Report 2009

Corporate Report

National Bank of Belgium
Eurosystem

Guy Quaden,
Governor

FOREWORD

People tend to see the central bank primarily as the institution which issues banknotes and arranges the currency circulation. In Belgium, the National Bank has been printing and issuing banknotes ever since it was established in 1850. Since 2002, it has printed and issued euro banknotes jointly with the other central banks in the Eurosystem, namely the European Central Bank (ECB) and the national central banks (NCBs) of the countries which have adopted the European currency.

The monopoly on banknote issuance is the basis of a central bank's power. Other banks – the commercial banks – have to apply to the central bank to obtain the banknotes that their customers need. By setting and adjusting interest rates and the other terms on which they lend to banks, central banks determine a particular monetary policy stance.

The EU Treaty stipulates that, as well as issuing banknotes and deciding and implementing monetary policy, the ECB and the NCBs of the euro area shall hold and manage the official foreign exchange reserves of the Member States, ensure the smooth operation of payment systems and contribute to the stability of the financial sector.

Apart from the tasks assigned to them by the Treaty, the NCBs may be made responsible by law for other tasks in the general interest. That is particularly the case in Belgium, where the National Bank collects and processes numerous statistics and manages a number of payment systems, as well as various central databases (corporate balance sheets, individual credit and corporate credit).

This report recounts the Bank's main activities in the European context and at national level. It also describes the developments which occurred in 2009. The Bank's activities are in fact constantly evolving as a result of cyclical and structural changes in the economic and financial environment, and the Bank's constant endeavour to raise its productivity as an enterprise.

Banknote issuance is not only the basis of the monetary power of the central banks, but also their main source of revenue. In this connection, we talk about "seigniorage" income, because in olden days it was the "seigneur" or feudal lord who held the right to mint currency. Nowadays, that right belongs to the State, which delegates it to a specific institution : the central bank.

On the balance sheet of a central bank, banknotes are unremunerated liabilities, the counterpart being interest-bearing assets held by the bank. All countries have rules on sharing, whereby the surplus income received by the central bank in excess of its expenses accrues to the State holding the right of issue.

The rules on sharing which previously applied in Belgium were amended by the Law of 3 April 2009. These new rules are intended to ensure in a simpler and more effective way (a) that the Bank can act entirely independently in forming the reserves which it considers necessary, (b) that the part of its income which exceeds its expenses, including the formation of reserves and the remuneration of the shareholders, accrues to the State as a sovereign State, and (c) that a clear and relevant criterion is used to set the minimum percentage of the annual profits to be distributed as remuneration for the shareholders.

On 22 July 2009, the Bank defined its new reserve and dividend policy. That policy was published immediately, and then presented to the shareholders at information meetings arranged in November 2009. It is restated in this report.

The Bank is among the few listed companies which, over many decades, have never stopped paying a dividend to shareholders. In consequence of the provisions of the new law and the decisions taken by the Council of Regency, the dividend will increase sharply this year.

The financial crisis developments and the lessons to be drawn were presented in the "Economic and Financial Developments" section of the Bank's 2008 and 2009 Reports. In Belgium, the action taken by the authorities (the central bank in regard to liquidity and the governments in regard to solvency) averted the failure of several major institutions, providing effective protection for the great majority of savers.

Various international bodies (particularly the Basel Committee on Bank Supervision and the Financial Stability Council) are working on drawing up new regulations. They will need the support of effective supervision structures.

In Belgium, as in a growing number of countries, the political authorities have opted for the "twin peaks" system. Under this system, the central bank is in charge not only of the overall stability of the financial system but also of the supervision of financial intermediaries considered individually, whereas a different body has to ensure that the markets operate smoothly and that financial service consumers receive accurate information and protection.

By no later than the beginning of 2011, the Bank should therefore be in charge of both microprudential and macroprudential supervision. That will mark a new stage in its history. The integration of some of the staff of the Banking, Finance and Insurance Commission and the revision of the Bank's organisation will be at the heart of the master plans currently being prepared for the period 2011-2015.

Rafaël BUEDTS, Kop 3/7, 21 x 32 x 23 cm, bronze, 1992. Photo by Patrick Van den Branden.

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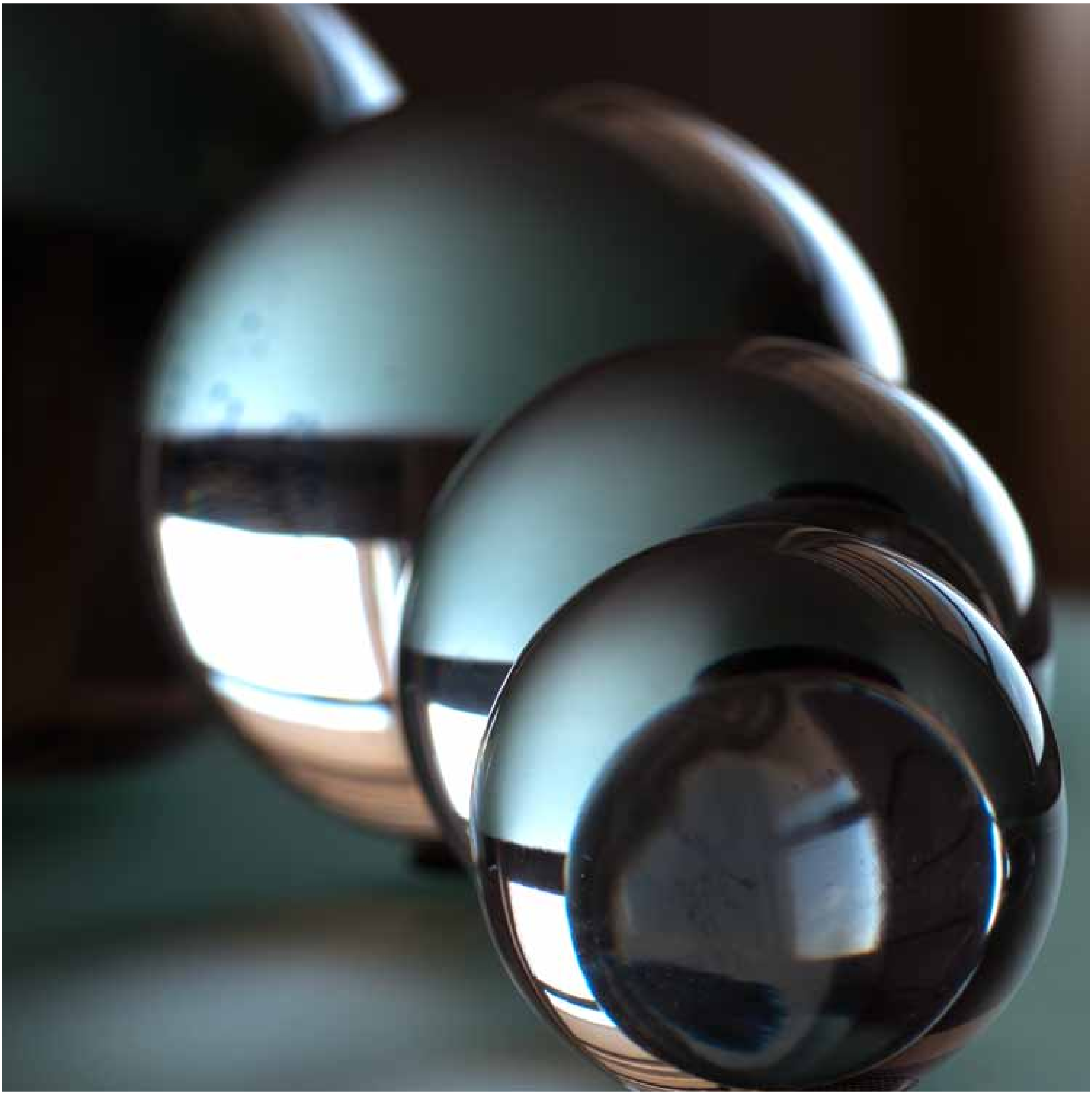


Joëlle TUERLINCKX, No title, variable dimensions, six crystal balls, undated. Photo by Philippe Debeerst.

1. ACTIVITIES

Among other things, the Bank contributes to the formulation and implementation of the Eurosystem's monetary policy, and the supervision of the financial system.

1.1 Currency and monetary policy

Although the central banks themselves nowadays regard monetary policy as their principal activity, there is good reason why the general public sees them primarily as issuing institutions. It was in fact this issuing activity that placed these institutions at the centre of the banking system and enabled them to perform the role of "bank of banks"; it was also the issuing of the currency that gave them many of their means of action.

When coins were first invented, it was the feudal lord or the king who had power to confer validity on the currency, but since the modern era, this "royal" prerogative has been regarded as an essential feature of State sovereignty, a right which – in respect of banknotes – States grant to specific institutions: the central banks.

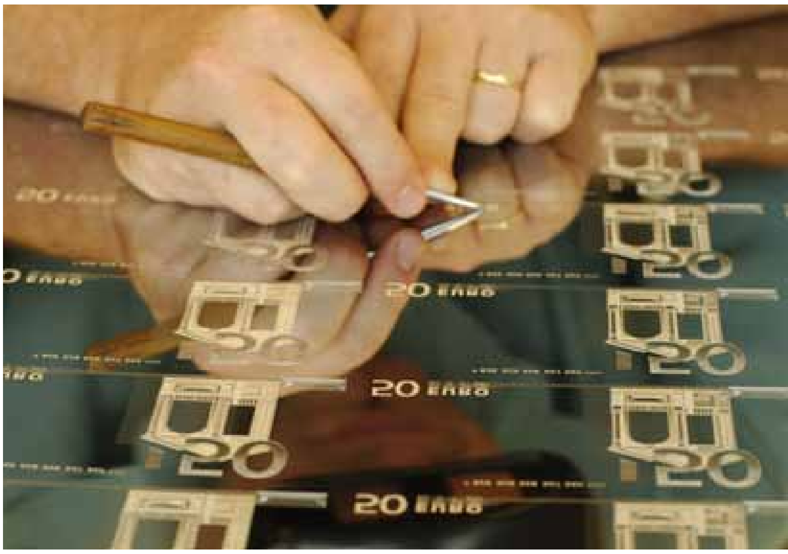
Today, for the sixteen European Union Member States which have adopted the euro as their currency, monetary policy is managed by a special structure, namely the Eurosystem. It links the central banks of those sixteen countries and the European Central Bank, based in Frankfurt. Monetary policy decisions are taken by the ECB Governing Council, comprising the governors of the central banks of the euro area and the members of the ECB'S Executive Board.

1.1.1 Currency, issuance and seigniorage

1.1.1.1 Currency production and circulation

The National Bank has been creating and printing banknotes and putting them into circulation ever since it was founded in 1850. The euro coins intended for Belgium are minted by the Belgian Royal Mint and placed in circulation via the Bank.

The printing of euro banknotes is shared among secure printing works in the euro area. The Bank's printing department specialises in producing 50 euro notes which, along with the larger denominations, have the most sophisticated security features in the series. It also conducts a great deal of research and development in the



sphere of new printing and security techniques, partly with a view to the next series of euro banknotes for which an issue date has yet to be decided.

At the end of 2009, around 13.6 billion banknotes were in circulation, compared to 8.2 billion at the end of 2002, the year in which the euro banknotes and coins were launched. The most widely used denominations are the 50 and 20 euro notes. In 2009, they respectively accounted for 38.1 p.c. and 19.7 p.c. of the total circulation ; next come the 10 euro notes (15 p.c.) and the 100 euro notes (10.8 p.c.).

The number of counterfeits seized rose from 666,000 in 2008 to 860,000 in 2009 (+ 29 p.c.). However, since the introduction of the euro, the growth of counterfeiting has been proportionate to the increasing number of banknotes in circulation, so that the percentage has remained stable over the period at 0.0063 p.c. The denominations most commonly counterfeited are the 20 euro note (48 p.c. of forgeries detected), followed by the 50 euro note (37 p.c.) and the 100 euro note (12 p.c.).

Every day, credit institutions withdraw and deposit banknotes and coins at the National Bank in Brussels and in the provinces using secure transport firms. It should be pointed out that it is not the Bank that determines the quantity of money in circulation, but public demand. The main reason for the frequent deposits and withdrawals by credit institutions at the National Bank is that the banks want to minimise their stock of cash, since that does not produce any interest.

Transactions in banknotes are monitored and recorded via an IT platform developed and maintained at the Bank, the *Cash Single Shared Platform* (Cash SSP). This IT tool is also used by the central banks of Cyprus, Finland, Luxembourg and the Netherlands. The Irish and Latvian central banks have also undertaken to use the same instrument from 2011. At the request of the ECB Governing Council, the Bank also created an application producing statistics on the banknotes placed in circulation, validated, rejected or destroyed. That application (*Currency Information System 2*) is operational throughout the Eurosystem and is linked to Cash SSP in the countries which have adopted that. Since the financial crisis highlighted the need for faster information, the program was modified last May to produce daily reports.

The seigniorage income originates from the issuance of banknotes and coins. The State has granted this right of issuance to the Bank.

The term "seigniorage" dates back to the Middle Ages. Just as in those days, it refers to the amount which the issuer of the currency receives for the performance of its tasks.

1.1.1.2 Seigniorage

The terms "seigniorage" and "seigniorage income" denote the income which the issuer obtains from issuing banknotes. Nowadays, that income accrues to the central banks, which pass it on to the State after deducting their expenses.

