes

## Chapter I

### Constitution

#### Section I – Name, rules applicable and establishments.

**Art. 1.** – The National Bank of Belgium, in Dutch “Nationale Bank van België”, in French “Banque Nationale de Belgique”, in German “Belgische Nationalbank”, hereinafter referred to as the Bank, established by the Law of 5 May 1850, shall form an integral part of the European System of Central Banks, hereinafter referred to as ESCB, whose Statute has been established by the Protocol relating to it and annexed to the Treaty establishing the European Community.

Furthermore, the Bank shall be governed by the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, by these Statutes and, additionally, by the provisions relating to public limited liability companies [sociétés anonymes – naamloze vennootschappen].

Pursuant to Article 141 § 1 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, the words “and, additionally, by the provisions relating to public limited liability companies” are to be interpreted as meaning that the provisions on public limited liability companies do apply to the National Bank of Belgium only:

1° as regards matters which are not governed either by the provisions of Title VII of Part Three of the Treaty establishing the European Community and the

Protocol on the Statute of the European System of Central Banks and of the European Central Bank, or by the abovementioned Law of 22 February 1998 or the present Statutes; and

2° in so far as they are not in conflict with the provisions referred to in 1°.

Notwithstanding the first and second paragraphs, the Bank is a public limited liability company which arranges or has arranged issues for general subscription.

**Art. 2.** – The Bank’s registered office shall be in Brussels, boulevard de Berlaimont, number 14.

The Bank shall establish outside offices in locations on Belgian territory where the need for them exists.

#### Section II – Share capital and rights relating to shares.

**Art. 3.** – The Bank’s share capital, which shall amount to ten million euro, shall be represented by four hundred thousand shares, of which two hundred thousand – registered and non-transferable – shall be subscribed by the Belgian State and two hundred thousand shall be registered, bearer or dematerialised shares. The share capital shall be fully paid up.

Bearer shares, which have already been issued and held on securities accounts as at 1 January 2008, shall be converted into dematerialised shares on this date. Other bearer shares shall be automatically converted into dematerialised shares as they are booked onto securities accounts from 1 January 2008 onwards.

The shares shall have no nominal value.

The signatures to be placed on the shares may be affixed by means of a signature stamp.

**Art. 4.** – Each share shall confer the right to a proportional and equal part in the ownership of the Bank's assets and in the sharing out of the profits.

**Art. 5.** – The rights and obligations attached to a share shall follow the title of ownership, into whatever hands it may pass.

The share shall be indivisible vis-à-vis the Bank; the Bank shall recognise only one owner for each share.

If there are several interested parties for a share, the Bank may suspend the exercise of the rights pertaining to such a share until a single person has been designated as its owner for its purposes.

**Art. 6.** – Possession of a share shall signify acceptance of the Bank's statutes and of the decisions regularly taken by the General Meeting.

**Art. 7.** – The shareholders, their heirs or creditors may neither cause the Bank's assets and valuables to be put under seal nor request apportionment or sale by auction or interfere in the Bank's administration.

They must rely, for the exercise of their rights, on the inventory of the Bank's assets and on the resolutions of the General Meeting.

**Art. 8.** – Except for those belonging to the State, the shares may be converted into registered or dematerialised shares, free of charge, as the owner wishes.

**Art. 9.** – Ownership of a registered share shall be established by entry in the Bank's registers.

The registered owner shall receive a certificate which does not constitute a transferable title.

**Art. 10.** – Shareholders shall be liable for losses only to the extent of their interest in the Bank.

### Section III – Dissolution.

**Art. 11.** – The Bank shall be dissolved automatically if the losses recorded in the balance sheet exceed one half of the capital stock.

In all other cases, dissolution may take place only subject to the Government's consent and to a decision taken by a majority of three-quarters of the shareholders assembled at a General Meeting and owning at least one half of the shares.

In the event of dissolution, the meeting shall appoint the liquidators and determine their powers, as well as the procedure, in accordance with the general law.

## Chapter II

### Objectives, tasks and operations

#### Section I – Objectives and prohibition of monetary financing.

**Art. 12.** – The Bank shall participate in achieving the objectives of the ESCB, which shall be:

- primarily, to maintain price stability;
- without prejudice to the objective of price stability to support the general economic policies in the European Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2 of the Treaty establishing the European Community.

In order to achieve these objectives, the Bank shall act in accordance with the principles laid down in Article 3a of the Treaty establishing the European Community.

**Art. 13.** – The Bank shall be prohibited from granting overdrafts or any other type of credit facility to European Community institutions or bodies, central governments, regional, local or other public authorities, other bodies governed by public law or public undertakings of Member States of the European Community, and also from purchasing their debt instruments directly from them.

The first paragraph shall not apply to publicly owned credit institutions which, in the context of the provision of liquidity by the Bank, receive from it the same treatment as private credit institutions.

## Section II – Tasks and transactions.

**Art. 14.** – The Bank shall participate in the basic tasks to be carried out through the ESCB, which shall be:

- to define and implement the monetary policy of the European Community;
- to conduct foreign exchange operations consistent with Article 109 of the Treaty establishing the European Community;
- to hold and manage the official foreign exchange reserves of the Member States;
- to promote the smooth operation of the payment systems.

**Art. 15.** – When carrying out the tasks and duties referred to in this section, neither the Bank nor any members of its decision-making bodies shall seek or take instructions from institutions or bodies of the European Community, from any government of a Member State of the Community or from any other body.

### Art. 16.

1. In order to achieve the objectives of the ESCB and to carry out its tasks, the Bank may:
  - operate in the financial markets, outright by buying and selling (spot and forward), or under repurchase agreement or by lending or borrowing claims and marketable instruments expressed in Community or in non-Community currencies, as well as precious metals;
  - conduct credit operations with credit institutions and other money market or capital market participants, with lending being based on adequate collateral.
2. The Bank shall comply with the general principles defined by the European Central Bank, hereinafter referred to as the ECB, for open market and credit operations, including those relating to announcement of the conditions under which such transactions are carried out.

**Art. 17.** – Within the limits and in accordance with the detailed terms and conditions adopted by the ECB, the Bank may also carry out, *inter alia*, the following transactions:

- 1° issue and redeem its own loan instruments;
- 2° accept deposits of securities and precious metals, undertake the redemption of securities and act on behalf of other parties in transactions in securities, other financial instruments and precious metals;

- 3° carry out transactions in interest-rate instruments;
- 4° carry out transactions in foreign currencies, gold or other precious metals;
- 5° carry out transactions with a view to the investment and financial management of its holdings of foreign currencies and of other external reserve elements;
- 6° obtain credit from foreign sources and provide guarantees for that purpose;
- 7° carry out transactions relating to European or international monetary cooperation.

**Art. 18.** – On being authorised to do so by the ECB, the Bank shall issue banknotes in euro intended to circulate as means of payment constituting legal tender in the territory of the States participating in Stage Three of Monetary Union.

The Bank shall comply, with regard to the issuance and design of the banknotes, with the rules laid down by the ECB.

**Art. 19.** – The Bank shall ensure that the clearing and payment systems operate properly and shall make certain that they are efficient and sound.

It may carry out all transactions or provide facilities for these purposes.

It shall provide for the enforcement of the regulations adopted by the ECB in order to ensure the efficiency and soundness of the clearing and payment systems within the European Community and with other countries.

**Art. 20.** – Without prejudice to the powers of the institutions and organs of the European Communities, the Bank shall implement the international monetary cooperation agreements by which Belgium is bound in accordance with the procedures laid down by agreements concluded between the Minister of Finance and the Bank. It shall provide and receive the means of payment and credits required for the implementation of these agreements.

The State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank as a result of the implementation of agreements or as a result of its participation in international monetary cooperation agreements or transactions to which, subject to approval by the Council of Ministers, the Bank is a party. The State shall also guarantee the Bank the repayment of any credit granted in the context of its contribution to the stability of the financial system and guarantee

the Bank against any loss incurred as a result of any transaction necessary in this regard.

**Art. 20bis.** – Within the framework set by Article 105 (2) of the Treaty establishing the European Community and Articles 30 and 31 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, the Bank shall hold and manage the official foreign reserves of the Belgian State. Those holdings shall constitute assets allocated to the tasks and transactions coming under this section and the other tasks of public interest entrusted to the Bank by the State. The Bank shall record these assets and the income and charges relating thereto in its accounts in accordance with the rules referred to in Article 52.

**Art. 21.** – The Bank may, on the conditions laid down by, or by virtue of, law, and subject to their compatibility with the tasks within the domain of the ESCB, be entrusted with the performance of tasks of public interest.

**Art. 22.** – The Bank shall act as State Cashier on the conditions determined by law.

It shall be entrusted, to the exclusion of all other Belgian or foreign bodies, with the conversion into euros of the currencies of States not participating in Monetary Union or of States which are not members of the European Community borrowed by the State.

The Bank shall be informed of all plans for the contracting of foreign currency loans by the State, the Communities and the Regions. At the request of the Bank, the Minister of Finance and the Bank shall consult together whenever the latter considers that these loans are liable to prejudice the effectiveness of monetary or foreign exchange policy. The terms and conditions of this giving of information and this consultation shall be laid down in an agreement to be concluded between the Minister of Finance and the Bank, subject to approval of this agreement by the ECB.

**Art. 23.** – The Bank shall contribute to the stability of the financial system. For all decisions and transactions made in the context of its contribution to the stability of the financial system, the Bank shall enjoy the same degree of independence as that determined by Article 108 of the Treaty establishing the European Community.

The Bank may further be charged with the gathering of statistical information or with the international cooperation relating to any task referred to in Article 21.

**Art. 24.** – The Bank may carry out all transactions and provide all services which are ancillary to or follow from the tasks referred to in the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.

**Art. 25.** – The Bank may entrust the performance of tasks not within the domain of the ESCB with which it is charged or for which it takes the initiative, to one or more distinct legal entities specially set up for this purpose and controlled by the Bank; they shall be directed by one or more members of the Board of Directors.

If the task is entrusted by law to the Bank, the prior consent of the King, on the proposal of the competent minister, shall be required.

**Art. 26.** – The legal entities referred to in Article 25 shall be subject to auditing by the Court of Auditors (Cour des Comptes – Rekenhof).

## Chapter III

### Organs

#### Section I – Composition and powers.

**Art. 27.** – The organs of the Bank shall be the governor, the Board of Directors, the Council of Regency and the Board of Censors, without prejudice to Chapter VIII.

**Art. 28.**

1. The **governor** shall direct the Bank; he shall preside over the Board of Directors and the Council of Regency. He shall have their decisions implemented.  
He shall be required to reside in Brussels.
2. If he is unable to attend, he shall be replaced by the vice-governor without prejudice to the application of Article 10.2 of the Statute of the ESCB.
3. He shall present to the General Meeting the annual report on operations and the accounts approved by the Council of Regency.
4. He shall represent the Bank in legal proceedings.

5. The governor shall send to the Chairmen of the Chamber of Representatives and the Senate the annual report referred to in Article 109 B (3) of the Treaty establishing the European Community. The governor may be heard by the competent committees of the Chamber of Representatives and the Senate at the request of these committees or on his own initiative.