Where does it come from? To understand that, it is necessary to remember that banknotes originated from the debt acknowledgements which bankers gave to their customers in exchange for a deposit of precious metal from which they made a profit. Nowadays, banknotes are obviously no longer issued in return for a deposit of gold or silver : they are now abstract monetary tokens. But central banks still record them as debts, on the liabilities side of their balance sheet. As the counterpart, they record on the assets side the loans granted to commercial banks and the foreign exchange reserves, which bear interest. It is the interest generated by these assets, based on unremunerated assets in the form of banknotes, that constitutes seigniorage income.

In the euro area, since the money in circulation can no longer be estimated accurately for each participating State, the value of the banknotes issued is allocated according to a set formula : the ECB receives 8 p.c. and the balance is divided among the national central banks (NCBs) in proportion to their paid-up share in the capital of that institution (for more details, see point 3.3.2, section 6 "Banknotes in circulation").

In all central banks, the allocation rules ensure that the banks' surplus income in relation to their expenses accrues to the State, which is thus remunerated for conferring the right of issue. In Belgium, the rules on the allocation of the seigniorage income between the Bank and the State have changed over the years, and were amended again during the year under review, by the Law of 3 April 2009. From the 2009 financial year onwards, the balance of the profit for the year – following the constitution of the essential reserves and remuneration of the shareholders – is allocated to the State.

The right of issue is not only the source of central bank revenue. It is also one of the instruments enabling central banks to perform their principal task, namely the implementation of monetary policy. In order to satisfy their customers' demand for banknotes, credit institutions have to obtain the notes by borrowing from the central bank, and it is the interest rate on those borrowings that is the main instrument of monetary policy.

New rules on reserves and dividends [1]

With effect from the 2009 financial year, the allocation of the Bank's income is governed by the following rules:

- A first dividend of 1.5 euro per share is paid. This dividend is guaranteed by all the reserves.
- 25 p.c. of the profit for distribution is paid to the available reserve. Every year, the Bank sets the minimum amount of the reserves which it needs according to the risks which it incurs. For 2009, that minimum amount is 3.2 billion euro. That assessment can result in the Bank deciding to transfer additional profits to the reserves.
- The second dividend corresponds to 50 p.c. of the net proceeds from the portfolio which the Bank holds as the counterpart of its total reserves. Net proceeds means the amount shown in the profit and loss account, after deduction of corporation tax at the rate actually due. The second dividend is guaranteed by the available reserve unless the Bank finds that as a consequence its reserves would be lowered too much.
- The balance of the profit is assigned to the State. However, this balance must never include any write-backs from the reserves, nor reduce the undistributed part of the net return on the portfolio which the Bank holds as the counterpart to its reserves. That part must be kept in reserve.

(1) See also Annex 4.

The Eurosystem devises and implements the euro area's monetary policy.

1.1.2 Monetary policy: objective and institutional framework

1.1.2.1 Objective

When States handed over the right of issue to the central banks, they also gave them the task of protecting the value of the national currency. In today's Europe, that traditional task is reflected in the price stability objective assigned to the Eurosystem by the Treaty on the Functioning of the EU.

Both the generalised and persistent increase in prices (inflation) and a fall in prices (deflation) are detrimental for the economy. Prices are in fact the main information available to the economic agents for estimating the value of goods and services, but inflation and deflation disrupt that information by distorting relative values. They increase uncertainty and ultimately damage investment and growth. By ensuring price stability, central banks contribute to growth and employment. Price instability does not only affect economic efficiency; it also creates unfairness, as it changes the value of contracts and savings, leading to the arbitrary redistribution of income and assets.

In order to provide a stable anchorage point for expectations regarding price movements, and to place the public in a better position to judge the activities of the Eurosystem, price stability was defined as a rise in the harmonised index of consumer prices in the euro area of less than but close to 2 p.c. per annum, a figure which has to be maintained in the medium term.

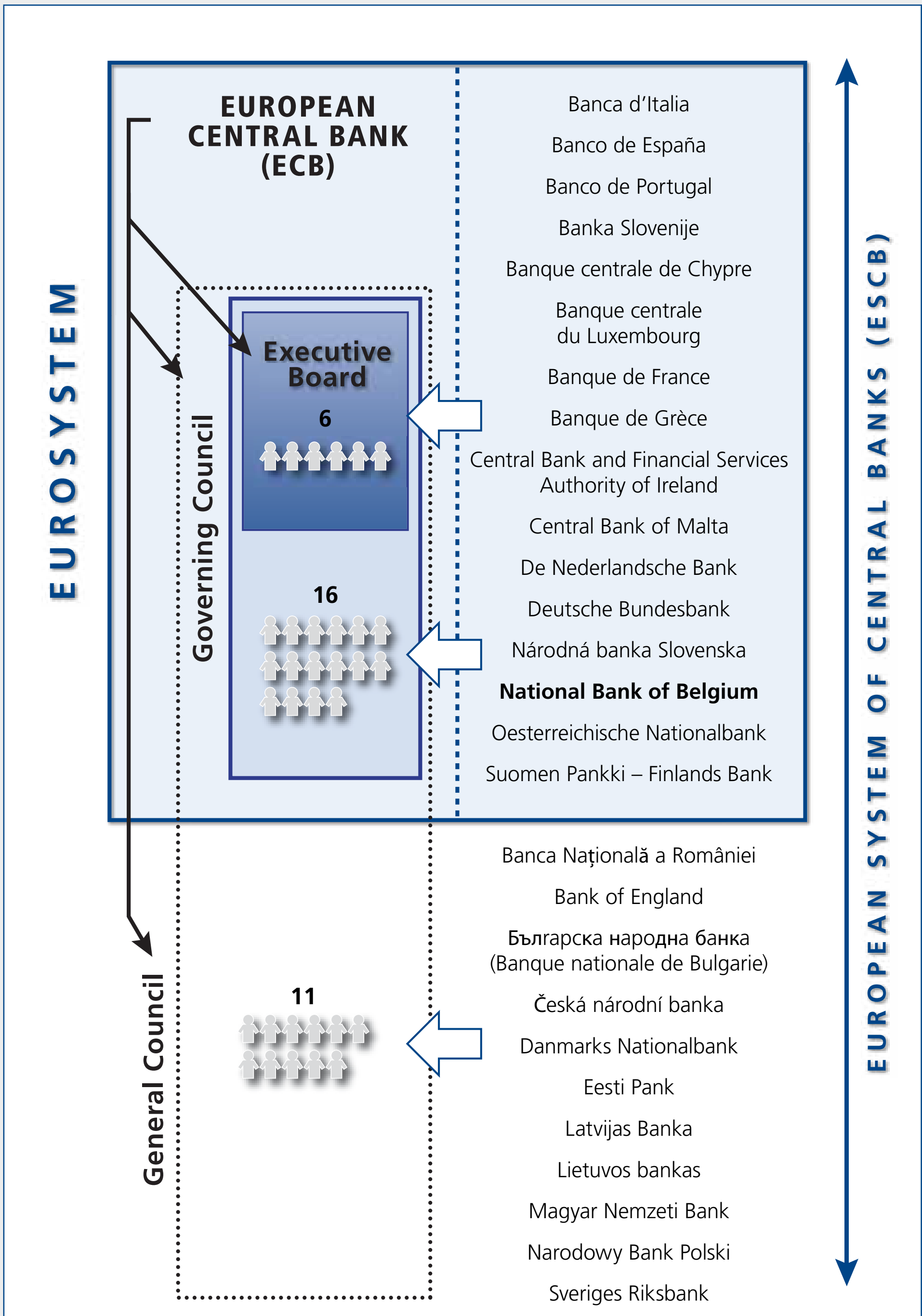
1.1.2.2 Institutional framework

The euro area's monetary policy is conducted by the Eurosystem. Decisions are taken centrally by the ECB Governing Council, composed of the six members of the ECB Executive Board and the governors of the NCBs of the euro area member countries. The preparation and implementation of the decisions are largely decentralised.

The entity composed of the ECB and the central banks of the EU, including those of countries which have not adopted the euro, is called the European System of Central Banks (ESCB).

Experts from the ECB and the NCBs form committees for the preparation of dossiers submitted for a decision by the organs of the ECB. There are fifteen such committees covering all the Eurosystem's areas of activity, from monetary policy to human resources, and including statistics, market operations, banknotes, communication, and IT. This method of operation enables the NCBs to be closely involved in the preparation of the dossiers submitted to the Governing Council and the implementation of the decisions taken.

The Eurosystem and the European System of Central Banks



Source : ECB.

The Treaty on the Functioning of the European Union stipulates that the main objective of monetary policy is the maintenance of price stability.

The Governing Council generally meets twice a month at the ECB's headquarters in Frankfurt. The first monthly meeting is specifically devoted to detailed analysis of monetary and economic developments and the resulting monetary policy decisions; the second generally focuses on the other tasks and responsibilities of the ECB. In accordance with the Maastricht Treaty, the members of the Governing Council do not act as representatives of their country, but act entirely independently, taking the decisions dictated by the interests of the euro area as a whole.

1.1.3 Preparation of monetary policy decisions

To achieve the objective of the Eurosystem's monetary policy, the ECB Governing Council reacts to the risks facing price stability. That pre-emptive action is based on systematic analysis of the available information, organised in the form of two complementary pillars.

- *Economic analysis* identifies the risks to price stability in the short and medium term. It is based on a wide range of economic and financial indicators, allowing detection of the shocks facing the euro area and monitoring of the euro area's response. The macroeconomic forecasts produced by the Eurosystem's staff are also discussed by the Governing Council.
- *Monetary analysis* concerns the movement in a set of monetary and credit aggregates, and provides information on the risks to price stability in the medium and long term. Those risks have to be assessed, in particular, on the basis of the links seen in the past between the quantity of money in circulation and the volume of lending, on the one hand, and prices on the other.

The NCBs play a key role in supporting these two forms of analysis, supplying the Eurosystem with first-hand economic research and statistics.

1.1.3.1 Research

The Bank contributes to the research and analysis work facilitating a more accurate diagnosis of the economic situation of the euro area, the macroeconomic forecasts and the understanding of the monetary policy transmission mechanisms and the interactions with other economic policies. It takes part in the preparation of the macroeconomic projections for the euro area on the basis of the national forecasts. The main results of the projection exercise for Belgium are published in June and September in the Bank's Economic Review.

The Bank's economists also participate in a number of networks comprising research teams from the ESCB and universities. The *Euro Area Business Cycle Network* analyses cyclical developments in the euro area. The *Wage Dynamics Network* studies the characteristics and

The Bank contributes to the analysis of the euro area's situation and publishes a report each year on economic and financial developments in Belgium.

The Bank, a government adviser

The Bank's role in economic research is not confined to matters directly or indirectly connected with the preparation of monetary policy. Its staff also produce numerous research papers which form the basis of discussions by the Council of Regency, a body representing various socio-economic interests. Most of them are published in the Economic Review (see the website).

Members of the Board of Directors take part in a number of advisory committees in the economic and financial sphere, at both national and EU level [1]. In 2009, the Minister of Finance also gave the Bank responsibility for chairing a working group on corporate credit (see next box).

(1) The mandates of the members of the Board of Directors are set out in section 2.2 and on the website.

The Bank is a leading player in the field of economic and financial statistics.

determinants of adjustments to wages and labour costs, and their monetary policy implications. Finally, the *Household Finance and Consumption Network* analyses the link between the financial situation of households and their consumption patterns. In that connection, an in-depth survey will be conducted in 2010 on the financial behaviour of Belgian households.

Moreover, in order to keep constantly informed of the latest situation regarding research while encouraging university research projects in the monetary and financial sphere, the Bank organises joint projects whose findings are presented at international scientific conferences held every two years, as well as specialist macroeconomic seminars, in collaboration with Belgian universities. Apart from its permanent teams, it takes on prominent economists for a maximum term of two years and offers internships lasting from three to six months for young researchers working within its sphere of competence.

The desire to stimulate research and economic analysis is accompanied by a policy of active publication. The Bank publishes the *Research* and *Document* series of *Working Papers*, and an *Economic Review* supplying information on recent economic, financial and monetary developments (see Annex 5 in regard to the year 2009). Finally, it publishes an Annual Report on economic and financial developments at both Belgian and global level.

1.1.3.2 Statistics

Unlike many other central banks, the Bank holds a leading position in Belgium's statistical system. The many economic statistics which it produces help to inform the national and international authorities about the various facets of the country's economic activity, and are of great interest for monetary policy. Largely standardised at European level, these statistics are a first-hand source of information which the Bank uses as the basis for its research activities. They are also integrated into the statistics of the EU and the euro area.

Efforts made in recent years have improved the quality of the data collected, increasing the level of detail and optimising the data circulation while reducing the administrative burden on enterprises.

The statistics compiled by the Bank cover a number of subjects:

The **national accounts** offer a view of the country's economic transactions. Apart from the components of the main aggregates such as gross domestic product (GDP), they supply detailed information by economic sector and by branch of activity. A regional breakdown is provided for a growing number of variables. Detailed accounts are published once a year, but estimates of the main variables are available quarterly. An estimate of quarterly GDP is published thirty days after the end of the reference quarter. Like the foreign trade statistics, the national accounts

The Bank publishes a wide range of statistics compiled on the basis of the information it collects.

are compiled by the Bank on behalf of the National Accounts Institute.

The **financial accounts** are a sub-set of the national accounts. They identify the financial instruments in which the various sectors of the economy place their surpluses, and by which they finance their deficits. They are the principal tool for the macroeconomic monitoring of the preferences of the various economic players in terms of investment and financing. In regard to financial instruments, the Bank has one of the most complete databases in Europe. The detailed quarterly financial accounts are sent to the ECB, which uses them to compile consolidated data at European level.

The statistics produced in connection with the **excessive deficit procedure** concern the Belgian financing balance and public debt. They are compiled on the basis of the financial and non-financial accounts of general government, and forwarded to the European Commission twice a year. Since the definition of the convergence criteria which permitted the introduction of the euro, the public finances of euro area countries are kept under close surveillance by the ECB.

The **balance of payments** statistics are a significant economic indicator both at national level and at the level of the euro area, where they form part of the statistics on which monetary policy is based. They permit the recording of external factors (goods and services, incomes, transfers and capital) which contribute to the formation of gross national product. They incorporate in aggregate form the net **foreign trade statistics**, which cover exports and imports of goods by product and by country, and their regional breakdown. Accompanying the balance of payments, the statistics on direct investment concern capital transactions and other financial flows between Belgian enterprises and their foreign associates.

The **monetary and financial statistics** are forwarded regularly to the ECB, as they represent vital information for monetary policy. They comprise, on the one hand, statistics on monetary financial institutions (central bank, credit institutions and monetary undertakings for collective investment) and other financial institutions (non-monetary investment undertakings, pension funds, insurance companies, etc.), and, on the other hand, statistics concerning the money market and the capital market (share issues, shareholdings, movements in interest rates and stock market indices, etc.).

Business surveys permit monitoring of the opinions of business leaders and consumers on the Belgian economic situation. Since they anticipate economic activity in the euro area, some of these cyclical indicators attract a great deal of interest, not only in Belgium but throughout the world.

The Bank's statistics and research are available on its website. This site has facilities for arranging subscriptions; it also offers access to Belgostat, a statistical database with

The Bank is given responsibility by law for managing two central databases relating to enterprises : the Central Balance Sheet Office and the Central Corporate Credit Register.

many functionalities, regularly adjusted in line with user requirements.

1.1.3.3 Other information

The Bank also collects a mass of economic and financial information which is not directly connected with the preparation of monetary policy decisions but which supplements the available macroeconomic statistics. High-quality information on the financial situation of firms can in fact contribute to a good understanding of the economic mechanisms. In that regard, the Bank is particularly well placed since it has been made responsible by law for managing two central business databases : the Central Corporate Credit Register and the Central Balance Sheet Office.

CENTRAL CORPORATE CREDIT REGISTER

Corporate credit is one of the channels whereby monetary policy decisions influence the economy. It is therefore of particular interest to central banks. In the context of the global economic crisis, that aspect requires special attention.

The Central Corporate Credit Register records for each borrower all loans of 25,000 euro or more granted for business purposes by credit institutions based in Belgium. For the participants, that information is a key factor in the assessment of their credit risk. This central register exchanges its data with its counterparts in six countries : Germany, Austria, France, Italy, Portugal and Spain.

CENTRAL BALANCE SHEET OFFICE

Most enterprises in which the liability of the shareholders or partners is limited to their contribution – and certain other enterprises – have to publish their annual accounts and, if appropriate, their group consolidated accounts, filing them with the Bank's Central Balance Sheet Office. Large and very large non-profit associations and private foundations, and foreign legal entities, also have to file their accounts with the Central Balance Sheet Office. Those accounts include a social balance sheet giving information about employment. On the basis of the information collected, the Bank produces standardised series intended for economic analysis.

In 2009, over 98 p.c. of balance sheets were filed via the internet. Since the beginning of February, all the annual accounts filed during the year and the five preceding years have been available free of charge on the internet in PDF format. The number of sets of accounts consulted in that way increased from 183,000 per month in 2008 to 321,000 on 2009. Moreover, from March 2010, the references of the annual accounts filed since 1992 will also be available on the internet. The same applies to annual accounts filed in XBRL format, which will encourage the production of software taking advantage of the possibilities which that format offers.

Working Group on Corporate Credit

In February 2009, the Minister of Finance asked the Bank to set up a working group to assess the impact of the financial crisis on lending to businesses, and to issue recommendations with a view to improving access for businesses to the financing which they require. In its report, the working group offers an in-depth analysis of the situation, proposes the development in Belgium of instruments to facilitate the refinancing of the banks, recommends that the banks make full use of the available refinancing options and maintain lending to the private sector, and suggests an improvement in the circulation of information on credit and guarantee instruments developed by the Belgian authorities for SMEs, or even an extension of those instruments in so far as the budget permits.

The Bank also took a number of initiatives to speed up the public availability of relevant information concerning corporate credit. Since March 2009, it has published a monthly flash report on the radically revamped website of the Observatory for Credit to Non-financial Corporations. The Bank has also supplemented the information on conditions governing access to credit via a quarterly survey of entrepreneurs. Finally, to provide better information to lenders and improve their risk perception, it decided to extend the scope of the Central Corporate Credit Register with effect from 1 June 2011 : from then on it will include leasing and factoring companies, and the 25,000 euro declaration threshold will be abolished. The data recorded will also be supplemented by information useful for prudential supervision (probability of default and collateral) and by information on any payment incidents.

MICROECONOMIC ANALYSIS

Each year, the Bank publishes in its Economic Review a survey of the results of Belgian companies, based on the annual accounts of firms. Once a year, it also publishes a report on the Belgian ports and an estimate of their economic importance.

In addition, it conducts other one-off surveys. For instance, in 2009, it analysed the Central Credit Register data and the demography of firms. It also carried out research on the iron and steel industry, and the electricity, real estate and aviation sectors. Most of these studies were published in the Working Papers series (see Annex 5).

1.1.4 Implementation of monetary policy decisions

The main objective of monetary policy is price stability. However, the Eurosystem does not exercise direct control over prices, or even over the money supply. In fact, it issues banknotes in accordance with public demand, and those notes make up only a small proportion of the volume of cash held by firms and individuals in the euro area, the bulk consisting of bank deposits.

However, in order to acquire those banknotes, commercial banks have to borrow from the Eurosystem, which acts as the "bank of banks". In fact, it has a monopoly on the issuance of the banknotes which commercial banks need to be able to supply to their customers. The NCBs open accounts for commercial banks, and the latter settle their mutual debts by means of deposits with the central bank. In addition, the ECB stipulates a minimum amount for those deposits, namely the reserve requirements.

The implementation of monetary policy is decentralised : it is entrusted to the national central banks.

The Eurosystem's monetary policy consists in modifying the conditions under which commercial banks can obtain the liquidity which it provides. Those modifications in turn influence the conditions which the banks apply to the loans which they grant to their customers and to the deposits which they collect. The decisions of the ECB Governing Council can thus affect the movement in prices. In fact, an increase in the Eurosystem's interest rate, being reflected in the rates charged by banks, will in particular encourage consumers and firms to limit their borrowing, and that will restrain demand for goods and services and thus curb the rise in prices.

Where there is a risk of inflation (a generalised and persistent increase in prices), the Governing Council will therefore take a decision of that type. Conversely, if there is a risk of deflation (a generalised and persistent fall in prices), it will cut the Eurosystem interest rate in order to lower bank rates ; the borrowing which that stimulates will boost demand for goods and services, counteracting the fall in prices. Such a decision may also be taken if the risks relating to inflation diminish as a result of a weakening of the outlook for economic growth, for example.

1.1.4.1 Instruments

The Eurosystem has a number of instruments at its disposal for the attainment of its monetary policy objectives. The NCBs are closely involved in their implementation, it being part of their role to act as a link between the ECB and the credit institutions established in the individual Member States.

First, the banks are required to constitute **reserves** in the form of deposits with the NCBs, amounting to 2 p.c. of certain elements of their liabilities. The reserve requirements increase the need for the banks to obtain finance from the Eurosystem. Since the requirements only have to be met on average over periods of one month, the reserves can vary from one day to the next and absorb very short-term liquidity fluctuations due, for example, to variations in demand for banknotes. The compulsory reserves are interest-bearing.

Normally, the bulk of the liquidity is granted to commercial banks in the euro area via a one-week **weekly tender**. The Eurosystem also injects liquidity in the form of longer-term refinancing operations and fine-tuning operations. To be eligible to take part in the tenders, commercial banks must first lodge a certain amount of collateral with their country's central bank. They also indicate the amount of credit that they wish to obtain, and the interest rate which they are willing to pay, the minimum interest rate for one-week loans being fixed by the ECB Governing Council (this is its key rate). The NCBs submit these bids to

Recent developments

When signs of financial tensions emerged in August 2007, the ECB was the first central bank to take exceptional measures. It stepped up its intervention substantially in the autumn of 2008, when the collapse of *Lehman Brothers* threatened global financial stability. In May 2009, it extended its arsenal of enhanced credit support measures [(1)].

Interest rate cuts

Between October 2008 and May 2009, the key interest rate was cut by 325 basis points. It currently stands at 1 p.c., a historically low level for both the ECB and the NCBs which preceded it. Furthermore, the abundant supply of liquidity described below reduced very short-term interest rates on the money market, the overnight rate approaching the deposit facility rate, or 0.25 p.c. from April 2009. These interest rate decisions are in line with the Eurosystem's strategy, as inflation risks evaporated over this period, owing to the steep decline in prices of oil and other commodities, and the contraction in economic activity. True to its price stability objective, the ECB took account of the disappearance of inflationary tensions and cut interest rates. This led the commercial banks to reduce their rates, so that borrowers in the euro area benefited from particularly low interest rates.

Unconventional measures

In its efforts to control the crisis, the ECB Governing Council took five types of exceptional measures. From October 2008, in order to meet the banks' liquidity needs, it embarked on a policy of fixed-rate tenders, satisfying the banks' demand in full ; euro area banks thus obtained unlimited amounts against the lodging of collateral, at the ECB's key interest rate. The Governing Council also extended the average duration of Eurosystem loans : on 7 May 2009, it decided to arrange three one-year refinancing operations, conducted in June, September and December. It also temporarily extended the list of assets eligible as collateral for credit operations ; that measure did much to attenuate the banks' liquidity constraints during the crisis. As well as that, it organised the supply of liquidity in US dollar and in Swiss franc in order to improve the banks' financing conditions in those currencies. Finally, on 7 May 2009 it decided to launch a programme of direct purchases of covered bonds, denominated in euro and issued in the euro area. These are bonds issued by banks ; they are backed by high-quality assets held by the issuing bank, and present only a low risk. Securitised bonds were an important source of financing for euro area banks before the financial crisis deepened in the autumn of 2008, when the market literally collapsed. The Governing Council therefore concluded that the Eurosystem could aid the market's recovery by embarking on a direct purchase policy. It decided that, between July 2009 and June 2010, the Eurosystem would acquire those bonds to the value of 60 billion euro. The National Bank of Belgium is participating in that programme in the sum of 1.9 billion euro.

These measures were reflected in strong expansion of the Eurosystem's balance sheet. They increased money market liquidity and led to a restoration of confidence and an improvement in market conditions.

(1) More details on these measures may be found in chapter 2 of the 2009 Report on economic and financial developments.

the ECB, which decides the amounts to be lent by preferring to grant loans to banks offering to pay the highest interest rates. However, since October 2008, the refinancing operations have been conducted at a fixed rate, with full allotment at that rate (see box).

In addition, the Eurosystem offers euro area banks the opportunity to borrow or deposit funds overnight at pre-announced interest rates (**standing facilities system**). These rates are the limits within which money market overnight rates fluctuate.

The Eurosystem can also buy or sell foreign currency against euros, via **foreign exchange market operations**.

1.1.4.2 The Bank's role

As a member of the Eurosystem, the Bank intervenes at multiple levels in the decentralised process of executing monetary policy decisions, and particularly at the level of the liquidity injection operations, the standing facilities and the reserve requirements.

In addition, it assesses the quality of the collateral lodged in order to obtain these loans, and arranges custody of the collateral. Under the common collateral management platform model (see section 1.2.2.2), securities lodged as collateral may be located in Belgium or abroad, the central banks acting as correspondents for one another.

LIQUIDITY INJECTION OPERATIONS

Normal Eurosystem bids are announced via the financial information networks. The Bank can also notify the banks individually. Bids submitted to the Bank by the stipulated deadline are forwarded to the ECB. In each Member State, a credit institution's bids can only be submitted by one branch (the head office or a designated branch). The results are published by the ECB, and institutions making a valid bid are notified individually. Once the results have been announced, the Bank settles the transactions taking account of the collateral lodged.

STANDING FACILITIES

Every working day, the Bank makes available to authorised banks, against the lodging of collateral, an "intraday" credit facility intended to finance, during the day, the debit position recorded by the euro account opened in its books in the name of these institutions. Following the system's daily closure, the banks balance their settlement account by making use, if necessary, of the lending or overnight deposit facilities. These standing facilities bear interest at rates defined by the ECB Governing Council ; in normal circumstances, those rates define the limits of the fluctuation margin of the interest rate on the overnight market.

RESERVE REQUIREMENTS

Credit institutions established in Belgium are obliged to constitute and maintain monetary reserves with the Bank. Those reserves are constituted via special reserve accounts which must never record a debit balance. The Bank ensures that these obligations are respected, and keeps all participants regularly informed of the movements recorded in their reserve accounts.

These aspects are described in detail in the *General documentation on Eurosystem monetary policy instruments and procedures* and in the *Regulations regarding the National Bank's intraday credits and monetary policy transactions*, updated in 2009 and available on the Bank's website.

COMMUNICATION

While central banks have long been important centres of economic and financial information, communication is now regarded as a strategic issue. The need to render account is also regarded by all the Eurosystem partners as the legitimate corollary to the independence conferred on central banks by the Maastricht Treaty.