6. The governor may not, during his term of office, receive any pension payable by the State.

#### Art. 29.

1. In addition to the governor, who presides, the **Board of Directors** shall be composed of at least five but not more than seven directors, one of whom shall bear the title of vice-governor, conferred on him by the King. The Board of Directors shall include an equal number of French and Dutch speakers, with, possibly, the exception of the governor.

The members of the Board of Directors must be Belgian.

2. The Board shall be responsible for the administration and management of the Bank and shall decide on the direction of its policy.

It shall appoint and dismiss members of staff, fix their salaries and the allocation of the profit share assigned to the staff or to institutions in its favour.

It shall have the right to make settlements and compromises.

3. It shall exercise regulatory power in the cases laid down by law.

4. It shall decide on the investment of the capital, reserves and depreciation accounts after consultation with the Council of Regency and without prejudice to the rules adopted by the ECB.

5. It shall pronounce upon all matters which are not expressly reserved for another organ by law, the Statutes or the Rules of Procedure.

#### Art. 30.

1. The **Council of Regency** shall be composed of the governor, the directors and ten regents. It shall include an equal number of French- and Dutch-speaking regents.

The members of the Council must be Belgian.

2. The Council shall exchange views on general questions concerning the Bank, monetary policy and the economic situation of the country and the European Community. It shall take note every month of the situation of the institution.

3. On a proposal from the Board of Directors it shall lay down the Rules of Procedure, containing the basic rules for the operation of the Bank's organs and the organisation of its departments, services and outside offices.

4. It shall make proposals for the appointment of agents of the State Cashier and shall set the amount of their sureties.

5. It shall approve the report to be presented annually by the governor to the General Meeting on the company's operations.

6. It may specially delegate some of the above-mentioned powers to the Board of Directors.

7. The Council shall fix the individual salaries and pensions of the members of the Board of Directors. These salaries and pensions may not include a share in the profits, and no remuneration whatsoever may be added thereto by the Bank, either directly or indirectly. The Bank shall, however, meet the governor's housing and furniture expenses.

8. The Council shall approve the expenditure budget and the annual accounts submitted by the Board of Directors. It shall finally determine the distribution of profits proposed by the Board.

9. The regents shall receive attendance fees and, if appropriate, a travel allowance. The amount of such remunerations shall be fixed by the Council of Regency.

**Art. 31.**

1. The Council of Regency shall meet at least twice per month.

The Council may not deliberate unless the majority of its members is present.

Decisions shall be adopted by a majority of votes.

In the event of a tie, the chairman shall have the casting vote.

2. Minutes shall be kept of the deliberations of the Council of Regency.

They shall mention the nature of the deliberations, their object and, briefly, the grounds for the decisions.

The minutes shall be signed by all the members present and by the secretary.

**Art. 32.**

1. The **Board of Censors** shall be composed of ten members. It shall include an equal number of French and Dutch speakers. At least one member of the Board of Censors shall be independent as defined by Article 526ter of the Company Code.

The members of the Board of Censors must be Belgian.

The Board shall choose its chairman and its secretary from among its members.

2. The Board of Censors shall supervise the preparation and implementation of the budget. It is the audit committee of the Bank and shall exercise in this capacity the tasks laid down by Article 32bis.

The censors shall receive an allowance, the amount of which shall be set by the Council of Regency.

**Art. 32bis.**

1. Without prejudice to the responsibilities of the organs of the Bank and without prejudice to the execution of the tasks and transactions within the domain of the ESCB and their review by the statutory auditor, the audit committee shall, at least:

- a) monitor the financial reporting process;
- b) monitor the effectiveness of the internal control and risk management systems, and of the Bank's internal audit;
- c) monitor the statutory audit of the annual accounts, including the compliance with the questions and recommendations formulated by the statutory auditor;
- d) review and monitor the independence of the statutory auditor, and in particular the provision of additional services to the Bank.

2. Without prejudice to Article 27.1 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, and without prejudice to the competence of the Works Council with respect to the nomination, the proposal of the Board of Directors for the appointment of the statutory auditor shall be given on proposal of the audit committee. The Works Council shall be informed of this proposal. The audit committee shall also advise on the tender procedure for the appointment of the statutory auditor.

3. Without prejudice to any reports and notices of the statutory auditor to the organs of the Bank, he shall report to the audit committee on key matters arising from the statutory audit, and in particular on material weaknesses in internal control in relation to the financial reporting process.

4. The statutory auditor shall:
  - a) confirm annually in writing to the audit committee his independence from the Bank;
  - b) disclose annually to the audit committee any additional services provided to the Bank;
  - c) discuss with the audit committee the threats to his independence and the safeguards applied to mitigate those threats and that have been documented by him in the audit working papers.

5. The Rules of Procedure shall specify the audit committee regulations.

**Art. 33.** – The Board of Censors shall meet at least twice per quarter.

It may not take decisions unless the majority of its members is present.

Decisions shall be adopted by a majority of the votes cast.

## Section II – Method of designation of the members of the organs.

### Art. 34.

1. The **governor** shall be appointed by the King for a renewable term of five years. He may be relieved from office by the King only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. With regard to this decision, he shall have the right of appeal as provided in Article 14.2 of the Statute of the ESCB.
2. The other members of the **Board of Directors** shall be appointed by the King, on the proposal of the Council of Regency, for a renewable term of six years. They may be relieved from office by the King only if they no longer fulfil the conditions required for the performance of their duties or if they have been guilty of serious misconduct.

The order in which the directors leave office shall be established as vacancies arise.

3. Within the month following their assumption of office, the governor must provide evidence of ownership of 50 registered shares and each of the directors of 25 registered shares.

They may not dispose of or pledge these shares before the expiry of their terms of office.

### Art. 35.

1. The **regents** shall be elected for a three-year term by the General Meeting. Their term may be renewed.

Two regents shall be chosen on the proposal of the most representative labour organisations.

Three regents shall be chosen on the proposal of the most representative organisations from industry and commerce, from agriculture and from small firms and traders.

Five regents shall be chosen on the proposal of the Minister of Finance.

The methods of proposing candidates for these appointments shall be laid down by the King, after deliberation in the Council of Ministers.

2. The terms of office of the regents shall end after the Ordinary General Meeting. They may be re-elected.

They shall leave office each year in groups, one of four members and the other two of three members. The order in which they leave office shall be initially determined by the drawing of lots.

The regent elected to replace a member who has died or resigned shall complete the term of the one whom he replaces.

### Art. 36

1. The **censors** shall be elected for a three-year term by the General Meeting of Shareholders. They shall be chosen from among persons with special qualifications in the field of supervisory procedures. Their term may be renewed.
2. The terms of office of the censors shall end after the Ordinary General Meeting. They may be re-elected.

They shall leave office each year in groups, one of four members and the other two of three members. The order in which they leave office shall be initially determined by the drawing of lots.

The censor elected to replace a member who has died or resigned shall complete the term of the one whom he replaces.

## Section III – Incompatibilities.

**Art. 37.** – Members of the Legislative Chambers, the European Parliament, the Councils of the Communities and the Regions, persons who hold the position of minister or secretary of state or of member of the Government of a Community or Region and members of the staff of a member of the Federal Government or of the Government of a Community or Region may not hold the office of governor, vice-governor, member of the Board of Directors, regent or censor. The last-mentioned functions shall automatically cease when their holder takes the oath of office for exercise of the abovementioned offices or performs such functions.

**Art. 38.**

1. The governor, the vice-governor and the other members of the Board of Directors may not hold any office in a commercial company or a company which is commercial in form or in any public body which carries on an industrial, commercial or financial activity. Subject to the approval of the Minister of Finance, they may however hold office in:

- 1° international financial institutions established under agreements to which Belgium is party;
- 2° the Securities Regulation Fund (Fonds des Rentes – Rentenfonds), the Protection Fund for Deposits and Financial Instruments (Fonds de protection des dépôts et des instruments financiers – Beschermingsfonds voor deposito's en financiële instrumenten), the Rediscount and Guarantee Institute (Institut de Réescompte et de Garantie – Herdiscontering- en Waarborginstituut) and the National Delcredere Office (Office National du Ducroire – Nationale DelcredereDienst);
- 3° the legal entities referred to in Article 25.

The prohibitions referred to in the first paragraph shall continue to apply for one year after the governor, vice-governor or other members of the Board of Directors have relinquished their office; this term shall be extended to two years in the case of an office to be held in a credit institution.

The Council of Regency shall determine the conditions relating to the relinquishment of office. It may, on the recommendation of the Board of Directors, waive the prohibition laid down for the period concerned after the relinquishment of office if it finds that the activity envisaged has no significant influence on the independence of the person in question.

- 2. Regents may not hold office as managing director, director or manager in a credit institution.
- 3. Members of the Board of Directors and members of the Bank's staff must respect the code of conduct drawn up by the Council of Regency on the proposal of the Board of Directors. Persons responsible for supervising compliance with the said code lay under the obligation of professional secrecy provided for in Article 458 of the Penal Code.

**Section IV – Responsibility of the members of the organs.**

**Art. 39.** – The governor, the directors, the regents and the censors shall not contract any personal obligation by reason of the Bank's liabilities; they shall be responsible only for the performance of the duties of their office.

**Section V – Expiry of terms of office.**

**Art. 40.** – The terms of the members of the Board of Directors, the Council of Regency and the Board of Censors shall expire no later than when they reach the age of sixty-seven years.

However, subject to authorisation by the Minister of Finance, they may complete their current term. The terms of the members of the Board of Directors may afterwards still be extended by one year, which term may be renewed. In the case of the governor's term of office, the authorisation to complete the current term or its extension shall be granted by Royal Decree deliberated in the Council of Ministers.

On no account may the office-holders referred to in this article remain in office beyond the age of seventy years.

**Chapter IV****Supervision by the Minister of Finance****Art. 41.**

- 1. Except as regards the tasks and transactions within the domain of the ESCB, the Minister of Finance, through his representative, shall have the right to supervise the Bank's transactions and to oppose the implementation of any measure which is contrary to the law, the Statutes or the interests of the State.
- 2. The representative of the Minister of Finance shall, *ex officio*, attend the meetings of the Council of Regency and the Board of Censors. He shall attend in an advisory capacity. Except as regards the tasks and transactions within the domain of the ESCB, he shall supervise the Bank's transactions and suspend and bring to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State.



If the Minister of Finance has not given a decision within eight days of the suspension, the decision may be implemented.

3. The salary of the representative of the Minister of Finance shall be fixed by the Minister of Finance in consultation with the management of the Bank and shall be borne by the latter.

The representative of the Minister shall report to the Minister of Finance each year on the performance of his task.

**Art. 42.** – Except as regards the transactions within the domain of the ESCB, the representative of the Minister of Finance shall have the right to take cognisance at any time of the state of business and to check the accounts and the cash holdings.

The Bank's administration shall be required to provide him, whenever he so requests, with a certified true copy of the Bank's financial statement.

He shall attend the General Meetings when he deems fit.

## Chapter V

### Statutory functions

**Art. 43.** – The secretary and the treasurer shall be appointed by the Council of Regency, which may dismiss them.

The internal regulations shall define the duties inherent in their functions.

Their functions may be performed by one of the directors.

## Chapter VI

### Financial provisions

#### Section I – Annual accounts, reserve funds and distribution.

**Art. 44.** – The **annual accounts** shall be drawn up as at 31 December of each year. They shall be prepared by the Board of Directors and submitted to the Council of Regency, which shall have twenty days to examine and approve them.