Every month, following the Governing Council meeting on interest rate decisions, the president of the ECB holds a press conference to announce the decisions taken and the reasons for them. The ECB has also published a precise definition of price stability [1] in order to boost the effectiveness of its monetary policy : taking account of the credibility which this institution enjoys, economic agents in fact tend to anticipate a movement in prices close to the stated target ; in the event of a shock, that anticipation thus means that the situation can return to normal more quickly.

(1) It is defined as a rise in the harmonised index of consumer prices of less than but close to 2 p.c. per annum, and must be maintained in the medium term.

The monetary policy instruments

In line with this general aim of openness in relation to the government, financial markets, enterprises, universities and the general public, the Bank organises press conferences, issues statements and holds symposia. It develops its communication tools on paper and in electronic form : economic research, reports, statistical information.

1.2 Financial stability and payment systems

The recent financial crisis highlighted the close coordination required between the two main aspects of the work of central banks : monetary stability, which – as we have just seen – consists in maintaining the purchasing power of the currency, and financial stability, which aims to prevent any dysfunction in the financial system from causing a slowdown or contraction in economic activity. Though price stability contributes to financial stability by reducing a major factor in uncertainty, it is not sufficient in itself. Thus, a context of sustained growth accompanied by low inflation may justify keeping interest rates relatively low, but such an environment may also help to increase the appetite for risk and encourage financial institutions to exploit the leverage effect by borrowing heavily in order to expand their market transactions or their loan portfolios. Moreover, by forcing the monetary authorities to increase the liquidity which they provide for the market, severe financial instability makes it more difficult to implement monetary policy.

The smooth operation of the financial system and the detection of adverse events which could destabilise it also depend on the prudential policy linked to the individual supervision of financial institutions. The recent financial crisis highlighted the great importance of these tasks, and – at both European and Belgian level – the authorities took initiatives in that regard which considerably strengthen the role of the central banks.

Their task of promoting the smooth operation of payment systems is in line with this concern for the stability and efficiency of the financial system. By issuing banknotes, central banks have always been involved in the sphere of payments. Nowadays, a large proportion of payments are effected via computerised platforms operating at transnational level, particularly in the euro area.

Modern central banks have two main tasks :

- **price stability**, i.e. controlling the purchasing power of the currency ;
- **financial stability**, which entails ensuring the smooth operation of the financial system and preventing serious malfunction.

1.2.1 Financial stability

The Bank contributes to the stability of the financial system as a whole. This macroprudential supervision aims to minimise systemic risk which may arise either because a large number of financial institutions adopt similar behaviour and react simultaneously to changing market conditions, thus accentuating cyclical movements, or because the failure of an institution or key infrastructure jeopardises the system as a whole by contagion.

1.2.1.1 International dialogue

In the European context, the Bank takes part in the work of various bodies and committees specialising in financial market regulation and monitoring. It is represented on the **Banking Supervision Committee**, in which the ESCB and those responsible for microprudential supervision (supervision of individual institutions) in the EU Member States examine structural and cyclical developments within the European banking system. In particular, this committee contributes to the ECB's *Financial Stability Review* and other Eurosystem publications on financial stability.

The Bank also takes part in the work of the **Committee of European Banking Supervisors** which issues opinions for the European Commission and promotes cooperation, convergence of practices and the joint implementation and correct application of the Community legislative framework. In 2009, this committee coordinated a set of stress tests on the banking sector. These tests, which covered the years 2009 and 2010, concerned a sample of 22 European groups engaging in international activities. They focused particularly on the relationship between the hard core of equity capital and the balance sheet total. It emerged that, even in an adverse economic situation, this ratio would still be well in excess of the current requirements for all the banks tested. In 2010, the Committee of European Banking Supervisors will be incorporated into the new institutional structure for the prudential supervision of EU financial markets and institutions which will be coordinated with the network of national financial supervisors to form the European System of Financial Supervision (see box).

As regards the Bank for International Settlements (BIS), the Bank takes part in the work of the **Committee on the Global Financial System**. It also has a seat on the **Basel Committee on Banking Supervision,** which comprises the world's leading 27 bank supervisors. At the end of 2009, this committee adopted a number of macroprudential measures designed to reduce the likelihood and scale of financial crises.

Current reforms

Following the unprecedented financial crisis which affected the global, European and Belgian financial sector, a series of reforms concerning supervision of the financial sector was launched at various levels.

Belgium

The High Level Committee for a New Financial Architecture, chaired by Baron Alexandre Lamfalussy, submitted its report to the government in June 2009.

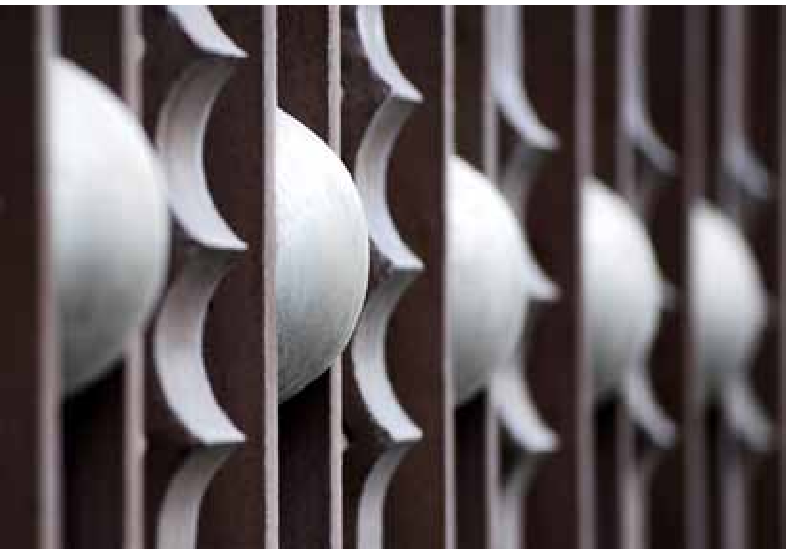
On 13 October 2009, in his general policy statement to the Chamber of Representatives and the Senate, the Prime Minister said that the government had approved the main outline of a preliminary draft law which provides for the structure of financial sector supervision to be converted to a "twin peaks" model. The Bank will supervise individual financial institutions and the overall stability of the system, while the Banking, Finance and Insurance Commission will supervise the smooth operation of the markets and the conformity of financial products and services, and will be responsible for consumer protection. The reform will therefore mean that the Bank will take charge of the prudential supervision of financial institutions, a responsibility currently entrusted to the CBFA.

European Union

On 25 February 2009, the de Larosière group, given a mandate by the President of the European Commission, presented a series of recommendations on financial regulation and supervision in Europe. They included the creation of a European macroprudential supervision authority, and the establishment of a European System of Financial Supervision composed of three European supervisory authorities responsible respectively for supervising the banking sector, the insurance and occupational pensions sector, and financial markets and securities.

On 20 October 2009, following the conclusions of this report, the EU Council agreed in substance on a draft Regulation establishing the European Systemic Risk Board (ESRB) and a Decision entrusting to the ECB some specific tasks relating to that board. On 2 December 2009, in the microprudential sphere, the Council agreed on a general approach on draft Regulations to establish three new authorities for the supervision of financial services in the Union, namely a European Banking Authority, a European Insurance and Occupational Pensions Authority and a European Securities and Markets Authority. The Council asked its president to start negotiations with the European Parliament with a view to the adoption of these draft Regulations at the first reading[1].

(1) On the subject of these drafts, see also the Bank's 2009 Report on economic and financial developments, p. 204.



The European Union and Belgium are preparing for reorganisation of the supervision of the financial sector. The Bank will ultimately take charge of all prudential supervision in Belgium.

1.2.1.2 Oversight of securities payment, clearing and settlement infrastructures

The oversight of securities payment, clearing and settlement infrastructures consists in defining rules to control the risks inherent in the operation of these infrastructures, conducting regular checks to ensure that those rules are respected and, if appropriate, making recommendations. The reference rules form the subject of consultation in the Committee on Payment and Settlement Systems, which comprises the representatives of the G10 and G20 central banks. In 2007, the Eurosystem initiated discussions on ways of improving coordination between the NCBs in regard to oversight activities.

Most of the rules on small-value payment systems are defined at Eurosystem level. On that basis, the Bank carried out an assessment of the Centre for Exchange and Clearing. In coordination with the Eurosystem, it also assessed the security and resilience of the Bancontact / Mister Cash card payment system and that of Mastercard Europe. In addition, the Eurosystem spelt out its policy on the oversight of securities settlement systems.

The Bank performs the role of lead overseer of the SWIFT secure messaging system, via a cooperative oversight arrangement involving the central banks of the G10. In cooperation with the CBFA, it also coordinates the oversight of the Euroclear S.A holding company, covering the central securities depositaries of six European countries. In addition, it is responsible for the supervision of the international securities settlement system managed by Euroclear Bank, the Euroclear Belgium system and the one operated by the Bank itself. Finally, it participates in the cooperative oversight of the central counterparty, Clearnet, and the TARGET2 and CLS payment systems.

Despite the difficulties encountered by a number of systemically important financial institutions following the collapse of the American investment bank *Lehman Brothers* in September 2008, none of the systems overseen by the Bank experienced any major operating problems.

Despite the financial crisis, none of the systems supervised by the Bank have experienced any serious operating problems.

1.2.1.3 Supervision of the market in public debt securities

The Bank is responsible for the day-to-day management of the Securities Regulation Fund. Apart from activities intended to improve the liquidity of the market in government bonds, this autonomous public institution regulates and supervises the secondary market in government securities. It also assists the Debt Agency in the management of the public debt.

1.2.1.4 Business continuity planning

In October 2004, in order to ensure that activities critical for the operation of the financial system can withstand events which may affect the continuity of operations (natural disasters, social unrest, acts of terrorism, epidemics, cyber-terrorism, etc.), the Financial Stability Committee issued a series of recommendations for critical financial institutions and infrastructures. The targets for the maximum period of time for resumption of business had to be achieved between 2007 and 2009. Assessment of the implementation of these recommendations by the Bank, responsible for the supervision of financial infrastructures, and the CBFA, in charge of the supervision of financial institutions, showed that the critical players in the financial sector generally respected the FSC's recommendations.

On 25 September 2009, the FSC's first operational crisis exercise was conducted with a critical player from the financial sector. This exercise involved participants from the Bank, the CBFA, the FSC secretariat, FPS Finance (Treasury) and Atos Worldline S.A. (AWL). The exercise was based on a scenario in which electronic payment systems run by AWL were out of service for an extended period. The fact that debit and credit card payments could not be effected and the resulting non-availaiblity of CARD STOP caused the FSC to activate its escalation procedure and decide to implement the measures laid down in the "Atos rescue plan" developed by the FSC to cater for such protracted non-availability. The exercise aimed to test not only the operational crisis management procedures of the participating institutions, but also the FSC's escalation procedure, the participants' speed of response, the adequacy of the decision-making processes and internal and external communication in the event of a crisis.

The FSC is planning to arrange other operational crisis exercises in the future.

SEPA
Single Euro Payments Area

The SEPA project aims to standardise a range of payment instruments at European level.

1.2.2 Management of payment systems

1.2.2.1 Payments in the European Economic Area

The aim of the **SEPA** (Single Euro Payments Area) project is that, in the European Economic Area plus Switzerland, credit transfers, direct debits and card payments and withdrawals should be standardised, efficient and cheap.

In Belgium, the consultation necessary to achieve that standardisation is organised by the Belgian Financial Sector Federation (Febelfin), in close collaboration with the Bank. Decisions on the subject are approved by the SEPA Forum, chaired by the governor of the Bank and comprising Febelfin, the big banks, the Post Office and the manager of the Banksys electronic payment systems, Atos Worldline. The aim is to ensure the transition to SEPA while safeguarding or even improving the efficiency achieved by the current payment systems.

The share of the European credit transfer in the total number of credit transfers in Belgium has risen from around 2 p.c. at the beginning of 2009 to 16 p.c. at the end of 2009, while in the payment area as a whole the use of the European credit transfer still accounts for less than 5 p.c. of the total. That success is attributable to the government and large companies.

European direct debits are also being phased in, as the final technical obstacles have been overcome and the Payment Services Directive has been transposed into Belgian law.

Finally, in regard to card payments, the efforts to achieve standardisation at European level have continued: Belgium launched an initiative (PayFair); a number of big German and French banks are also preparing the pan-European "Monnet" project, and some major national systems intend to establish mutual links via EAPS (Euro Alliance of Payment Schemes).

1.2.2.2 Eurosystem projects

Since November 2007, euro-denominated payment orders exchanged by Eurosystem credit institutions have been handled by a single platform. This system, called **TARGET2**, deals with payment orders submitted by its members, settling them one by one in real time via accounts opened in the books of the participating central banks. It also settles the cash element of securities transactions and the end-of-day balances generated by national clearing systems handling small value transactions. It is therefore responsible for the settlement of transactions effected by credit institutions based in Belgium, and the settlement of the cash element of transactions by the Bank's securities settlement system NBB-SSS and Euroclear Belgium; it also settles the balances of the Belgian retail payments system, CEC. In 2009, it

Model of the new ECB building.

operated almost continuously. However, the number of transactions processed was down slightly owing to the decline in economic activity following the financial crisis. As a daily average, the Belgian module handled 8,300 transactions, representing a total of 83 billion euro.

The Eurosystem has also developed a project intended to unify the infrastructure for the settlement of securities transactions by creating a single platform, **TARGET2-Securities** (T2S). Nineteen systems in the euro area and nine other systems have indicated their intention to participate. On 17 July 2008, the Eurosystem decided to develop the system, which will be based partly on the TARGET2 infrastructure. This project made significant progress in 2009 in regard to both the description of the functional and technical properties and the legal and contractual aspects, and the development of the system's management structures.