Approval of the accounts by the Council of Regency shall relieve the administration of responsibility.

**Art. 45.** – Administrative expenses, charges and provisions of all kinds, as well as depreciation allowances, shall be deducted from the gross profit before or in the balance sheet.

**Art. 46.** – The **reserve fund** is intended for:

- 1° compensating for losses in capital stock;
- 2° supplementing any shortfall in the annual profit up to a dividend of six per cent of the capital.

Upon expiration of the Bank's right of issue, the State shall have a priority claim to one-fifth of the reserve fund. The remaining four-fifths shall be distributed among all the shareholders.

In accordance with Art. 141 § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, the words "the Bank's right of issue" shall be construed as meaning that the right of issue in question includes the right of issue which the Bank may exercise pursuant to Article 106 (1) of the Treaty establishing the European Community.

**Art. 47.** – The amount retained, for building up the reserve, shall be 10% of the net profit in excess of 6% per annum.

**Art. 48.** – The use made of the reserve shall be optional.

The proceeds shall form part of the Bank's general profit.

**Art. 49.** – The **annual profit** shall be distributed as follows:

- 1° A first dividend of 6% to the shareholders.
- 2° Of the remainder:
  - a) 10% to reserve;
  - b) 8% to the staff or to institutions in its favour.
- 3° From the surplus, the following allocations shall be made:
  - a) one-fifth to the State;
  - b) an amount to the shareholders making it possible to allocate to them a second dividend to be determined by the Council of Regency;
  - c) the balance to reserve.

**Art. 50.** – The profit established for allocation to the shareholders for the financial year ended 31 December of each year shall be distributed in a oner within the month following the General Meeting, on a date fixed by the latter.

If the profit for distribution among the shareholders is less than 6% per annum, it shall be supplemented by drawing on the reserve fund.

This drawing shall be refunded to the reserve if, the next year, this refund can be made without reducing the profit for distribution to below 6%.

**Art. 51.** – The annual accounts and the distribution of the profit shall be published in the *Moniteur belge/Belgisch Staatsblad*.

These documents, accompanied by the reports of the Board of Directors and the Council of Regency on the financial year's operations, shall be sent, at least five days before the Ordinary General Meeting, to the shareholders whose shares are the subject of a registration by name or who have satisfied the conditions for admission to the General Meeting.

**Art. 52.** – The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

- 1° in accordance with the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium 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 Law 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.

## Section II – Allocations to the State.

**Art. 53.** – The net financial proceeds in excess of 3% of the difference between the average amount, calculated on an annual basis, of the Bank's profit-earning assets and remunerated liabilities shall be assigned to the State. For the purposes of this provision, net financial proceeds shall mean:

- 1° the share of the 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 productive assets does not reflect the Bank's share in the monetary base of the System, i.e. the sum of the notes in circulation and the liabilities resulting from the deposits made by credit institutions, this amount shall be adapted accordingly for the implementation of this article.

This provision shall not apply to the bills and securities acquired in representation of the capital, reserves and depreciation accounts whose proceeds are at the Bank's free disposal.

The terms and conditions for application of the provisions of this article shall be fixed by agreements to be concluded between the State and the Bank.

These agreements shall be published in the *Moniteur belge/Belgisch Staatsblad*.

**Art. 54.** – Any capital gain realised by the Bank through arbitrage transactions of gold assets against other external reserve components shall be entered in a special unavailable reserve account. This capital gain shall be exempt from all taxation. However, where some external reserve

components have been arbitrated against gold, the difference between the purchase price of that gold and the average purchase price of the existing gold stock shall be deducted from the amount of that special account.

The net income from the assets which form the counterpart to the capital gain referred to in the first paragraph shall be allocated to the State.

External reserve components acquired as a result of the transactions referred to in the first paragraph shall be covered by the State guarantee as provided in Article 9(2) of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.

The terms and conditions for application of the provisions contained in the preceding paragraphs shall be fixed by agreements to be concluded between the State and the Bank. These agreements shall be published in the *Moniteur belge/Belgisch Staatsblad*.

**Art. 55.** – Notwithstanding Article 54, the capital gain made from the transfer of assets in gold with regard to the issuing by the State of numismatic or commemorative coins, shall be allotted to the State to the extent of the unused balance of the 2.75% of the weight of gold which appeared in the Bank's assets on 1 January 1987, and which could be used by the State, particularly for issuing coins, by virtue of Article 20bis (2) of the Law of 24 August 1939 on the National Bank of Belgium.

## Chapter VII

### Professional secrecy and exchange of information

**Art. 56.** – Except when called upon to give evidence in court in a criminal case, members of the Bank's organs and members of its staff shall be subject to professional secrecy and may not divulge:

- 1° to any person or authority whatsoever not qualified to have knowledge thereof, the confidential information which has to be communicated to the Bank by virtue of statutory provisions or regulations, or similar information received from foreign authorities;
- 2° to any person or authority whatsoever, the confidential information which is communicated to the Bank by the ECB, other central banks or monetary institutions, other public authorities entrusted with the oversight

of payment systems as well as Belgian or foreign authorities responsible for the supervision of credit institutions, investment firms, undertakings for collective investment in transferable securities, insurance companies and financial markets.

The members of the Bank's organs and its members of staff shall be exempt from the obligation contained in Article 29 of the Code of Criminal Procedure if the information received by the Bank originates from authorities or institutions which are themselves not subject to or exempt from this obligation.

In so far as the recipients of the information are subject to an equivalent obligation to maintain professional secrecy, paragraph 1 shall not preclude the communication of such information:

- 1° to the ECB, other central banks or monetary institutions when such communication is necessary for their function as monetary authorities, including the oversight of payment systems;
- 2° to the authorities responsible for supervising credit institutions, investment firms, undertakings for collective investment in transferable securities and insurance enterprises when such information is necessary for their supervisory function;
- 3° to the authorities responsible for supervising financial markets when such information is necessary to take a decision concerning the application of sanctions to participants on the market in question;
- 4° to other public authorities charged with the oversight of payment systems.

Contraventions of this article shall incur the penalties laid down by Article 458 of the Penal Code.

The provisions of Book I of the Penal Code, including Chapter VII and Article 85, shall be applicable to contraventions of this article.

The first and the second paragraph do not prevent the observance, by the members of the bodies of the Bank and its staff, of more restrictive provisions as to professional secrecy when the Bank, pursuant to Article 23 (2), is charged with collecting statistical information.

## Chapter VIII

### General Meeting

**Art. 57.** – The General Meeting shall represent the totality of the shareholders. It shall be presided over by the governor.

Its decisions, taken in a regular manner, shall be binding, even on those absent or dissenting.

**Art. 58.** – The General Meeting shall be composed of the shareholders owning registered shares and bearer shares or dematerialised shares who, at least five days before the date of the meeting, have deposited their shares or a certificate drawn up by an authorised intermediary or by the settlement institution establishing the unavailability of the dematerialised shares until the date of the General Meeting, either at the head office or at the outside offices designated by the Council of Regency.

The list of registered shares shall be closed five days before any General Meeting.

With the exception of corporate bodies and without prejudice to the rules of legal representation, a shareholder may have himself represented only by a proxy who is himself entitled to vote.

Proxies and all other documents establishing the right to attend the General Meeting must be lodged with the Bank at least three days before the meeting. They shall be countersigned by the proxy.

**Art. 59.** – Before the session is opened, the shareholders shall sign the attendance list.

**Art. 60.** – Each share shall confer the right to one vote.

**Art. 61.** – The Ordinary General Meeting shall be held in Brussels on the last Monday of the month of March and, if that day falls on a public holiday, on the first following bank working day, at 11 a.m.

It shall hear the administration's report on the past year's operations.

It shall elect the regents and censors whose terms of office expire and shall take steps to fill the vacancies which have arisen owing to death, resignation or for other reasons.

**Art. 62.** – An Extraordinary General Meeting may be convened whenever the Council of Regency deems fit.

It must be convened :

- 1° if the meeting is requested by either the Board of Censors or by shareholders representing one tenth of the capital stock ;
- 2° if the number of regents or of censors falls below the absolute majority.

**Art. 63.** – The notices convening a General Meeting shall contain the agenda and shall be issued by advertisements placed :

- a) at least eight days before the meeting, in the *Moniteur belge/Belgisch Staatsblad* ;
- b) twice, with an interval of at least eight days and the second at least eight days before the meeting, in two press publications with nationwide circulation and in two Brussels press publications.

Letters of convocation shall be sent, eight days before the meeting, to the shareholders who are registered and have the right to vote, but proof that this formality has been fulfilled is not required.

In all cases, these notices shall indicate the time-limit for the depositing of bearer shares and unavailability certificates as referred to in Article 58, Paragraph 1.

**Art. 64.** – The function of scrutineers shall be performed by the two largest shareholders present who do not form part of the administration and who accept this duty.

They shall sign the minutes with the chairman and the members of the Council of Regency.

The copies and extracts to be supplied to third parties shall be signed by the secretary.

**Art. 65.** – The General Meeting shall deliberate :

- 1° concerning the matters mentioned in the convening notices and concerning those submitted to it either by the Council of Regency or by the Board of Censors ;
- 2° concerning proposals, signed by five members, which have been brought to the attention of the Council of Regency at least ten days before the meeting for inclusion in the agenda.

If the meeting acknowledges the urgency of other proposals made by the Council of Regency, these shall be included in the deliberations.

**Art. 66.** – All resolutions shall be adopted by an absolute majority of the votes.

In the event of a tie, the proposal shall be rejected.

**Art. 67.** – Elections or dismissals shall take place by secret ballot.

The vote shall be held by a roll call on all other proposals or subjects.

**Art. 68.** – If, on the first ballot, the members to be elected fail to obtain an absolute majority, a list shall be drawn up of the persons who have received the most votes.

This list shall contain twice as many names as the number of members still to be elected.

Votes may be cast only for these candidates.

Whenever there is a tie, the older person shall be given preference.

**Art. 69.** – Regents or censors may be dismissed only by a majority of three-quarters of the votes of the shareholders present owning at least three-fifths of the shares.

## Chapter IX

### Amending the Statutes

**Art. 70.** – The Council of Regency shall amend the Statutes in order to bring them into conformity with the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium and with the international obligations which are binding on Belgium.

Other amendments to the Statutes shall be adopted, on the proposal of the Council of Regency, by a majority of three-quarters of the votes pertaining to the total number of shares present or represented at the General Meeting of Shareholders.

The General Meeting of Shareholders referred to in the second paragraph shall be specially convened and its proceedings shall only be valid if the purpose of the proposed amendments was specially stated in the convening notice

and if those attending the meeting represent at least three-fifths of the capital stock.

If a first meeting does not represent the proportion of the capital stipulated above, a new meeting shall be convened, whose proceedings shall be valid irrespective of the proportion of the capital present or represented.

Amendments to the Statutes shall require the approval of the King.

## Chapter X

### Signing of acts

**Art. 71.** – The governor shall sign agreements, settlements and documents of all kinds without being required to furnish proof of any power whatsoever vis-à-vis third parties. He may delegate this authority.