In addition, the Eurosystem decided to develop a common collateral management platform covering the loans which it grants to the banks. **CCBM2** (Collateral Central Bank Management 2) is to be developed and run by the National Bank of Belgium and De Nederlandsche Bank. The other Eurosystem members have all expressed their intention to participate in one or more of the new system's modules. Since the definition of the functional and technical characteristics is almost complete, the intention is to determine the final timetable and confirm the method of participation by the central banks in the first half of 2010.

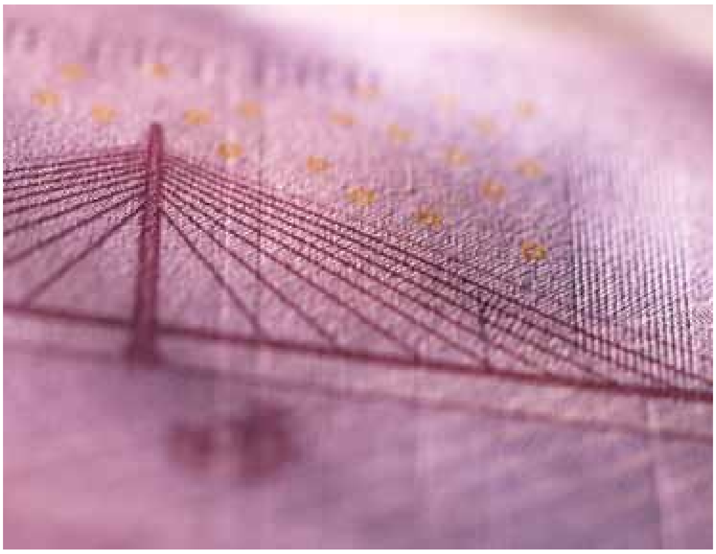
1.2.2.3 National payment systems

At national level, the Bank is responsible for the management of the NBB-SSS and the CEC.

The **NBB-SSS** (National Bank of Belgium – Securities Settlement System) handles the settlement of fixed-income securities. The credit crisis led governments and firms to make a very large number of issues in 2009, causing a 63 billion euro surge in the outstanding total of these instruments, which brought them up to 473 billion euro – with private sector securities accounting for 35 p.c. of that figure. Furthermore, the system settled securities totalling 16 billion euro per day, representing an increase of 3 p.c. compared to the previous year.

The **CEC** (Centre for Exchange and Clearing) handles virtually all interbank non-cash payments in Belgium. On average, 4,473,000 transactions per day were effected via the CEC in 2009, an increase of 5.6 p.c. compared to 2008. The average daily amount was very similar to the 2008 figure, at 3.2 billion euro.

The active role which the Bank performs in the field of international cooperation is derived directly from its responsibilities as a monetary authority and Eurosystem member.



1.3 Other duties

1.3.1 At international level

1.3.1.1 International Monetary Fund

In consultation with the government, the Bank takes part in the preparation of positions adopted by the Belgian executive director of the International Monetary Fund, who heads a constituency composed of ten countries (Austria, Belgium, Belarus, Hungary, Kazakhstan, Luxembourg, Czech Republic, Slovakia, Slovenia and Turkey). It finances Belgium's contributions to the Fund's capital and conducts financial transactions between Belgium and the IMF. It assists the IMF in its annual survey of Belgium's economic and financial situation.

1.3.1.2 Organisation for Economic Cooperation and Development

The Bank is active in the Organisation for Economic Cooperation and Development, a discussion forum comprising thirty countries dedicated to democracy and the market economy. The OECD's activities concern economic policy and all aspects of policies which lend themselves to an economic approach (education, scientific research, transport, the environment, social affairs, etc.). The Bank takes part in the work of the Economic Policy Committee, the Financial Markets Committee and the Investment Committee.

1.3.1.3 European Union

The Bank helps to devise European legislation on banking and finance, and takes part in the work of a number of committees and working groups operating under the aegis of EU institutions. Thus, it is represented on the Economic Policy Committee and the Economic and Financial Committee which contribute to the preparation of the work of the Economic and Financial Affairs Council, and express opinions. The maintenance of financial stability also entails close international cooperation, which takes place particularly at European level (cf. 1.2.1.1).

1.3.1.4 International trade

Where financial services are concerned, the Bank also contributes to the work of the Trade Policy Committee, which assists the European Commission in negotiations on the liberalisation of trade in services. In addition, it helps the government to monitor the negotiations on the liberalisation of financial services conducted by the World Trade Organisation.

The Bank contributes to the drafting of European banking and financial legislation.

It provides technical assistance for other central banks.

1.3.1.5 Technical assistance

Finally, the Bank provides technical assistance for some of its colleagues. It draws up priorities here, to refine the targeting of its action and improve its effectiveness. In recent years, the central bank of the Democratic Republic of Congo has been top of the list of priorities. In the Bank's opinion, it is very important that its cooperation with the Central Bank of Congo should be in line with the approach of the Belgian authorities and international institutions (IMF, World Bank). It offers assistance on monetary policy, statistics, payment systems, trading rooms, banknote and coin circulation and IT. Several times a year, a team is sent out to devise or update an action plan, make recommendations, provide training or give assistance.

Next in order of priority come the countries represented by the Belgian executive director at the IMF, the EU candidates or potential candidates, and the partner countries for Belgian development cooperation.

1.3.2 At national level

1.3.2.1 State Cashier

Ever since the Bank was founded, the State has entrusted it with the role of State Cashier. The content of that role has changed considerably over the years. Nowadays it consists mainly in centralising the State's current revenue and expenditure each day in a single account. Following addition of the balance of the Post Office's transactions and in consultation with the Treasury, surpluses are allocated to investment, and deficits are covered by short-term borrowings.

The Bank also plays an important role in the issue of State loans, taking charge of their financial servicing. The Bond Centre payment agency enables bank branches to submit redeemable securities and coupons due direct to the Bank for encashment, without first collecting them centrally at their head office. Nowadays, securities issued by the State are dematerialised.

To give consumers better protection against the risk of excessive debt, it was decided by law to set up a Central Individual Credit Register.

1.3.2.2 Exchange reserves

In connection with the basic tasks under the ESCB [1], the Bank holds and manages the State's foreign exchange reserves. The risks associated with that activity are listed in the Management Report (see 3.1.1).

In accordance with Article 30 of the Protocol on the Statutes of the ESCB and the ECB, the Bank transferred to the ECB an amount of foreign exchange reserve assets proportionate to its share in the subscribed capital of the ECB. It manages those assets on behalf of the ECB and in accordance with its guidelines.

1.3.2.3 Information and protection for individuals

PROTECTION AGAINST EXCESSIVE DEBT

The Central Individual Credit Register is a tool for combating excessive debt. It records all credit contracts concluded for private purposes by individuals, and any instances of default on such loans. Lenders must consult the register before granting credit, and borrowers may also consult their own data on the register. The register can be consulted via the internet or at the Bank's counters.

The economic and financial crisis began to have an impact on the figures collected by this central register from the last quarter of 2008. The negative effect of those events became still more apparent in 2009. Thus, the number of new cases of arrears of payment increased by 8.3 p.c., causing the amount of arrears to rise from 1.86 billion euro to 2.16 billion, an increase of 16.1 p.c.

In that context, there are calls for extending the central register to new types of debt. The federal Minister responsible for Consumer Protection asked the Bank to examine this possibility.

PROTECTION OF DEPOSITS AND FINANCIAL INSTRUMENTS

In the event of the failure of a credit institution, there is a guarantee of 100,000 euro covering deposits and other similar savings assets (savings accounts, deposit accounts, registered savings notes, dematerialised savings notes or those recorded in a securities account) held by individuals, associations and small and medium-sized enterprises.

The Deposit and Financial Instrument Protection Fund intervenes under this guarantee system. This public institution is directed by a Board of Directors with representatives of the government, credit institutions and investment firms. The Bank is responsible for its day-to-day management. Its operating procedures and annual reports can be consulted on its website (www.protectionfund.be).

(1) Article 127 (2) of the Treaty on the Functioning of the EU lists these tasks as follows: to define and implement the monetary policy of the Union, to conduct foreign exchange operations, to hold and manage the official foreign exchange reserves of the Member States, to promote the smooth operation of payment systems.

The Bank's library is one of the most comprehensive economic and financial libraries in Belgium.

In the case of financial instruments deposited in an account, the amount guaranteed in the event of non-restitution following the failure of a credit institution or investment undertaking is 20,000 euro. There are also other arrangements protecting the holders of financial instruments recorded on an account. For instance, they have a direct claim on their securities, which are not included in the assets to be shared among the creditors of the failed institution.

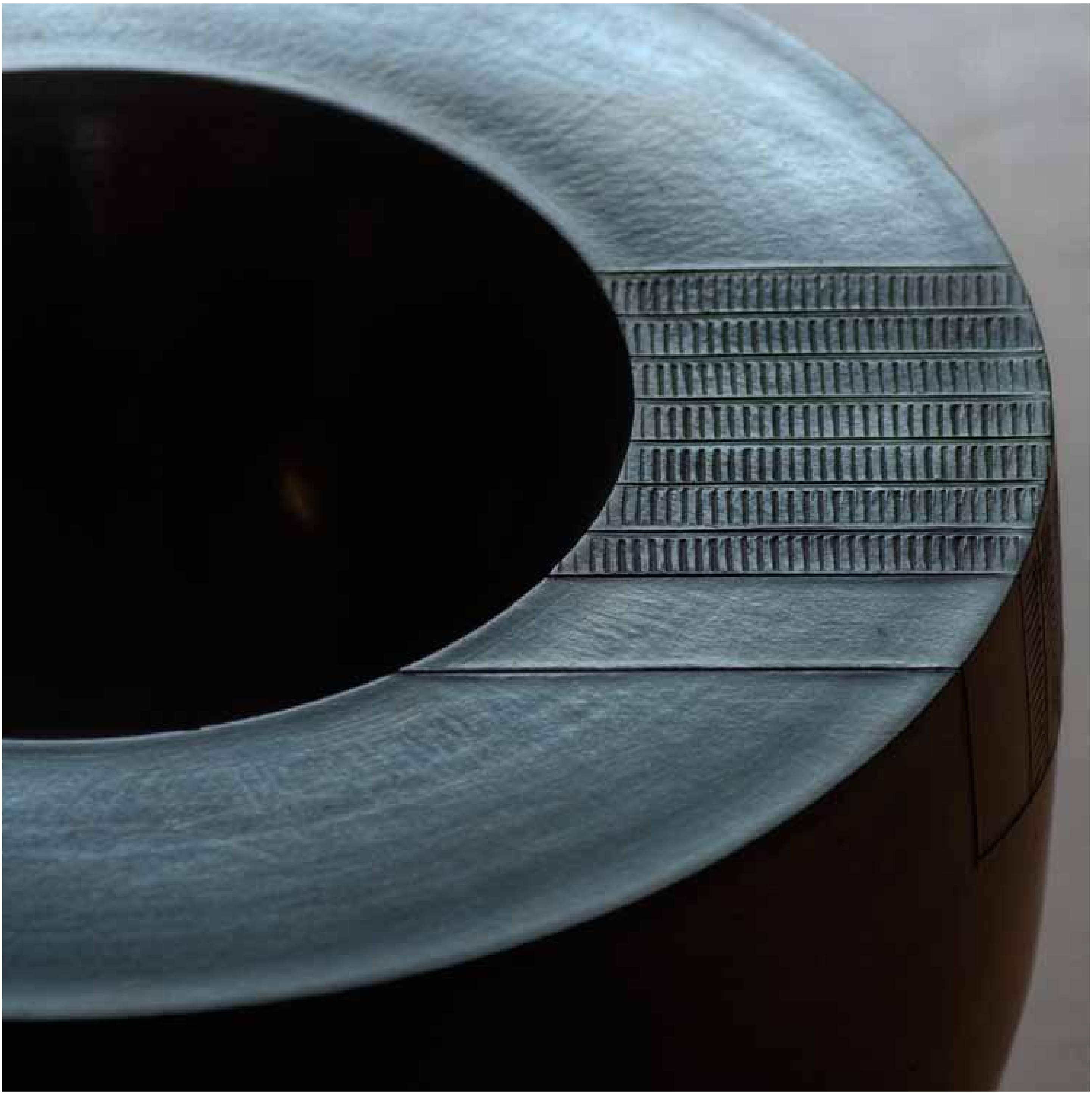
EDUCATIONAL ACTIVITIES

In 2005, the EU's Economic and Financial Affairs Council asked the Member States to step up their efforts in the field of financial education. In that same year, the OECD published the first international study on the subject, together with a number of guidelines concerning good practice in that area. This work highlighted the effectiveness of long-term financial education programmes so long as they are accompanied by raised awareness among the general public and in the teaching world. Since then, the economic crisis – which originated in financial practices which are often impossible for the general public to fathom – has reinforced this need.

At the National Bank of Belgium, publications and other information media aimed at the general public or schools have proliferated since 2002. In that year, the Bank's Museum was remodelled to become a popular point of contact with the educational world. Building on that basis, in 2008 the Bank set up a seminar for secondary teachers of Economics ; the second such seminar was held in October 2009 on the national accounts. During the year under review, in order to provide a permanent basis for its links with the teaching world, the Bank's Museum also launched a new website (www.nbbmuseum.be), covering all the available teaching aids. The Bank has also just published a revised edition of the Museum's educational dossier. It effectively believe that teachers are the key partners through whom it can perform its task of informing the general public.

Finally, the Bank has one of the most comprehensive economic and financial libraries in Belgium. In May 2010, the library will be relocated in order to offer more services for an ever-growing public, in more congenial surroundings.

The Bank’s Museum.



Tjok DESSAUVAGE, Potstruktuur, 22 x 24,5 x 24,5 cm, 1987, ceramic. Photo by Philippe Debeerst. © Tjok Dessauvage.

2. GOVERNANCE

The pre-eminence of the public interest tasks entrusted to the Bank justifies its special status and 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 on the Functioning of the EU, 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, intended to provide it with a sound financial basis and to ensure that the surplus seigniorage income accrues to the State.

It was also because of the Bank's tasks in the public interest, inherent in its role as a central bank, that the law has endowed 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 on the Functioning of the EU, 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. In particular, it is not subject to the regulations on the production and circulation of periodic information.

The rules on sharing out the Bank's income were amended by the Law of 3 April 2009.

2.1 Legal framework

2.1.1 Financial provisions and date of the General Meeting

The rules on the sharing of the Bank's revenue were amended by the Law of 3 April 2009 (1). With effect from the 2009 financial year, the 3 p.c. rule is abolished and the balance of the profits for the year, after formation of the necessary reserves and remuneration of the shareholders, is allocated to the State. The law thus ensures, by a simple, transparent and effective means, that the surplus income in relation to the Bank's expenses, including the remuneration of the capital, accrues to the sovereign State, which is thus remunerated for the right granted to the country's central bank to issue banknotes.

In order to protect the shareholders, the Law stipulates a statutory lower limit for the dividend : so long as there are sufficient profits for distribution, at least half of the net proceeds of the assets forming the counterpart to the profits previously set aside (reserve fund and available reserve) must be distributed to the shareholders in the form of a second dividend.

On 22 July 2009, the Bank defined and published its new reserve and dividend policy. The 22 July press release is attached as Annex 4. The new reserve and dividend policy was explained in detail at two public information sessions in November 2009. The explanatory slideshows used on that occasion are available on the Bank's website (www.nbb.be).

In order to prevent the ECB's results from being revealed before publication of its annual accounts, the Law of 3 April 2009 authorises the Council of Regency to change the date of the Ordinary General Meeting of shareholders to the last Monday in May. Under that provision, at its meeting on 17 June 2009, the Council of Regency therefore amended Article 61 of the Statutes. (2)

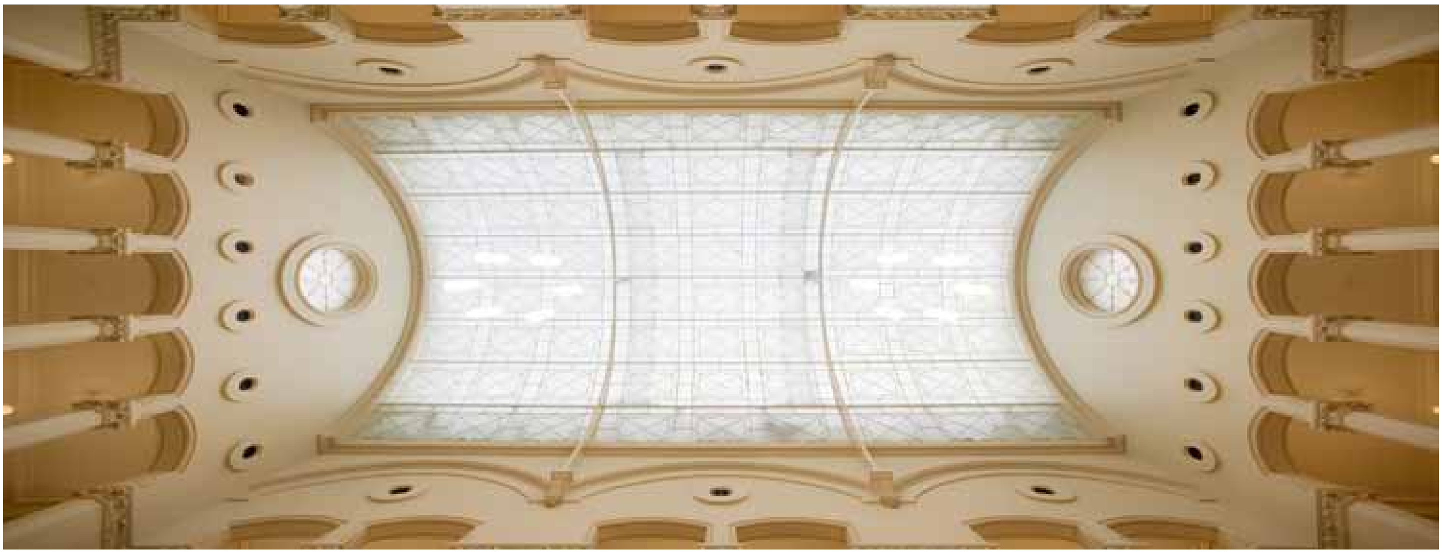
A group of the Bank's shareholders has brought an action before the Constitutional Court seeking cancellation of the Law of 3 April 2009.

2.1.2 Legal proceedings

Three legal actions brought against the Bank by some of its shareholders are pending before the Brussels Court of Appeal.

(1) Law of 3 April 2009 amending the financial provisions of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, *Moniteur belge/Belgisch Staatsblad* of 28 April 2009, pp. 33434 to 33435.

(2) This amendment was approved by Royal Decree (*Moniteur belge/Belgisch Staatsblad* of 23 July 2009, p. 50404).



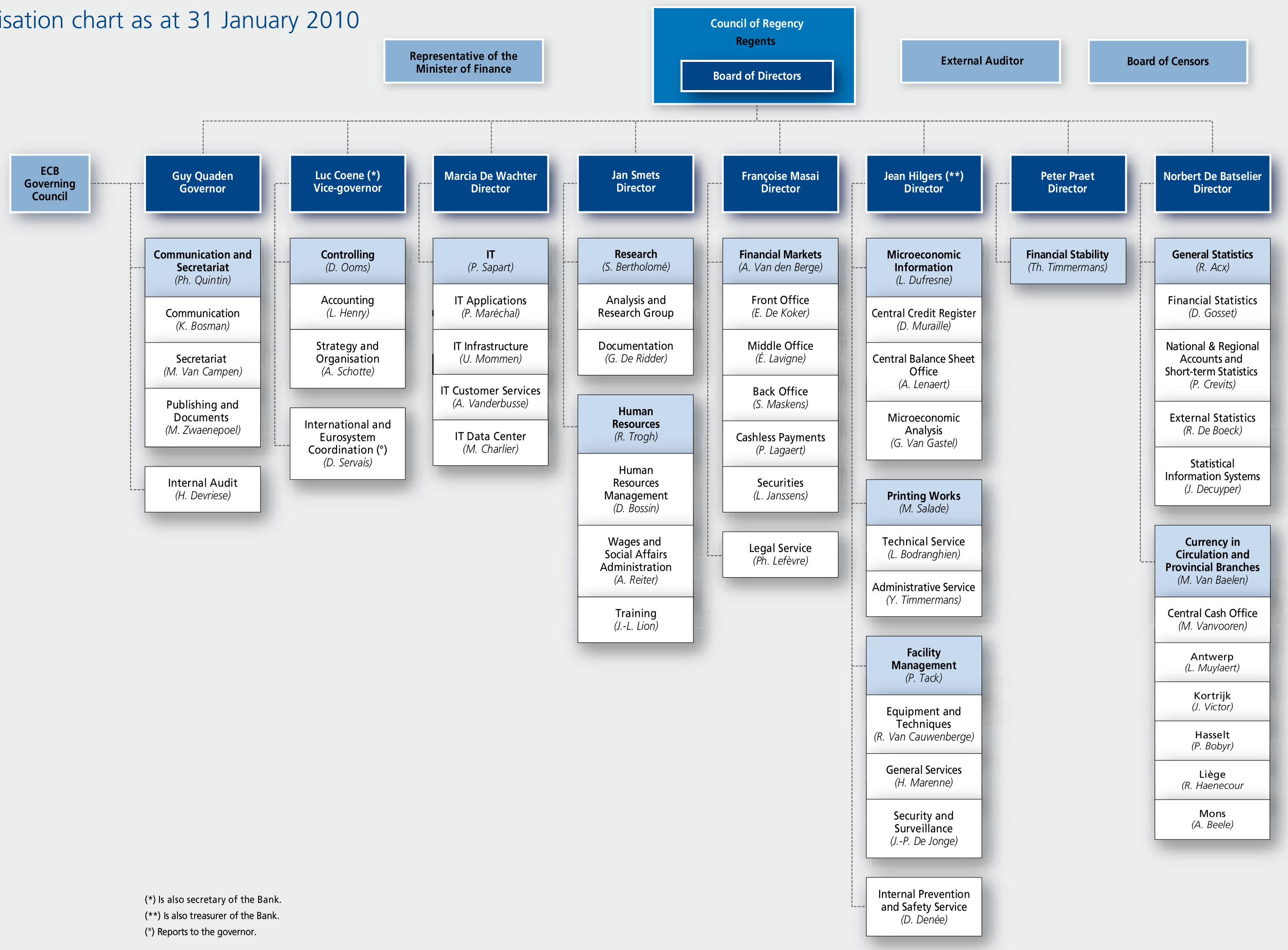
The first case concerns the appeal brought by a group of shareholders against the ruling handed down by the Brussels Commercial Court on 27 October 2005. The applicant shareholders are demanding liquidation of the Bank's reserve fund on the grounds that the Bank had lost its right of issue at the time of the transition to Economic and Monetary Union. The Court nevertheless 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 are 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 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 the former Article 29 of the Organic Law and in the former 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 are seeking a ruling ordering the Bank and the State jointly, or *in solidum*, to pay them the sum of € 9,333.67 per share [1] in the Bank, plus interest. The applicant shareholders claim 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.

Organisation chart as at 31 January 2010



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

2.2 Administration and supervision

2.2.1 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 vitæ 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 Governing Council and the General Council of the ECB;
- Director of the Bank for International Settlements;
- Governor of the International Monetary Fund;
- Alternate governor of the Bank for International 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, the Study Group on Ageing (High Council of Finance) and the financial sub-committee of the Carnegie Hero Fund;
- 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.

2.2.2 Board of Directors

The Board of Directors met 43 times in 2009.

Members:	Term of office expiry date
Mr Guy Quaden, governor	28 February 2014
Mr Luc Coene, vice-governor and secretary	3 August 2015 (1)
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 vitæ 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:

(1) The Royal Decree of 6 July 2009 renewed the term of office of Mr Coene for six years from 4 August 2009.

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

Mrs De Wachter

- Member of the Management Committee 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 Deposit and Financial Instrument Protection Fund, 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 Management Committee, the Financial Stability Committee, the Administrative Board of the Ageing Fund, the Administrative Board of Egmont – the Royal Institute of International Relations – and the Administrative Board of the Francqui Foundation.

Mr Hilgers

- Member of the Financial Stability Committee, the Securities Regulation Fund, the Board of Directors of the Deposit and Financial Instrument Protection Fund, the Belgian Institute of Public Finances, the High Council of Finance, 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 Management Committee, 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, the Board of the Brussels European and Global Economic Laboratory (BRUEGEL)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.

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

1 Piet Vanthemsche, REGENT
2 Karel Van Eetvelt, REGENT
3 Rudy De Leeuw, REGENT
4 Rudi Thomaes, REGENT
5 Jean-Pierre Arnoldi, REPRESENTATIVE OF THE MINISTER OF FINANCE
6 Peter Praet, DIRECTOR
7 Jean Hilgers, DIRECTOR
8 Michèle Detaille, REGENT
9 Françoise Masai, DIRECTOR
10 Jan Smets, DIRECTOR
11 Didier Matray, REGENT
12 Norbert De Batselier, DIRECTOR
13 Martine Durez, REGENT
14 Marcia De Wachter, DIRECTOR
15 Gérald Frère, REGENT
16 Luc Cortebeeck, REGENT
17 Jacques Forest, REGENT
18 Luc Coene, VICE-GOVERNOR
19 Guy Quaden, GOVERNOR

2.2.3 Council of Regency

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

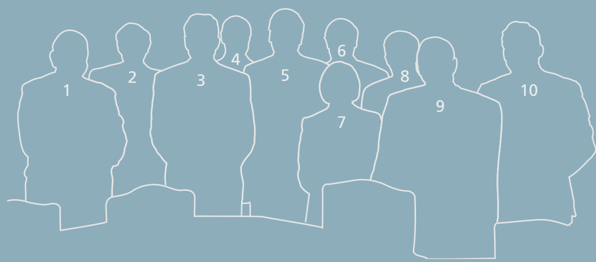
Regents:	Term of office expiry date
Mr Gérald Frère (1)	31 May 2010
Mr Jacques Forest (2)	30 May 2011
Mr Luc Cortebeeck (3)	29 May 2012
Mrs Martine Durez (1)	31 May 2010
Mr Rudi Thomaes (2)	29 May 2012
Mr Didier Matray (1)	30 May 2011
Mr Rudy De Leeuw (3)	31 May 2010
Mr Piet Vanthemsche (2)	29 May 2012
Mr Karel Van Eetvelt (1)	30 May 2011
Mrs Michèle Detaille (1)	29 May 2012

The Ordinary General Meeting on 30 March 2009 renewed the terms of office of the regents Messrs Luc Cortebeeck, Rudi Thomaes and Piet Vanthemsche. Mr Karel Van Eetvelt and Mrs Michèle Detaille were elected as regents to replace Messrs Christian Van Thillo and Pierre Wunsch. The term of office of Mr Van Eetvelt, completing that of his predecessor, will end at the close of the Ordinary General Meeting in 2011. The other terms of office will end at the close of the Ordinary General Meeting in 2012.