All documents which are binding on the Bank, including those participated in by a public or ministerial official, such as documents of sale, purchase, or exchange of immovable property, mortgage releases with or without recording of payment, all renunciation of all real rights, privileges and resolutive actions, powers and proxies relating to these documents may also be signed by a director and the secretary, who shall not be required to furnish proof of their powers vis-à-vis third parties.

Documents of day-to-day management shall be signed:

- a) either by the governor, the vice-governor or a director;
- b) or by the secretary or the treasurer;
- c) or by one or two officials delegated for that purpose by the Board of Directors.

## Chapter XI

### General and transitional provisions

#### Section I – Use of languages.

**Art. 72.** – The Bank and its outside offices shall comply with the statutory provisions on the use of languages in administrative matters.

**Section II – Transitional provisions: issuing of notes in Belgian francs until they cease to be legal tender.**

*(pro memoria)*

**Art. 73.** – The Bank shall issue notes in Belgian francs intended to circulate as means of payment.

These notes shall bear the stamped signature of the governor and that of the treasurer.

**Art. 74.** – The design and text of the notes to be issued shall be submitted by the Bank for the approval of the Minister of Finance.

Lack of approval cannot be invoked by or against third parties.

The text shall be worded in French and Dutch. It shall also contain statements in German.

**Art. 75.** – Whenever a type of banknote in Belgian francs is replaced or withdrawn, the Bank shall pay to the Treasury, on expiry of the period fixed in each case by special agreement, the value of the notes of that type which have not been presented for replacement.

**Art. 76.** – Unless otherwise decided by the ESCB, the notes in Belgian francs whose value has been paid to the Treasury shall be deducted from the amount of currency in circulation; any of these notes which are presented later at the Bank's counters shall be replaced for the account of the Treasury.

The amount will be reclaimed from the Treasury at the end of every six months.

# Annex 3 Rules of Procedure

## Chapter I

### Activities of the organs

**Art. 1.** – The Bank's organs are the governor, the Board of Directors, the Council of Regency and the Board of Censors.

**Art. 2.** – The **governor** exercises his powers in accordance with the Organic Law, the Statutes and these Rules of Procedure.

He directs the Bank and its staff with the assistance of the directors.

He submits proposals to the Board of Directors on the allocation among its members of authority over the departments, services and units, and on the representation of the Bank in national and international organisations and institutions.

Without prejudice to the preceding paragraphs and Article 4, the governor exercises direct authority over the members of staff, whatever their grade or function.

**Art. 3.** – The King confers the title of **vice-governor** on one of the directors. The vice-governor replaces the governor if the latter is unable to perform his duties, without prejudice to Article 10.2 of the Statute of the ESCB.

**Art. 4.** – The governor and the directors jointly exercise their powers as members of the **Board of Directors**. The Board of Directors is responsible for the administration

and management of the Bank in accordance with the Organic Law, the Statutes and these Regulations.

The Board of Directors is chaired by the governor. In his absence, the vice-governor takes his place.

Unless it is unable to do so, the Board of Directors meets at least once a week. It also meets whenever circumstances dictate.

The items for discussion at a meeting are entered on the agenda by the secretary two days before the meeting. Routine questions and simple communications may be added to the agenda until no later than noon on the day before the meeting. The governor approves the agenda or inserts amendments with the agreement of the directors concerned, by no later than the day before the meeting. After that deadline, no further items may be added to the agenda except with the approval of the governor.

All documents intended to form the basis of decisions of the Board of Directors, and in particular notes from the services and departments concerning the items for discussion, are circulated to the directors at least two days before the meeting, except in urgent cases.

Except in urgent cases, the Board of Directors may not deliberate unless the majority of its members are present, and no decision may be taken on items which are not entered on the agenda. Resolutions are passed by a majority vote. If the votes are evenly divided, the governor has the casting vote. If, in the governor's absence, the votes are evenly divided, the proposal is rejected.

The minutes of the meetings of the Board of Directors contain a brief mention of the matters discussed and the decisions taken. In cases of dissent, the directors may ask for the minutes to record their vote, with supporting reasons, or their opinion. Once the minutes have been approved, they are signed by the members present. The secretary is responsible for keeping the minutes.

The Secretariat Service is responsible for the administration following from the activities of the Board of Directors. In particular, the Secretariat is responsible for assisting the secretary in drawing up the minutes, for the translation and revision of the texts, and for the maintenance of the Bank's archives.

If a member of the Board of Directors has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision or transaction within the sphere of competence of the Board of Directors, he informs the other members before the Board deliberates. He does not attend discussions concerning that transaction or decision and does not take part in the voting. His declaration and the reasons underlying the conflicting interest are entered in the minutes of the meeting. The Board of Directors describes in the minutes the nature of the decision or transaction, justifies the decision taken and specifies the implications in terms of proprietary rights of that decision for the Bank. Those minutes are included in the management report for the year in question.

The director concerned also informs the auditor of his conflicting interest. The auditor's report must contain a separate description of the implications in terms of proprietary rights for the Bank resulting from Board of Directors decisions involving a conflicting interest within the meaning of the previous paragraph.

The members of the Board of Directors do not effect any transactions in shares of the Bank or financial instruments relating to those shares other than those which are necessary to enable them to provide evidence, in the month following the assumption of their duties, of ownership of 50 registered shares, in the case of the governor, and 25 registered shares in the case of the directors. They must not dispose of or pledge those shares before the expiry of their term of office as a member of the Bank's Board of Directors. They must ensure that their close associates within the meaning of Article 2 (23) of the Law of 2 August 2002 on the supervision of the financial sector and on financial services respect the same rules.

**Art. 5.** – The **Council of Regency** discusses questions within its sphere of competence under the Organic Law, the Statutes and these Rules of Procedure.

It meets at least twice a month. In cases where it is unable to do so, the meetings may be held at different intervals provided the annual number of meetings remains the same. In urgent cases, it holds an extraordinary meeting which is convened by the governor.

Council of Regency resolutions are passed in accordance with Article 31.1 of the Statutes. Any discussion may be postponed to the next meeting at the request of the majority of the members present. In that case, the author is nonetheless permitted to submit the proposal without waiting.

Minutes of the discussions of the Council of Regency are kept in accordance with Article 31.2 of the Statutes.

In regard to the budget and remuneration, the Council of Regency is assisted by two committees, the Budget Committee and the Remuneration Committee. The Budget Committee has power to examine the Bank's budget before it is approved by the Council of Regency. It is chaired by a member of the Board of Censors and otherwise comprises two regents, one other censor, the representative of the Minister of Finance, and, in an advisory capacity, the director responsible for the Controlling Department. The Remuneration Committee is responsible for advising the Council of Regency on the remuneration of the members of the Board of Directors, the regents and censors. It is chaired by a regent and otherwise comprises one other regent, two censors and the representative of the Minister of Finance. These committees meet whenever circumstances dictate. They may call on the head of the Secretariat Service to provide their secretariat.

If a member of the Council of Regency has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision within the sphere of competence of the Council of Regency, he informs the other members before the Council deliberates. He must not attend discussions concerning that decision, or take part in the voting.

The regents do not effect any transactions in shares of the Bank or financial instruments relating to those shares during the fixed closed periods which run each year from the moment that they have access to the annual information until the moment when that information is published.



Outside of those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative transaction in those shares. They also respect the closed periods fixed *ad hoc* by the Board of Directors. They must ensure that their close associates within the meaning of Article 2 (23) of the Law of 2 August 2002 on the supervision of the financial sector and on financial services respect the same rules.

**Art. 6.** – The **Board of Censors** exercises its duties as an audit committee and its supervisory duties in regard to the preparation and implementation of the budget in accordance with the provisions of the Organic Law, the Statutes and these Rules of Procedure, and ensures that there are no conflicts between these duties that hinder their proper execution. The additional rules of operation regarding the audit committee are set out in the *Audit Committee Regulations*, which are appended to these Rules of Procedure and form an integral part hereof.

The Board of Censors meets at least twice per quarter and whenever necessary, in which case it is convened by the Chairman. The Board passes its resolutions in accordance with the provisions of Article 33 of the Statutes.

Minutes are kept of the deliberations of the Board of Censors. Once these have been approved, they are signed by all the members present. The minutes are forwarded to the Bank's secretary, either as a whole or in part, and communicated to the Board of Directors.

The members of the Board of Censors do not effect any transactions in shares of the Bank or financial instruments relating to those shares during the fixed closed periods which run each year from the moment that they have access to the annual information until the moment when that information is published. Outside of those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative transaction in those shares. They also respect the closed periods fixed *ad hoc* by the Board of Directors. They must ensure that their close associates within the meaning of Article 2 (23) of the Law of 2 August 2002 on the supervision of the financial sector and on financial services respect the same rules.

## Chapter II

### The secretary and the treasurer

**Art. 7.** – The **secretary**, appointed by the Council of Regency in accordance with Article 43 of the Statutes, draws up the minutes and the records of the meetings of the Board of Directors and of the Council of Regency. He draws up the minutes of the General Meeting of Shareholders and has them signed by the chairman of the General Meeting, the tellers and the Council of Regency members present. He certifies copies conforming to the original. He deals with changes to the Bank's Rules of Procedure.

**Art. 8.** – The **treasurer**, appointed by the Council of Regency in accordance with Article 43 of the Statutes, is responsible for the design and coordination of the physical safety or security measures intended to protect persons, valuables, documents and buildings, except for data security measures which are the responsibility of the director responsible for the IT Department. In the performance of his duties, the treasurer may call on any member of the staff. He is assisted in particular by the Security and Surveillance Service. He is kept informed of the internal audit reports on security measures and may instruct the Internal Audit Service to conduct any audit. He approves budget proposals and expenditure commitments relating to security measures.

## Chapter III

### Organisation of the departments, services and offices

**Art. 9.** – The Board of Directors organises the head office in **departments, services and units**, specifying their functions. The resulting organisation chart is updated and published on the Bank's website.

On the proposal of the governor, the Board of Directors allocates authority over the departments, services and units among the directors. The directors arrange for the departments, services and units under their authority to execute the decisions taken by the governor, the Board of Directors and the Council of Regency within their respective spheres.

The departments comprise services, units and/or groups. The departments, services, units and groups are run respectively by their head of department, head of service, head of unit or head of group. These are responsible for the management of their department, service, unit or group and the implementation of the decisions taken by the governor, the Board of Directors and the Council of Regency.

The Board of Directors may set up standing interdepartmental working groups, deciding their terms of office, appointing their members and designating their chairman.

**Art 10.** – The **provincial branches** perform the tasks for which they have been given responsibility by the Board of Directors. These concern in particular decentralised operations coming under other departments or services, and local representation duties.

The office managers ensure the implementation of operating and security instructions and the maintenance of the building, equipment and furniture provided for the office. They inform the head office services without delay of any important facts concerning them.

The Board of Directors authorises one member of the staff of each office to replace the person in charge as his deputy. It also designates the persons whom the office manager may delegate to sign for him, in compliance with the rules.

# Annex 4 Audit Committee Regulations

## 1. General

### 1.1 General duties

The audit committee performs an advisory function. Its duties are defined by Article 21bis of the Organic Law. Titles 2 to 5 below describe those duties in detail, and more particularly what is meant by the monitoring of the processes and systems mentioned.

### 1.2 Reporting

Once a year, the audit committee shall report to the Council of Regency on the performance of its duties.