The Council of Regency meets at least twice a month. It met 31 times in 2009.

(1) Elected on the proposal of the Minister of Finance.
(2) Elected on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders.
(3) Elected on the proposal of the most representative labour organisations.

Board of Censors



1 Luc Carsauw
2 Jean-François Cats
3 Philippe Grulois
4 Jean Eylenbosch
5 Baron Paul Buysse
6 Bernard Jurion
7 Francine Swiggers
8 Jan Vercamst
9 Michel Moll
10 Jean-François Hoffelt

2.2.4 Board of Censors

Members:	Term of office expiry date
Baron Paul Buysse	31 May 2010
Mr Philippe Grulois	29 May 2012
Mr Jean-François Hoffelt	29 May 2012
Mr Bernard Jurion	29 May 2012
Mr Luc Carsauw	31 May 2010
Mr Michel Moll	30 May 2011
Mr Jean-François Cats	31 May 2010
Mr Jan Vercamst	30 May 2011
Mrs Francine Swiggers	30 May 2011
Mr Jean Eylenbosch	30 May 2011

The Ordinary General Meeting on 30 March 2009 renewed the terms of office of the censors Messrs Philippe Grulois, Jean-François Hoffelt and Bernard Jurion. Mrs Francine Swiggers and Mr Jean Eylenbosch were elected censors to replace Mr Rik Branson and Mrs Michèle Detaille. Their terms of office will expire at the close of the Ordinary General Meeting in 2011, and those of Messrs Grulois, Hoffelt and Jurion will expire at the close of the Ordinary General Meeting in 2012.

The Board of Censors met eight times in 2009.

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.

2.2.5 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 2009.

2.2.6 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.

This committee met once in 2009.

2.2.7 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.

2.2.8 General Meeting

At the Ordinary General Meeting on 30 March 2009, the governor and vice-governor reported on the operations of the financial year 2008. 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 approved the postponement of the dividend payment date from the second to the fifth bank working day after the general meeting, and conducted the necessary elections to renew the expiring terms of office of regents and censors, and to fill the vacant posts. The minutes of this meeting are available on the Bank's website.

At the end of 2009, the Bank had 1,964 employees, down by 44 units on the previous year.

2.2.9 Auditor

The firm Ernst & Young Réviseurs d'entreprises/Bedrijfsrevisoren, 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 Réviseurs d'entreprises/Bedrijfsrevisoren 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.

2.3 Human resources

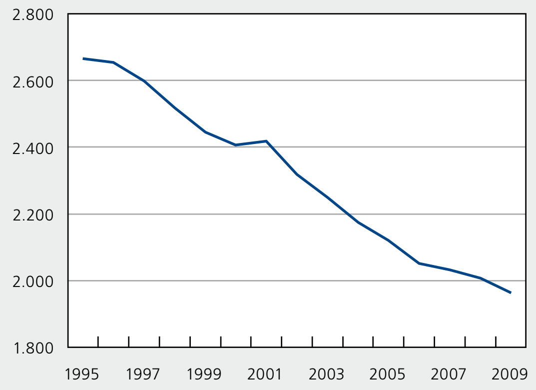
2.3.1 Management

The workforce declined by 44 units in 2009, compared to a reduction of 24 units in 2008. The 2009 figure is the outcome of 55 persons retiring and 11 recruited. The Bank is continuing to cut down on staff via rationalisation as a result of productivity gains. The Bank employed 1,964 full-time equivalents as at 31 December 2009.

Several selection procedures were launched last year to recruit graduates, mainly economists, lawyers and IT specialists. The Bank is also looking for new programmers.

WORKFORCE

(full-time equivalents as at 31 December)



Source: NBB.

A new collective labour agreement was concluded in 2009 for the 2009-2010 period in the public credit institutions sector of which the Bank forms part. That agreement is true to the traditional policy of job security and extends a range of provisions concerning time credit and part-time working.

The efforts devoted to training for a number of years now have continued in an environment where employability and mobility are more topical than ever. All members of

All members of staff are offered the opportunity to improve their skills. Special attention is paid to those taking up a new job following restructuring.

staff are therefore offered the opportunity to maintain and improve their skills. Special attention is paid to those taking on a new job following restructuring, and to managers and potential managers who have completed a Development Centre programme; the aim is to encourage them to improve their staff management and task management skills.

Following the favourable overall assessment of the pilot projects, two forms of distance working were made available to large sections of the staff. This concerns home working and satellite working, which enable employees to work on a regular basis at one of the provincial branches close to their home. Distance workers not only save time on travelling, they also say that they work more efficiently. This form of working also makes it easier to combine work with family life. In most cases, use of this arrangement is temporary.

2.3.2 Obituaries and retirement

The Bank was saddened to hear of the death of Baron Jean Godeaux, honorary governor, on 27 April 2009. Mr Godeaux joined the Bank in 1947. From 1949 to 1954, he held a number of posts at the International Monetary Fund and at the International Bank for Reconstruction and Development. After that he began a career at Banque Lambert, where he became the chairman of the management board in 1973. From 1974 to 1982, he was also chairman of the Banking Commission. He was appointed governor of the Bank on 1 March 1982. He held numerous other posts, both in Belgium and at international level. He retired in July 1989. In recognition of his numerous services to the country, he was awarded the title of baron.

The Bank was also saddened by the death of Mr François Martou, honorary regent. Mr Martou was a regent from 1993 to 2001. As an economist and educationalist, he held posts including that of university professor, president of the Christian Labour Movement (MOC) and vice-chairman of the Board of Directors of the broadcasting organisation RTBF.

The Bank was also saddened by the death of two members of its staff: Mrs Ilse Van Pottelbergh and Mr Dominique De Vos. They will always be remembered.

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 L. Ghekiere, J. De Wolf, G. Vangheluwe, D. Vermeiren and R. Van Keymeulen.

It also thanks the members of the clerical staff whose careers came to an end in the past year:

Messrs	E. Arbyn
	M. Baes
	R. Boghmans
	R. Boudou
	M. Claes
Mrs	D. Collombon
Messrs	J.-P. Courtois
	G. De Buck
	W. De Coster
	G. De Fauw
Mrs	L. De Pauw
Mr	P. Dercy
Mesdames	M. De Roo
	M. Desmedt
	I. De Wit
	G. Dogge
	R. Dumont
	M. François
Mr	R. Haentjens
Messrs	D. Heremans
	K. Keirsmakers
Mrs	A. Lambert
Messrs	Ph. Lambert
	M. Mariën
	C. Mertens
	R. Mertens
Mesdames	M.-Th. Michel
	M. Nollet
Messrs	M. Peeters
	M. Perikel
	G. Piot
	M. Ravyts
Mesdames	C. Remmerie
	M. Rillaert
Mr	F. Roekens
Mrs	J. Rosé
Mr	R. Schoenmaekers
Mrs	J. Seny
Messrs	G. Snel
	A. Stevens
	G. Tonus
	G. Van Craenenbroeck
	L. Van Damme
	E. Van Den Bossche
Mrs	G. Vanderputten
Mr	R. Vanderweerde
Mrs	P. Van De Voorde
Mr	A. Van Hoeck
Mrs	V. Van Mol
Messrs	E. Verbanck
	J. Verest
	J. Vermeir
Mesdames	L. Vierendeels
	M. Weemaes
	M.-C. Wesel

As a holder of the "Ecodynamic Enterprise" label, the Bank reduces its environmental impact year by year.

2.4 Sustainable management

In 2008, the Bank was awarded an Ecodynamic Enterprise label by the Brussels Institute of Environmental Management (IBGE/BIM), achieving two stars out of a possible three.

This recognition was the culmination of a long-term effort whereby the Bank has gradually integrated environmental management into the general management of the institution. This label is subject to review every three years. It is therefore important to make constant progress and to record new achievements.

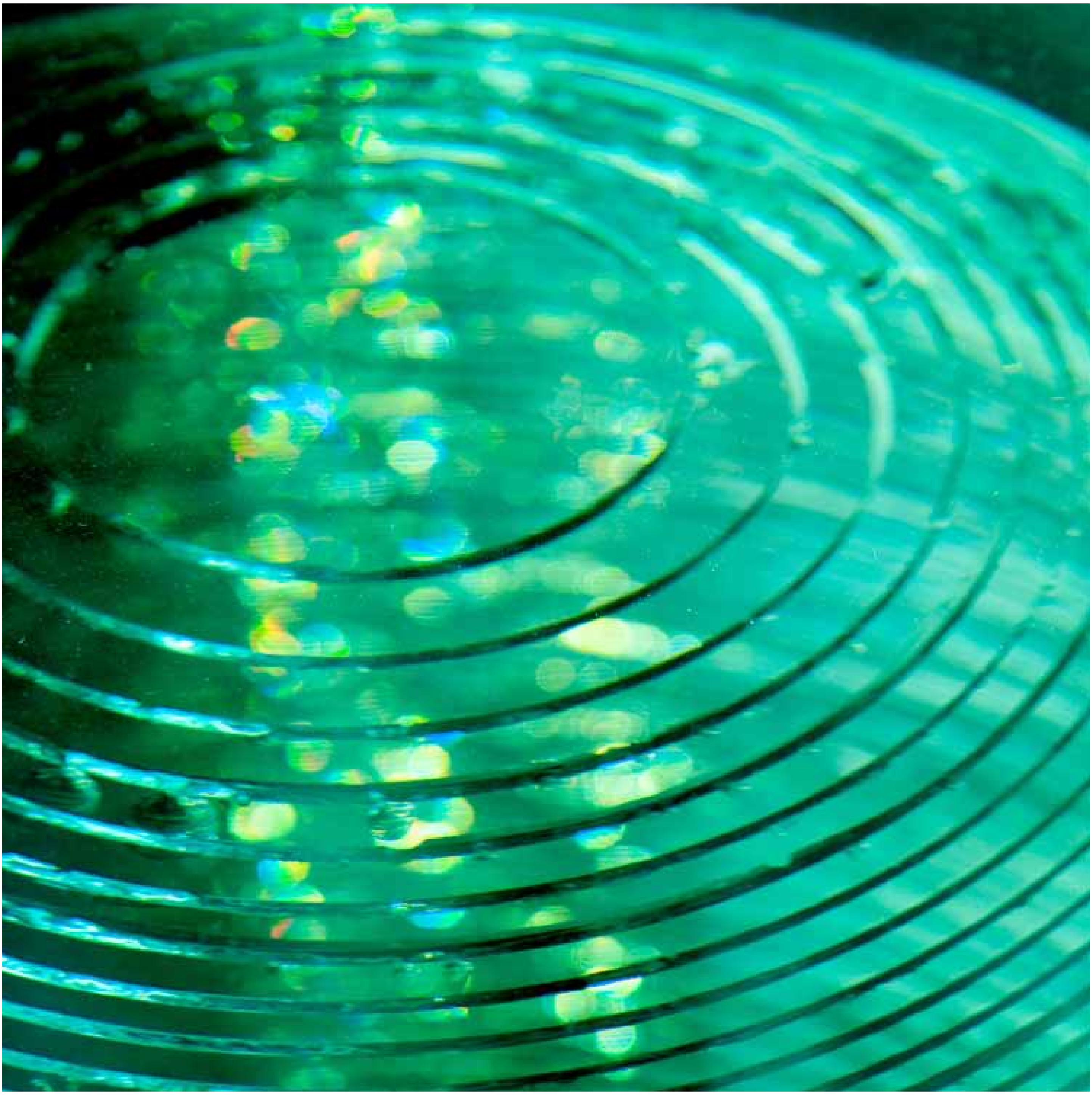
In that regard, 2009 saw the entry into service of a solar water heating system combined with two condensing boilers for the hot water supply to the main building, cutting by a factor of 4 to 5 the energy used to produce hot water for the washrooms.

In the context of the ambitious Accommodation Master Plan, a quarter of the 600 windows in the main building have already been fitted with new frames providing much better heat and sound insulation.

Electricity consumption is still declining steadily, mainly owing to the cumulative effect of small measures, such as the gradual replacement of the lights in the buildings, comprising in particular the installation of intelligent lighting and the systematic use of energy-saving bulbs. The effect is particularly noticeable in the Computer Centre facilities. The reduction in the space required for machinery has made it possible to adjust the size of the ventilation equipment.

In 2008, an energy audit at the central energy plant led to preparation of an ambitious plan comprising the replacement of old heat pumps, refrigeration equipment and cooling towers, and the installation of a combined generation system. In 2009 came the technical survey which will lead to work scheduled for the autumn of 2010. Another energy audit, this time focusing on the central heating system, has begun. It will lead to the installation of another combined generator and a condensing boiler.

The Printing Works, which already holds the ISO 9001 quality management certificate and, since 2007, the ISO 14001:2004 environmental management certificate, is preparing to obtain a third certificate in 2010 relating to the working environment and safety: the OHSAS 18001.



Carla AROCHA, No title (Ball), 100 x 80 x 35 cm, sheets of glass on wooden base, 2006. Photo by Philippe Debeerst. © Carla Arocha.