The audit committee shall also report to the Council of Regency on all points arising from the performance of its duties which are of relevance for the approval of the annual accounts and the annual report of the Bank, and for the drafting of the accounting rules by the Council of Regency.

The Council of Regency shall consult the audit committee before approving the annual accounts. It may request the audit committee to examine specific questions on this subject and report back to it.

The audit committee shall report to the Board of Directors on all aspects relevant to the reliability of the financial information, the proper operation of internal control, risk management and the internal audit, the effectiveness of the external audit, and the independence of the auditor.

The audit committee shall draw the attention of the competent organ to aspects which it considers require action or improvement. It shall also make recommendations on the measures to be taken.

## 2. Monitoring of the process of preparing the financial information

### 2.1 Standards and rules

The audit committee shall assess the relevance and consistency of the accounting rules drawn up by the Council of Regency.

It shall examine the modifications which the Council of Regency proposes to make to the accounting rules, and express its opinion on that subject.

The audit committee shall discuss with the Board of Directors and the auditor any significant questions concerning the preparation of the financial information.

### 2.2 Significant and abnormal transactions

The Board of Directors shall inform the audit committee of the principles adopted for recording significant or abnormal transactions where various accounting approaches are possible.

## 2.3 Financial information

The audit committee shall assess the accuracy, exhaustiveness and consistency of the financial information.

In particular, it shall examine the annual accounts drawn up by the Board of Directors before they are discussed and approved by the Council of Regency.

This examination shall be based on a programme set by the audit committee and taking account of the activities of the accounting service, the internal audit service and the auditor.

## 3. Monitoring of the effectiveness of internal control and risk management

### 3.1 Periodic examinations

The audit committee shall examine periodically, in accordance with a plan which it draws up, the internal control and risk management systems set up by the various departments and services.

It shall ensure that the main risks, including the risks relating to compliance with the current legislation and rules, are correctly identified, managed and drawn to its own attention and to that of the Board of Directors.

### 3.2 Application to the Annual Report

The audit committee shall examine the comments contained in the Annual Report concerning internal control and risk management.

### 3.3 Financial or other irregularities

The audit committee shall examine the opportunities available to the Bank's staff for confidential reporting of any concerns about possible irregularities, particularly in regard to the preparation of the financial information.

## 4. Monitoring of the effectiveness of the internal audit process

### 4.1 Internal Audit Service

The Bank shall have its own independent Internal Audit Service.

The audit committee shall examine the internal audit charter and verify whether the Internal Audit Service has the resources and expertise appropriate to the nature, size and complexity of the Bank.

Where appropriate, it shall make recommendations to the Board of Directors on that subject.

### 4.2 Programme of work

Before the internal audit's programme of work is approved by the Board of Directors, the audit committee shall examine that programme, taking account of the complementarity with the work of the auditor.

### 4.3 Audit reports and recommendations

The audit committee shall examine the effectiveness of the internal audit. It shall receive the internal audit reports or a summary thereof.

It shall receive the quarterly report of the internal audit at the same time as the Board of Directors.

It shall examine the extent to which the departments and services take account of the internal audit's findings and recommendations.

### 4.4 Internal audit officer

At the request of the Board of Directors, the audit committee shall give its opinion concerning the profile of the internal audit officer.

## 5. Monitoring of the external audit process

### 5.1 The Bank's auditor

The audit committee shall make recommendations to the Board of Directors on the proposal for the selection, appointment and re-appointment of the auditor. It shall be informed of the tendering procedure, and in particular the selection criteria. If necessary, it shall make recommendations on this subject.

Where appropriate, the audit committee shall investigate questions leading to the dismissal of the auditor and make recommendations on the measures consequently required.

### 5.2 Programme of work

The auditor's programme of work shall be notified to the audit committee. The latter shall be informed in good time of any significant points revealed by the external audit process.

### 5.3 External audit reports and recommendations

The audit committee shall examine the effectiveness of the external audit process and ascertain to what extent the Board of Directors takes account of the recommendations made to it by the auditor in its recommendation letter.

### 5.4 Independence

The audit committee shall monitor the independence of the auditor in accordance with Article 21bis, § 4, of the Organic Law.

It shall, in particular, monitor the nature and extent of the services other than auditing which could be assigned to the auditor.

## 6. Functioning of the audit committee

### 6.1 General contacts

The audit committee may invite the governor, another member of the Board of Directors, a senior manager, the internal audit officer or the auditor to attend its meetings in whole or in part.

The audit committee is authorised to meet any person which it deems appropriate, without any need for a member of the Board of Directors or the Bank's senior management to be present.

### 6.2 Contact with the internal audit

The audit committee shall meet the internal audit officer at least twice a year.

The internal audit officer may contact the chairman of the audit committee direct and without restriction.

### 6.3 Contact with the auditor

The audit committee shall also meet the auditor and the internal audit officer at least twice a year to exchange opinions with them on any questions relevant to its duties, including the provisions of Article 21bis, § 3 and § 4 of the Organic Law, and on any other problem revealed by the audit process.

The auditor may contact the chairman of the audit committee direct and without restriction.

### 6.4 Assessment of the audit committee regulations

The audit committee shall assess its own effectiveness once a year, and if appropriate shall propose the necessary adjustments to these regulations.

## 6.5 Support

The audit committee may call on :

- the Secretariat Service, the entity dealing with meetings of the management organs, for administrative tasks and secretariat;
- the internal audit service to facilitate contact with the Bank's departments and services.

## Annex 5 Governance statement

*Latest amendment: 10 February 2009, following the amendment of the Organic Law by the Law of 17 December 2008 establishing in particular an audit committee in listed companies and financial enterprises. The provisions concerning the audit committee apply with effect from the 2009 financial year.*

### 1. Introduction

The National Bank of Belgium, established by the Law of 5 May 1850 to take on tasks in the public interest, has always had a special governance structure, deviating from ordinary law. Designed from the start to enable the Bank to perform its tasks in the public interest, this special system of governance has evolved in line with the role and objectives assigned to the Bank as the country's central bank.

Today, as the central bank of the Kingdom of Belgium, the Bank – together with the European Central Bank (ECB) and the central banks of the other European Union Member States – is one of the components of the European System of Central Banks (ESCB), set up by the Treaty establishing the European Community (the Treaty).

By that token, it is governed first of all by the relevant provisions of the Treaty (Title VII of Part Three) and by the Protocol on the Statute of the ESCB and of the ECB which is annexed to the Treaty, and then by the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium (Organic Law), and its own Statutes, approved by Royal Decree.

The provisions relating to public limited liability companies are applicable only additionally, i.e. in respect of subjects not governed by the Treaty, the Protocol annexed to it, the Organic Law and the Bank's Statutes, and provided the provisions on public limited liability companies do not clash with those higher level rules.

As a central bank, it shares the main objective which the Treaty assigns to the ESCB, namely maintaining price stability. It contributes towards the performance of the basic tasks of the ESCB which consist in defining and implementing the monetary policy of the European Community, conducting foreign exchange operations in accordance with Article 111 of the Treaty, holding and managing the official foreign exchange reserves of the Member States, and promoting the smooth operation of payment systems.

In addition, it is entrusted with the performance of other tasks in the public interest, on conditions laid down by the law or its implementing regulations, subject to compatibility with the tasks which come under the ESCB.

The pre-eminence of its tasks in the public interest, present from the start and now anchored in the Treaty establishing the European Community, is reflected in a system of governance whose very objectives are different from those of the governance of a company incorporated under ordinary law.

First, in accordance with the Treaty, it has to ensure that the rules which govern it are compatible with those of the Treaty itself, and with the Statute of the ESCB, including the requirement concerning the independence of the Bank and of the members of its decision-making bodies in

the exercise of their powers and the performance of their tasks, assigned to them by the Treaty and the Statute of the ESCB, in respect of the institutions and bodies of the European Community, governments and all other bodies.

Next, in its governance, the Bank has to reserve a dominant position for the expression of the interests of Belgian society as a whole. That explains, in particular, the arrangements for appointing members of its organs, the specific composition and role of the Council of Regency, the limited powers of the General Meeting of Shareholders, the special arrangements for the exercise of supervision, including the powers of the representative of the Finance Minister and those of the Board of Censors, and the way in which the Bank reports on the performance of its tasks. That also explains the provisions governing the financial aspects of its activities, intended to give it a sound financial basis and to provide the State, as a sovereign State, with a share of the revenue – known as seigniorage – which the Bank obtains from its activity as a central bank, while allowing remuneration for the capital provided by all the shareholders.

The Bank's special tasks and its specific, unique role in Belgium caused the legislator to give this institution its own particular legal framework and a special form of governance. The values – transparency, efficiency, integrity and commitment – underlying the concern for good governance nonetheless form the basis of the structures and operating rules which govern the Bank.

The Belgian corporate governance code, which complements the legislation and contains provisions which can never be interpreted in a manner contrary to the law, itself points out that it is a recommendation, and affirms its flexibility, implying that its principles can be adapted to the specific characteristics of each enterprise. However, the majority of the code's principles and recommendations cannot be strictly applied to the Bank, in view of the legal framework which governs it, and its position as the country's central bank, responsible for public-interest missions, and an integral part of the ESCB.

Nevertheless, the Bank considers that the system of governance imposed on it partly by its own Organic Law and Statutes, and partly by EU rules, is just as exacting as the recommendations of the Belgian corporate governance code, or even more so in various respects, such as oversight.

It believes that, even though the Belgian corporate governance code is inappropriate to the Bank, it is its duty, in view of its dual status as a central bank and a listed company, to accept an obligation to provide extensive information and report on its activities to the public in general. That is the spirit in which it has drawn up this governance statement.

## 2. Organisation, governance and supervision of the Bank

### 2.1 Comparison of the allocation of powers at the Bank and in limited liability companies governed by ordinary law

The table below shows the atypical character of the Bank's organisation.

### 2.2 Presentation of the Bank's organs and other institutions

The Bank's organs are the governor, the Board of Directors, the Council of Regency and the Board of Censors (cf. Article 17 of the Organic Law and Article 27 of the Statutes).

The other institutions of the Bank are the General Meeting, the representative of the Minister of Finance, the auditor and the Works Council.

The Bank's organs and their respective powers are fundamentally different from those of conventional public limited liability companies (see table).

### 2.3 Organs of the Bank

#### 2.3.1 Governor

##### POWERS

The governor exercises the powers conferred on him by the Statute of the ESCB, the Organic Law, and the Bank's Statutes and Rules of Procedure.



## ALLOCATION OF POWERS AT THE BANK AND IN PUBLIC LIMITED LIABILITY COMPANIES GOVERNED BY ORDINARY LAW

The Bank		Public limited liability companies governed by ordinary law	
<b>King</b>	Appointment of the governor Appointment of the directors (on the proposal of the Council of Regency)	Appointment of the directors	<b>General Meeting</b>
<b>General Meeting</b>	Election of the regents (from a dual list of candidates) Election of the censors Appointment of the auditor (on the proposal of the Works Council and with the approval of the EU Council of Ministers, on the recommendation of the ECB Governing Council) Hearing of the administration's report  Amendment of the Statutes except for Council of Regency prerogatives	Appointment of the auditors  Hearing of the directors' report, auditors' report and discharge of the auditors Amendment of the articles of association	
<b>Council of Regency</b>	Amendment of the Statutes to bring them into line with the Organic Law and international obligations which are binding on Belgium Discussion and approval of the annual accounts Appropriation of the profits Discharge of the Board of Directors Setting the remuneration of the members of the Board of Directors  Proposal for the appointment of the directors Approval of the budget and the administration's report	Discussion and approval of the annual accounts Appropriation of the profits Discharge of the directors Setting the remuneration of the Board of Directors	
<b>Board of Directors</b>	Definition of company policy Administration and management Drawing up of the annual accounts Preparation of the administration's report  Management and routine operation	Definition of company policy Administration and management Drawing up of the annual accounts Drawing up of the directors' report	<b>Board of Directors</b>
<b>Board of Censors</b>	Supervision of the preparation and implementation of the budget Audit committee	Optional delegation of the management (management board) or the routine operation (chief executive)	<b>Management board or chief executive</b>
<b>Representative of the Minister of Finance</b>	Monitoring of the Bank's operations, except for those which come under the ESCB (right to oppose any measure which is contrary to the law, the Statutes or the interests of the State)		

He directs the Bank and its staff with the assistance of the directors. He presides over the Board of Directors and the Council of Regency, arranging the implementation of their decisions, and chairs the General Meeting. He exercises direct authority over the members of staff, whatever their grade and their function.

At the General Meeting, he presents the annual report and the accounts, approved by the Council of Regency. He submits to the presidents of the Chamber of Representatives and the Senate the Annual Report referred to in Article 113 of the Treaty establishing the European Community. He may be heard by the competent committees of the Chamber of Representatives and of the Senate, at the request of those committees or on his own initiative.

He represents the Bank in legal proceedings.

He submits proposals to the Board of Directors on the allocation of the departments and services among the board's members, and on the representation of the Bank in national and international organisations and institutions.

He also has a seat on the ECB Governing Council, which decides *inter alia* on the monetary policy for the euro area.

#### APPOINTMENT

The governor is appointed by the King for a renewable term of five years. He may be removed from office by the King only if he has been guilty of serious misconduct or if he no longer fulfils the conditions required for the performance of his duties. An appeal may be lodged with the Court of Justice against such a decision, on the initiative of the governor or of the ECB Governing Council.

Thus, the EU and Belgian legislation ensures the personal independence of the governor, both by the length of his term of office and by the restrictions on his removal from office.

### 2.3.2 Board of Directors

#### POWERS

The governor and the directors jointly exercise their powers as members of the Board of Directors.

The Board of Directors is a collegiate body, responsible for the administration and management of the Bank in accordance with the Organic Law, the Statutes and the Rules of Procedure, and is in charge of the direction of its policy.

The governor and the directors each have authority over one or more of the Bank's departments and services. They ensure that the latter implement, within the framework of their respective duties, the decisions taken by the governor, the Board of Directors and the Council of Regency.

The Board of Directors appoints and dismisses the members of staff. It determines their salaries and the allocation of the share of the profits assigned to the staff.

It has the right to make settlements and compromises. It exercises regulatory power in the cases laid down by law. It pronounces on all matters which are not expressly reserved for another organ by law, the Bank's Statutes or Rules of Procedure.

It draws up the budget and prepares the annual report of the administration and the annual accounts, which it submits to the Council of Regency for approval.

It decides on the investment of the capital, the reserves and the amortisation accounts after consultation with the Council of Regency and without prejudice to the regulations adopted by the ECB.

It proposes the Bank's Rules of Procedure for the approval of the Council of Regency.

The Bank's Board of Directors therefore exercises the powers of administration, management and strategic direction of the enterprise which are delegated to the administrative board in public limited liability companies governed by ordinary law, as well as the actual management powers.

It is not accountable for its activities to the General Meeting, which has no power to give it a discharge; instead, it is accountable to the Council of Regency to which it submits the annual report of the administration and the annual accounts, as the approval of the accounts by that body constitutes a discharge for the administration.

Pursuant to the Law of 2 August 2002 on the supervision of the financial sector and on financial services and the Organic Law, three members of the Board of Directors have a seat, in a personal capacity, on the

Management Committee of the Banking, Finance and Insurance Commission (CBFA). To avoid any danger of a conflict of interests, they do not take part in the deliberations in cases where a decision to be taken by the said Management Committee concerns the Bank as an issuer of financial instruments admitted to trading on a Belgian regulated market. In its judgment of 10 December 2003, the Court of Arbitration confirmed that there are adequate safeguards surrounding the composition and functioning of the CBFA Management Committee to facilitate impartial decisions.

#### COMPOSITION

The Board of Directors is composed of the governor and five to seven directors. It includes an equal number of French and Dutch speakers, with the possible exception of the governor. The members of the Board of Directors must be Belgians.

The directors are appointed by the King, on the proposal of the Council of Regency. The method of nominating the directors was specifically designed by law in 1948 to emphasise the character of the Bank's activities as tasks performed in the public interest.

The directors are appointed for a renewable term of six years.

The King confers the title of vice-governor on one of the directors. The vice-governor replaces the governor if the latter is unable to perform his duties, without prejudice to Article 10.2. of the Statute of the ESCB.

In order to avoid any conflict of interests, the Organic Law stipulates that, except in a limited number of specified instances, the members of the Board of Directors may not perform duties in commercial companies or companies which are commercial in form, or in public institutions engaged in industrial, commercial or financial activities. They are also prohibited from taking on certain political posts (as members of a parliament, government or cabinet).

The members of the Board of Directors may be removed from office by the King only if they have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties.

Thus, the Organic Law ensures the personal independence of the members of the Board of Directors, both by the length of their term of office and by the restrictions on their removal from office.

#### FUNCTIONING

The functioning of the Board of Directors is governed by the Organic Law, the Statutes and the Rules of Procedure. These texts are available on the Bank's website.

The Board of Directors meets whenever circumstances dictate, and at least once a week.

If a member of the Board of Directors has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision or transaction within the sphere of competence of the Board of Directors, he informs the other members before the Board deliberates. He does not attend discussions concerning that transaction or decision and does not take part in the voting. His declaration and he reasons underlying the conflicting interest are entered in the minutes of the meeting. The Board of Directors describes in the minutes the nature of the decision or transaction, justifies the decision taken and specifies the implications in terms of proprietary rights of that decision for the Bank. Those minutes are included in the management report for the year in question.

The director concerned also informs the auditor of his conflicting interest. The auditor's report must contain a separate description of the implications in terms of proprietary rights for the Bank resulting from Board of Directors decisions involving a conflicting interest within the meaning of the previous paragraph.

### 2.3.3 Council of Regency

#### POWERS

The Council of Regency discusses general questions relating to the Bank, monetary policy and the national and international economic situation. Once a month, it takes note of the Bank's financial situation.

It has power to lay down the accounting rules for all aspects of the annual accounts which are not covered by the provisions of the Bank's Organic Law and are not mandatory for the compilation of the consolidated balance sheet of the Eurosystem. It approves the expenditure budget and the annual accounts, and finally determines the distribution of the profits proposed by the Board of Directors.

It approves the Annual Report on the Bank's operations.

It amends the Statutes of the Bank in order to bring them into line with the Organic Law and the international obligations which are binding on Belgium.

On a proposal from the Board of Directors, it lays down the rules of procedure, containing the basic rules for the operation of the Bank's organs and the organisation of its departments, services and outside offices, and the code of conduct which must be respected by the members of the Board of Directors and the staff.

The Council of Regency fixes the individual salaries and pensions of the members of the Board of Directors. It also fixes the amount of the allowance received by the regents and the censors.

The Council of Regency therefore exercises certain powers which, in companies governed by ordinary law, are reserved for the board of directors, and others reserved for the General Meeting of Shareholders. This is a very special organ which introduces an element of duality into the Bank's governance structure. Composed predominantly of non-executive members, the Council of Regency plays a key role in the appointment of directors, remuneration and supervision, and does so on a more continuous basis than the special committees of ordinary companies, in view of the frequency of its meetings.

In regard to the budget and remuneration, the Council of Regency is assisted by two committees: the Budget Committee and the Remuneration Committee. The Budget Committee has power to examine the Bank's budget before it is approved by the Council of Regency. It is chaired by a member of the Board of Censors and is otherwise composed of two regents, one other censor, the representative of the Minister of Finance and, in an advisory capacity, the director responsible for the Controlling Department. The Remuneration Committee has to make recommendations to the Council of Regency

on the remuneration of the members of the Board of Directors, the regents and the censors. It is chaired by a regent and is otherwise composed of one other regent, two censors and the representative of the Minister of Finance. These committees meet whenever circumstances dictate. They may call on the head of the Secretariat Service to provide their secretariat. Their composition ensures their independence and State control, which is justified by the public character of the enterprise.

Pursuant to the Law of 2 August 2002 on the supervision of the financial sector and on financial services, and the Organic Law, three regents have a seat, in a personal capacity, on the Supervisory Board of the CBFA.

#### COMPOSITION

The Council of Regency is composed of the governor, the directors and ten regents. It includes an equal number of French- and Dutch-speaking regents.

The regents are elected by the General Meeting for a renewable term of three years, on the basis of dual lists of candidates. Two regents are chosen on the proposal of the most representative labour organisations, three on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders, and five on the proposal of the Minister of Finance.

The method of appointing the regents has been organised in a special way. In the preparations for the Law of 28 July 1948 which amended the Organic Law and reorganised the Bank, the legislator expressed its desire that the method of appointing the directors and regents should ensure both the Bank's total independence vis-à-vis individual interests and the technical competence of the candidates. The procedure for proposing the regents was designed to ensure that the various Belgian socio-economic interests were fairly represented.

In order to avoid any conflict of interests, the Organic Law stipulates that the regents may not hold office as managing director, director or manager in a credit institution, nor may they take on certain political posts (as members of a parliament, government or cabinet).

The regents may be dismissed by the General Meeting of shareholders deciding by a majority of three-quarters of the votes of the shareholders present, holding at least three-fifths of the shares.

#### FUNCTIONING

The functioning of the Council of Regency is governed by the Organic Law, the Statutes and the Rules of Procedure. These texts are available on the Bank's website.

The Council of Regency meets at least twice a month and passes its decisions by a majority of the votes.

If a member of the Council of Regency has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision within the sphere of competence of the Council of Regency, he informs the other members before the Council deliberates. He must not attend discussions concerning that decision, or take part in the voting. In particular, the governor and the directors are not permitted to attend the discussions and take part in the voting concerning the approval of the annual accounts.

### 2.3.4 Board of Censors

#### POWERS

The Board of Censors' task is to supervise the preparation and implementation of the Bank's budget. In that context, it regularly takes cognisance of the activities of the Internal Audit Service. Its chairman informs the Council of Regency of those activities each year and answers its questions on the subject.

The Board of Censors is also the Bank's audit committee. By that token, the tasks assigned to the Board of Censors include taking charge, in an advisory capacity, of the monitoring of the process of preparing the financial information, the monitoring of the effectiveness of the internal control and risk management systems, the monitoring of the statutory audit of the annual accounts and the examination and the monitoring of the independence of the auditor.

Once a year the audit committee reports to the Council of Regency on the performance of its duties. It also reports to the Council of Regency on all matters arising from the performance of its duties which are relevant for the approval of the annual accounts and the annual report, and for the drafting of the accounting rules by the Council of Regency. The audit committee reports to the Board of Directors on all aspects relevant to the reliability of the financial information, the proper operation of internal control, risk management and the internal audit, and the independence of the auditor.

#### COMPOSITION

The Board of Censors is composed of ten members. It includes an equal number of French and Dutch speakers. The censors are elected by the General Meeting of Shareholders for a renewable term of three years. They

are chosen from among persons with particular expertise in auditing. In order to avoid any conflict of interests, they may not take on certain political and parliamentary duties.

The censors may be dismissed by the General Meeting of Shareholders deciding by a majority of three-quarters of the votes of the shareholders present, holding at least three-fifths of the shares.

#### FUNCTIONING

The functioning of the Board of Censors is governed by the Organic Law, the Statutes and the Rules of Procedure. The rules on its functioning as an audit committee are also set out in the *Audit Committee Regulations* annexed to the Rules of Procedure, and forming an integral part of the latter. These texts are available on the Bank's website.

The Board of Censors meets at least twice per quarter. Its resolutions are adopted by a majority of the votes.

### 2.3.5 Remuneration policy

#### BOARD OF DIRECTORS

Pursuant to the Organic Law, the Council of Regency fixes the individual salaries and pensions of the members of the Board of Directors. It is assisted in that by the Remuneration Committee, which issues prior recommendations. Members of the Board of Directors are not permitted to attend the discussions or the voting concerning their own remuneration.

Since the Bank, unlike the majority of other listed companies, does not have as its main object the maximisation of its profits, the remuneration of the governor and of the other members of the Board of Directors consists solely of a fixed element, with no variable component. There is no bonus, as the law expressly stipulates that these salaries may not comprise any share in the profits, and that no other remuneration may be added to them. However, the Bank's Statutes do provide for the Bank to pay the governor's accommodation expenses.

For a great many years, the Council of Regency has adopted a policy of setting the remuneration of each new governor, vice-governor or director at the level of his predecessor.

The salaries of the members of the Board of Directors are index-linked (since 1994, they have been linked to the health index) and are published in the notes to the annual accounts.

In addition, the members of the Board of Directors hand over to the Bank any remuneration which they receive in respect of the various external duties which they perform in consideration of their position at the Bank. However, the majority of these duties attract no remuneration, or only negligible amounts, the principal exception being the post of director of the Bank for International Settlements, held by the governor. He hands over the whole of this remuneration to the Bank.

#### COUNCIL OF REGENCY

Pursuant to the Organic Law, the regents receive attendance fees and – if appropriate – a travel allowance, depending on their actual attendance at the meetings. The amount of these allowances is set by the Council of Regency under the supervision of the Minister of Finance, exercised via his representative, and on the recommendation of the Remuneration Committee.

#### BOARD OF CENSORS

Like the regents, the censors receive attendance fees pursuant to the Organic Law, and – if appropriate – a travel allowance, depending on their actual attendance at the meetings. The amount of that allowance is set by the Council of Regency under the supervision of the Minister of Finance, exercised via his representative, and on the recommendation of the Remuneration Committee.

## 2.4 Other institutions of the Bank

### 2.4.1 General Meeting

#### POWERS

The Ordinary General Meeting hears the administration's report on the past year's operations and elects the regents and the censors for the offices which have become vacant, in accordance with the stipulations of the Organic Law. It appoints the auditor on the proposal of the Works Council. It amends the Statutes in cases where that power is not reserved for the Council of Regency.

The General Meeting deliberates concerning the matters mentioned in the convening notice and those submitted to it by the Council of Regency or by the Board of Censors.

The Organic Law does not confer organ status on the General Meeting, whose powers are limited.

#### COMPOSITION

The General Meeting is composed of the shareholders owning registered shares and bearer shares or dematerialised shares who, at least five days before the meeting, have deposited their shares or a certificate issued by an authorised intermediary or by the settlement institution, confirming that the dematerialised shares are not available until the date of the General Meeting.

The General Meeting represents the totality of the shareholders.

#### FUNCTIONING

The General Meeting is chaired by the governor. The Ordinary General Meeting is held on the last Monday in March or, if that is a public holiday, on the next bank working day. An Extraordinary General Meeting may be convened whenever the Council of Regency deems fit. A meeting must be convened if the number of regents or of censors falls below the absolute majority, or if it is requested either by the Board of Censors or by shareholders representing one tenth of the capital stock.

Before the meeting is opened, the shareholders sign the attendance register.

The two shareholders present who hold the largest number of shares act as tellers, provided they are not members of the administration and subject to acceptance of that office.

Each share confers entitlement to one vote.

All resolutions are passed by an absolute majority of the votes. If the votes are equally divided, the proposal is rejected. Elections or dismissals take place by secret ballot. The vote is held by roll call on all other proposals or matters. If, in the first round of the ballot, the members to be elected have not all obtained an absolute majority, a list is drawn up of the persons obtaining the most votes. This list contains twice as many names as there are members

yet to be elected. Votes may be given only for these candidates. In all cases where the votes are evenly divided, the older candidate takes precedence.

Decisions passed in accordance with the rules are binding on all the shareholders.

Minutes are drawn up in respect of each meeting. They are signed by the tellers, the chairman and the members of the Council of Regency present. They are published on the Bank's website. Exemplified copies and extracts to be issued to third parties are signed by the secretary.

#### 2.4.2 Representative of the Minister of Finance

Except as regards the tasks and operations within the domain of the ESCB, the representative of the Minister of Finance supervises the Bank's operations, and suspends and brings to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State. If the Minister of Finance has not given a decision within one week of the suspension, the decision may be implemented.

The representative of the Minister of Finance attends, *ex officio*, in an advisory capacity, the meetings of the Council of Regency and the Board of Censors.

Except as regards operations within the domain of the ESCB, the representative of the Minister of Finance has the right to take note at any time of the state of business and to check the accounts and cash holdings. He attends the General Meetings when he deems fit. The Board of Directors is required to provide him, whenever he so requests, with a certified copy of the Bank's financial statement.

He reports to the Minister of Finance each year on the performance of his duties.

Via his representative, the Minister of Finance thus exercises, on behalf of the sovereign State, supervision over the Bank's activities in regard to tasks in the national interest.

The salary of the representative of the Minister of Finance is set by the said Minister in consultation with the management of the Bank, and is paid by the Bank.

#### 2.4.3 Auditor

The auditor performs the auditing functions prescribed by Article 27.1 of the Protocol on the Statute of the ESCB and of the ECB, and reports to the Council of Regency on those activities. He certifies the annual accounts. He also performs certification functions for the attention of the ECB auditor. He provides technical assistance for the Bank on particular points relating to the supervision of compliance with the code of conduct. For this aspect of his duties, he is specifically subject to the professional secrecy referred to in Section 458 of the Penal Code.

He reports to the Works Council once a year on the annual accounts and the management report. He certifies the accuracy and completeness of the information supplied by the Board of Directors. He analyses and explains, particularly for the members of the Works Council appointed by the employees, the economic and financial information submitted to this Council, in terms of its significance in relation to the financial structure and the assessment of the Bank's financial position.

Since the Bank is subject to public procurement legislation, the auditor is selected by a public tender. The auditor is then appointed by the General Meeting of the Bank on the proposal of the Works Council. He must be approved by the EU Council of Ministers, on the recommendation of the ECB.

#### 2.4.4 Works Council

Pursuant to the Law of 20 September 1948 on the organisation of the economy, the Bank has a Works Council, a joint consultation body composed of representatives of the employer and representatives of the staff, elected every four years.

The main function of the Works Council is to give its opinion and formulate any suggestions or objections in regard to all measures which could change the working arrangements, working conditions and efficiency of the enterprise.

Specific economic and financial information is made available by the Board of Directors, in accordance with the law.

## 2.5 Mechanisms for controlling the activities

A series of control mechanisms ranging from operational to external controls govern the Bank's activities and operations, ensuring that they proceed smoothly with due regard for the set objectives and in accordance with the dual concern for security and the economical use of resources.

The control requirements applicable to the Bank on account of its tasks as the country's central bank and its membership of the ESCB differ from, and extend beyond, those laid down in the Belgian corporate governance code recommended for public limited liability companies governed by ordinary law.

From the point of view of the general management of the enterprise, the Board of Directors is responsible for establishing an internal control system.

The persons in charge within the hierarchy and their staff take on primary responsibility for the actual operation of the internal control system.

The Internal Audit service takes on secondary responsibility for assessing the internal control system, with the following specific objectives:

- in all operating units, to raise awareness of the risks of the enterprise and improve risk identification and measurement;
- to formulate an independent appraisal of these risks and the control measures, checking their application;
- to issue the Board of Directors and the heads of departments and services with opinions and to propose measures for improving the internal control system;
- to provide assistance where necessary in the implementation of these measures.

In order to guarantee its independence vis-à-vis the departments and services, the Internal Audit Service comes directly under the governor, and does not carry any direct operational responsibility. It reports to the Board of Directors.

The head of the Internal Audit Service is a member of the Internal Auditors Committee (IAC) of the ESCB. The Internal Audit Service conforms to the methodology, objectives, responsibilities and reporting procedure laid down within the ESCB, including the ESCB Audit Policy approved by the ECB Governing Council.

Certain control functions are performed by specific administrative entities (e.g. the management of access to computer systems), while structural conflicts of interest are resolved by segregating the activities concerned (system of Chinese walls): thus, for example, the operation and oversight of the payment systems are entrusted to two different departments.

The Board of Censors supervises the preparation and implementation of the budget and takes note of the activities of the Internal Audit Service. Every year, its chairman informs the Council of Regency and answers its questions.

As the Bank's audit committee, the Board of Censors is responsible, in an advisory capacity, for the monitoring of the effectiveness of the internal control and risk management systems and the monitoring of the Bank's internal audit.

To that end, the audit committee periodically examines, in accordance with a plan which it draws up, the internal control and risk management systems set up by the various departments and services. It ensures that the main risks, including the risks relating to compliance with the current legislation and rules, are correctly identified, managed and drawn to its own attention and to that of the Board of Directors. The audit committee also examines the notes contained in the Annual Report concerning internal control and risk management.

The audit committee examines the effectiveness of the internal audit. It examines the internal audit charter and verifies whether the internal audit service has the resources and expertise appropriate to the nature, size and complexity of the Bank. Where appropriate, it makes recommendations on this subject to the Board of Directors. Before the internal audit's programme of work is approved by the Board of Directors, the audit committee examines that programme, taking account of the complementarity with the work of the statutory auditor.

The audit committee receives the internal audit reports or a summary thereof, and the quarterly report of the internal audit. It examines the extent to which the departments and services take account of the internal audit's findings and recommendations. At the request of the Board of Directors, the audit committee gives its opinion concerning the profile of the internal audit officer.



The audit committee also assesses the relevance and consistency of the accounting rules drawn up by the Council of Regency.

The Council of Regency approves the annual accounts, the annual budget, the accounting rules and the rules on the Bank's internal organisation. It consults the audit committee before approving the annual accounts, and may ask the audit committee to examine specific questions on that subject and report back to it. The Bank is also subject to various external controls.

The first form of control is provided by the auditor, who verifies and certifies the Bank's accounts.

Except as regards the tasks and operations within the domain of the ESCB, the representative of the Minister of Finance supervises the Bank's operations on the behalf of the Minister. The latter in fact has the right to monitor those operations and to oppose the implementation of any measure which would be contrary to the law, the Statutes or the interests of the State.

In addition, the governor may be heard by the competent committees of the Chamber of Representatives and of the Senate, at the request of those committees or on his own initiative.

Finally, pursuant to the Statute of the ESCB and of the ECB, the Bank acts in accordance with the directions and instructions of the ECB. The Governing Council takes the necessary measures to ensure compliance with those directions and instructions, and requires all necessary information to be supplied to it.

## 2.6 Rules of conduct

A code of conduct imposes strict rules of behaviour on all the Bank's employees. This code also contains specific provisions applicable to the members of the Board of Directors and to persons involved at all levels in the hierarchy in the execution of monetary policy transactions, foreign exchange transactions and the management of the financial assets of the Bank or of the ECB, or those who might have regular access to confidential information which may influence prices.

The members of the Board of Directors maintain the highest standards of professional ethics.

The members of the Bank's organs and staff are subject to strict professional secrecy pursuant to Article 35 of the Organic Law. They are also subject to the rules on insider trading and market manipulation, based on Articles 25 and 25bis of the Law of 2 August 2002 on the supervision of the financial sector and on financial services.

The members of the Board of Directors, and the regents and censors, are subject to the obligations of the Laws of 2 May 1995 and 26 June 2004 concerning the disclosure of posts held and of assets.

The members of the Board of Directors do not effect any transactions in shares of the Bank or financial instruments relating to those shares other than those which are necessary to enable them to provide evidence, in the month following the assumption of their duties, of ownership of 50 registered shares, in the case of the governor, and 25 registered shares in the case of the directors. They must not dispose of or pledge those shares before the expiry of their term of office as a member of the Bank's Board of Directors. They must ensure that their close associates within the meaning of Article 2 (23) of the Law of 2 August 2002 on the supervision of the financial sector and on financial services respect the same rules.

The regents and censors do not effect any transactions in shares of the Bank or financial instruments relating to those shares during the fixed closed periods which run each year from the moment that they have access to the annual information until the moment when that information is published. Outside of those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative transaction in those shares. They also respect the closed periods fixed ad hoc by the Board of Directors. They must ensure that their close associates within the meaning of Article 2 (23) of the Law of 2 August 2002 on the supervision of the financial sector and on financial services respect the same rules.

## 3. Shareholders

### 3.1 Capital and shares

The Bank's share capital totals ten million euro. It is represented by four hundred thousand shares of no face value. Two hundred thousand registered, non-transferable shares are held by the Belgian State. The two hundred thousand

other registered, bearer or dematerialised shares are held by the public and listed on Euronext Brussels.

The share capital is fully paid up.

Except for those belonging to the State, the shares can be converted to registered or dematerialised shares, free of charge, at the owner's request.

Ownership of the registered shares is established by entry in the Bank's shareholders register. The registered shareholder receives a certificate which does not constitute a transferable instrument. Dematerialised shares are represented by an account entry in the name of their owner or holder with an authorised intermediary or with the settlement institution, S.A. Euroclear Belgium.

### 3.2 Shareholder structure

Since 1948, and pursuant to the Organic Law, the Belgian State has held two hundred thousand of the Bank's shares, or 50 p.c. of the total voting rights.

The Bank has no knowledge of other holdings of 5 p.c. or more of the voting rights.

### 3.3 Dividends

The setting of the dividends is organised by the Organic Law.

In view of the special nature of the Bank and its tasks in the public interest, including the primary objective of maintaining price stability, the dividend is largely unconnected with the movement in the profits, or any losses. The policy adopted by the Council of Regency ensures that the nominal dividend continues to increase steadily, even in less favourable times, and thus protects the shareholders against the volatility of the Bank's results, which are influenced by the monetary policy of the Eurosystem and exogenous factors such as demand for banknotes or exchange rate movements.

## 4. Communication with shareholders and the public

### 4.1 Principles

As the country's central bank, the Bank performs special tasks in the public interest, on which it has to render account to the democratic institutions and to the public in general, and not only to its shareholders and employees.

### 4.2 Annual Reports

Every year, the Bank publishes a Report providing the public with extensive information on recent economic and financial developments in Belgium and abroad. The summary presented by the governor on behalf of the Council of Regency focuses on key events in the past year and delivers the Bank's main messages concerning economic policy.

The bank also publishes a yearly Corporate Report presenting for the shareholders' and the public's attention the report on the Bank's activities and the annual accounts for the preceding year and explaining the organisation and governance of the Bank.

These Reports are made available in printed form to the shareholders and the public prior to the ordinary General Meetings. They are also published on the Bank's website, which offers all the Annual Reports issued since 1998.

### 4.3 Report to parliament

Pursuant to the Organic Law and the Statutes, the governor may be heard by the competent committees of the Chamber of Representatives and of the Senate, at their request or on his own initiative.

### 4.4 General Meetings

The Bank's Ordinary General Meeting provides an opportunity for shareholders and the Bank's management to meet. Every year at the meeting, the Board of Directors presents the report on the Bank's activities and the accounts for the past financial year.

## 4.5 Website

On its website, the Bank offers the public and the shareholders a large quantity of regularly updated information on its activities and operations, available at all times.

## 5. Representation of the Bank

The governor represents the Bank in legal proceedings.

All acts which are binding upon the Bank, and all powers of attorney relating to those acts may be signed either by the governor or by a director and the secretary without any need to substantiate their authority to third parties.

Routine administrative acts may be signed by the governor, the vice-governor or a director, or by one or two members of the staff delegated for that purpose by the Board of Directors.

The governor and the Board of Directors may expressly or tacitly grant special authority to represent the Bank.

## 6. The Bank's specific responsibility

The Bank issues and abides by its own mission statement. In addition, as a member of the Eurosystem, it has adopted that system's mission statement.

### 6.1 The Bank's mission statement

"The National Bank intends to be an independent, competent and accessible institution which carries out tasks in the public interest, providing added value for the economy and for Belgian society. It aims to be a valued partner of the Eurosystem, to which it contributes at multiple levels."

### 6.2 Eurosystem mission statement

"The Eurosystem, which comprises the European Central Bank and the national central banks of the Member States of the European Union whose currency is the euro, is the monetary authority of the euro area. We in the Eurosystem have as our primary objective the maintenance of price stability for the common good. Acting also as a leading financial authority, we aim to safeguard financial stability and promote European financial integration.

In pursuing our objectives, we attach utmost importance to credibility, trust, transparency and accountability. We aim for effective communication with the citizens of Europe and the media. We are committed to conducting our relations with European and national authorities in full accordance with the Treaty provisions and with due regard for the principle of independence.

We jointly contribute, strategically and operationally, to attaining our common goals with due respect to the principle of decentralisation. We are committed to good governance and to performing our tasks effectively and efficiently, in a spirit of cooperation and teamwork. Drawing on the breadth and depth of our experiences as well as on the exchange of know-how, we aim to strengthen our shared identity, speak with a single voice and exploit synergies, within a framework of clearly defined roles and responsibilities for all members of the Eurosystem."

# Annex 6 List of articles published in 2008

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## Economic Review

### April 2008 – special edition

Inflation in Belgium: an analysis by the NBB at the request of the federal government

### June 2008

1. Economic projections for Belgium – Spring 2008
2. Inflation and indexation in Belgium: causes and possible effects of the current acceleration in inflation
3. Gross job flows and firms' international activities
4. Foreign financial transactions of Belgian non-financial sectors
5. The use and effectiveness of fiscal rules and independent fiscal institutions

### September 2008

1. Macroeconomic and fiscal impact of the risk capital allowance
2. Results of the Bank's survey of wage-setting in Belgian firms
3. The incomes and financing balance of individuals and companies
4. Interregional transfers and solidarity mechanisms via the government budget

### December 2008

1. Economic projections for Belgium – Autumn 2008
2. Ten years of monetary union in retrospect
3. Review of the IMF's lending framework
4. Innovation and entrepreneurship: structural determinants and competitiveness
5. Trend in the financial structure and results of firms in 2007
6. The 2007 social balance sheet

## Working Papers

125. Economic Importance of Belgian Transport Logistics
126. Some evidence on late bidding in eBay auctions
127. How do firms adjust their wage bill in Belgium? A decomposition along the intensive and extensive margins
128. The International Study Group on Exports and Productivity
129. Estimation of monetary policy preferences in a forward-looking model: a Bayesian approach
130. Job creation, job destruction and firms' international trade involvement
131. Do survey indicators let us see the business cycle? A frequency decomposition
132. Searching for additional sources of inflation persistence: the micro price panel data approach
133. Short-term forecasting of GDP using large monthly datasets – A pseudo real-time forecast evaluation exercise
134. Economic importance of the Belgian ports: Flemish maritime ports, Liège port complex and the port of Brussels – Report 2006
135. Imperfect exchange rate pass through: the role of distribution services and variable demand elasticity
136. Multivariate structural time series models with dual cycles: implications for measurement of output gap and potential growth
137. Agency problems in structured finance – A case study of European CLOs
138. The efficiency frontier as a method for gauging the performance of public expenditure: a Belgian case study
139. Exporters and credit constraints. A firm-level approach
140. Export destinations and learning by-exporting: evidence from Belgium
141. Monetary aggregates and liquidity in a neo-Wicksellian framework
142. Liquidity, inflation and asset prices in a time-varying framework for the euro area
143. The bond premium in a DSGE model with long-run real and nominal risks
144. Imperfect information, macroeconomic dynamics and the yield curve: an encompassing macro finance model
145. Housing market spillovers: evidence from an estimated DSGE model
146. Credit frictions and optimal monetary policy
147. Central bank misperceptions and the role of money in interest rate rules
148. Financial (in)stability, supervision and liquidity injections: a dynamic general equilibrium approach
149. Monetary policy, asset prices and macroeconomic conditions: a panel VAR study
150. Risk premiums and macroeconomic dynamics in a heterogeneous agent model
151. Financial factors in economic fluctuations
152. Rent-sharing under different bargaining regimes: evidence from linked employer-employee data
153. Forecast with judgment and models
154. Institutional features of wage bargaining in 23 European countries, the US and Japan

## Annex 7 Opening hours and addresses

SERVICES	ESTABLISHMENTS OFFERING THE SERVICES	OPENING HOURS
Banknotes and coins, State Cashier	Brussels <sup>(1)</sup> , Antwerp, Kortrijk, Hasselt, Liège and Mons	9.00 to 15.30 hrs
Central Balance Sheet Office, Central Individual Credit Register	Brussels <sup>(1)</sup> , Antwerp, Kortrijk, Hasselt, Liège and Mons	9.00 to 15.30 hrs
	Ghent and Namur <sup>(3)</sup>	9.00 to 13.00 hrs and 14.00 to 15.30 hrs
Scientific Library	Brussels (boulevard de Berlaumont 3)	9.00 to 16.00 hrs
Museum	Brussels (rue du Bois sauvage 10)	10.00 to 18.00 hrs (daily except Mondays)

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(1) Boulevard de Berlaumont 3.

(2) Boulevard de Berlaumont 18.

(3) These offices also offer a limited service for the exchange of Belgian franc banknotes.

**Adresses:**

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1000 Brussels  
Tel. +32 2 221 21 11  
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