3. ANNUAL ACCOUNTS AND REPORTS ON THE FINANCIAL YEAR

3.1 MANAGEMENT REPORT

The Law of 3 April 2009 and the new reserve and dividend policy

The rules on the allocation of the proceeds of the National Bank were amended by the law of 3 April 2009 (1). With effect from the 2009 financial year, the 3 p.c. rule is abolished and the balance of the profits for the year, after formation of the necessary reserves and remuneration of the shareholders, is assigned to the State. The Bank may form an available reserve to offset losses or to supplement the profits for distribution.

The law stipulates a lower limit for the dividend : in so far as the profits for distribution are sufficient, at least half of the net proceeds from the assets forming the counterpart to the previously retained earnings (reserve fund and available reserve) must be paid out to the shareholders in the form of a second dividend.

The law abolishes the share of the annual profit allocated to the staff or to institutions in its favour ; however, that does not alter the Bank's policy in regard to its staff in terms of either remuneration or group benefits.

On 22 July 2009, the Bank defined and announced its new reserve and dividend policy.

With effect from the 2009 financial year, the rules on profit distribution are as follows :

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

2. 25 p.c. of the profit for distribution is added to the available reserve. Each year, the Bank sets the minimum amount of the reserves which must be available to it in the light of the risks which it incurs. As a result of that assessment, the Bank may decide to form additional reserves.

(1) Law of 3 April 2009 amending the financial provisions of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, *Moniteur belge / Belgisch Staatsblad* 28/04/2009, pp. 33434-33435.

3. The second dividend is set at 50 p.c. of the net proceeds from the portfolio which the Bank holds as the counterpart to its total reserves. The net proceeds is the figure reported in the profit and loss account after deduction of corporation tax at the effective rate due. The second dividend is guaranteed by the available reserve, unless the Bank considers that the level of its reserves would consequently become too low.

4. The balance of the profit is assigned to the State. That balance never includes any write-back from reserves, nor may it reduce the undistributed part of the net proceeds from the portfolio which the Bank holds as the counterpart to its reserves. That part has to be reserved.

On 8 May 2009, (the date of entry into force of the Law of 3 April 2009) the portfolio forming the counterpart to the reserves was increased by € 953.6 million. That amount corresponds to the transfer of the former general provisions to the available reserve.

On 27 October 2009, an action for annulment of this law was brought before the Constitutional Court.

3.1.1 Developments concerning the Bank's results and position

I. THE BALANCE SHEET

In contrast to previous years, and particularly the last two, the balance sheet total contracted very strongly, declining by one-third. At the end of 2009 it stood at € 101.5 billion, thus reverting to a level close to that prevailing before the financial crisis.

In particular, lending to Belgian banks in foreign currencies had disappeared on the balance sheet date. Asset item 3, "Claims on euro area residents denominated in foreign currency" was thus reduced by € 35.9 billion to a modest € 0.2 billion, as in the years prior to 2008. The volume of lending in euro was also down by € 16.7 billion to € 41.3 billion. On the balance sheet date, Belgian banks had in particular less recourse to the longer-term refinancing operations (assets sub-item 5.2). Both developments lead to a decline in liabilities sub-item 9.3 "Other liabilities within the Eurosystem (net)", which records the outgoing payments effected via the cross-border TARGET2 payments system.

In 2009, as in 2008, the Bank continued to supply more banknotes than it received; the positive balance thus grew from € 2.1 to € 7.1 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 to € 25.8 billion. Over the year as a whole, the increase averages 9 p.c., as in 2007 and 2008.

Claims on the IMF (assets sub-item 2.1) increased to € 5.8 billion, mainly because – during 2009 – that institution allocated a total of 183 billion new Special Drawing Rights (SDRs) to its members, including Belgium (for SDR 3.8 billion). Like the other holders of SDRs, the Bank records the counterpart thereto in the liabilities ("8. Counterpart of special drawing rights allocated by the IMF"), which had increased by € 4.2 billion on the balance sheet date.

The net position in dollar was unchanged at USD 2.2 billion, while the gold reserves diminished only slightly and still totalled 227.5 tonnes.

II. RESULT

The profit and loss account is henceforth drawn up according to the model recommended for the national central banks of the Eurosystem. The developments described in the box above provided the opportunity for making this transition.

The profit for the year was strongly influenced by the write-back of the former general provisions (for contingencies and for future exchange losses). The profit thus increased by € 953.6 million. As already stated, that amount will be added to the (new) available reserve when the profit is distributed.

Comparison of the results for the last two years is also hampered by the abolition of the 3 p.c. rule. In 2008, a share of € 317.3 million accrued to the State under that rule, whereas the rule no longer applies to the 2009 financial year.

If these two exceptional factors are eliminated, the picture is as follows:

(millions of euro)

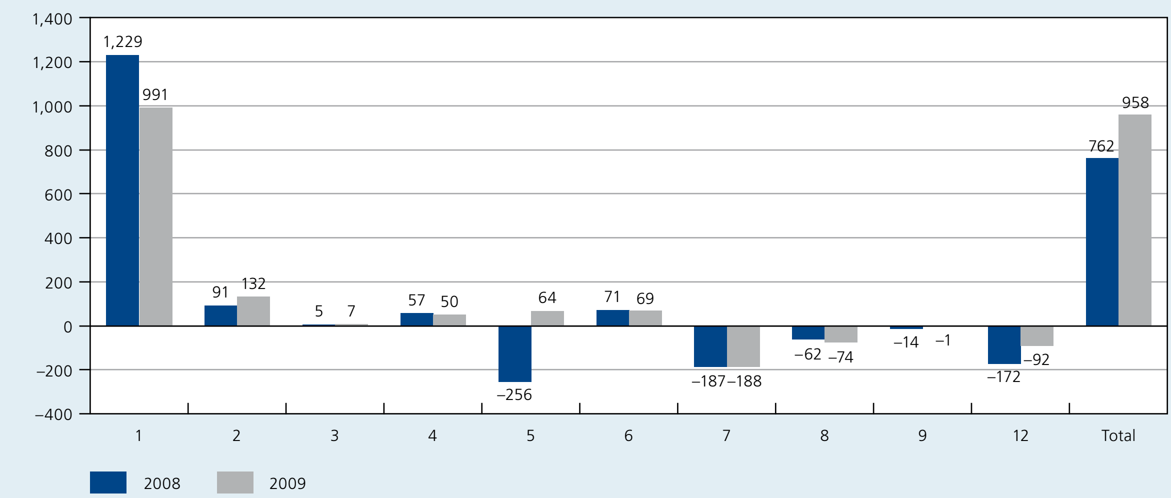
	2009	2008
Profit for the year	1,912	445
Less: write-back from general provisions	–954	
Plus: State share under the 3 p.c. rule		317
Profit without exceptional factors	**958**	**762**

The various factors behind the € 196 million increase in the profit without exceptional factors are set out below.

If the State's share under the former 3 p.c. rule is excluded, as in the chart below for 2008, net interest income declined by € 238 million over one year. The main factor accounting for that is the fall in interest rates.

However, that fall also resulted in higher realised capital gains on the euro portfolio (€ 90 million in 2009, against € 13 million a year earlier), though that was partly offset by a decrease in the realised capital gains on the dollar portfolio (€ 38 and € 88 million respectively). These capital gains are shown in item 2 of the new profit and loss account format.

For the year 2008, the ECB Governing Council had deemed it appropriate to create a buffer amounting to a total of € 5.7 billion to cover the counterparty risks in monetary policy operations. The NCBs of all participating Member States contributed to that buffer in proportion to their paid-up share in the capital of the ECB. Consequently, the Bank had formed a provision for monetary policy operations of € 203.3 million. In view of the more favourable market conditions and the sale or redemption of part of



1. Net interest income
2. Net result of financial operations, write-downs and provisions
3. Net income/expense from fees and commissions
4. Income from equity shares and participating interests
5. Net result of pooling of monetary income
6. Other income
7. Staff costs
8. Administrative expenses
9. Depreciation of tangible and intangible fixed assets
12. Corporation tax

the guarantees, the ECB Governing Council considers that the buffer can be reduced by € 1.7 billion to € 4 billion at the end of 2009. The Bank therefore wrote back € 61.1 million from the provision for monetary policy operations. Under the Eurosystem rules, that write-back is recorded in item 5 of the profit and loss account.

Compared to 2008, the corporation tax due was down by € 80 million at € 92 million, despite the higher recurring profit. Three factors which explain this are: 1) the higher deduction for risk capital, 2) the payment to the group insurance of the balance carried forward from past years (€ 29.2 million) of the share of the profit accruing to the staff or to institutions in its favour, and 3) the exemption from corporation tax for the balance of the profit accruing to the State.

At an exchange rate of EUR 1 = USD 1.4406 on the balance sheet date, no unrealised foreign exchange losses had to be charged to the result.

III. PROFIT DISTRIBUTION

The Bank determines the minimum amount of its reserves on the basis of the calculable risks which it incurs.

The methodology used to estimate the financial risks was the same as last year, adopting a prudent approach with stress testing and relatively long time horizons. The resulting estimate, in the region of € 4 billion, can therefore be regarded as the potential losses which could arise over a relatively long period and in the context of a very severe crisis, some aspects of which would nevertheless be purely temporary. This risk assessment is therefore a target to be achieved over a period of several years, if the current context persists. In the light of these considerations, the general reserve policy and the release from the general provisions (see II. above), a total of € 1,207.3 million was added to the available reserve.

In accordance with the stated policy on the matter, the gross dividend per share was fixed at € 126.48. The balance of the profit distribution, which accrues to the State, comes to € 654 million.

3.1.2 Risk management

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

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. One of the functions of the reserves on the liabilities side of the Bank’s balance sheet is to cover losses relating to market fluctuations or credit losses.

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 2008 crisis on the market in high-risk mortgage loans and the effect of contagion on other credit market segments caused a widening of the spreads between some of the securities held by the Bank in relation to comparable government securities. However, that negative impact was largely offset by the sharp fall in interest rates, which had a significant beneficial effect on all the Bank's long-term portfolios. In 2009, those spreads moved in the opposite direction, since they narrowed substantially. That positive influence on the spreads largely offset the negative effect of the widening during the previous year.

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 as guarantee.

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 the balance of the Bank's profits after the formation of reserves and payment of dividends.

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 and the CEC) and securities settlement systems.

In 2009, an Operational Risk Management (ORM) framework was set up. This framework, which applies to all the Bank's activities, divides the analysis of the operational risk into 3 steps: a criticality analysis, a rapid risk analysis and a detailed risk analysis. During 2009, all activities underwent the first two mentioned analyses. The ORM work will be continued by the Operational Risk Committee which comprises all the persons responsible. The Bank's ORM framework is very similar to that of the ESCB (European System of Central Banks) published at the end of 2008. The Bank contributed, via a number of ESCB Committees, to the definition of the operational risks associated with the tasks of the ESCB. The coordination of the two ORM frameworks implies that experience and findings can be exchanged easily and often. It also facilitates coordination of the risk assessment and associated control measures of the Bank and the ESCB.

3.1.3 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 2009.

3.1.4 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.

3.1.5 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.

3.1.6 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.

3.1.7 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, 36 and 37).

3.1.8 Expertise and independence of the audit committee

Following Article 36 of the statutes the Censors are chosen from among persons with special qualifications in the field of supervisory procedures. The members of the Board of Censors, forming the audit committee of the Bank, 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*ter* of the Company Code.

Brussels, 9 March 2010

The Board of Directors

3.2 ANNUAL ACCOUNTS

3.2.1 Balance Sheet

(before distribution of profit)

ASSETS

(thousands of euro)

	See note below	31-12-2009	31-12-2008
1. Gold and gold receivables	1	**5,605,644**	**4,546,679**
2. Claims on non-euro area residents denominated in foreign currency	2	**11,080,062**	**6,663,472**
2.1 Receivables from the IMF		5,770,551	1,208,242
2.2 Balances with banks and security investments, external loans and other external assets		5,309,511	5,455,230
3. Claims on euro area residents denominated in foreign currency	3	**245,659**	**36,119,658**
4. Claims on non-euro area residents denominated in euro	4	**506,611**	**344,108**
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	**41,277,000**	**57,966,948**
5.1 Main refinancing operations		5,002,000	4,185,000
5.2 Longer-term refinancing operations		36,275,000	52,050,000
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		–	–
6. Other claims on euro area credit institutions denominated in euro	6	**2,387,636**	**2,851,076**
7. Securities of euro area residents denominated in euro	7	**15,305,044**	**15,175,921**
7.1 Securities held for monetary policy purposes		984,249	–
7.2 Other securities		14,320,795	15,175,921
8. Intra-Eurosystem claims	8	**20,235,274**	**24,374,279**
8.1 Participating interest in ECB capital		139,730	143,548
8.2 Claims equivalent to the transfer of foreign currency reserves		1,397,304	1,423,342
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem		18,698,240	22,807,389
8.4 Other claims within the Eurosystem (net)		–	–
9. Other assets	9	**4,817,578**	**5,162,371**
9.1 Coins of euro area		4,788	7,495
9.2 Tangible and intangible fixed assets		373,657	390,579
9.3 Other financial assets		3,734,720	2,434,094
9.4 Off-balance-sheet instruments revaluation differences		–	1,450,628
9.5 Accruals and prepaid expenditure		629,703	618,595
9.6 Sundry		74,710	260,980
Total assets		**101,460,508**	**153,204,512**

LIABILITIES

(thousands of euro)

	See note below	31-12-2009	31-12-2008
1. Banknotes in circulation	**10**	**25,784,992**	**24,877,907**
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	**11**	**14,776,795**	**10,804,294**
2.1 Current accounts (covering the minimum reserve system)		11,881,016	9,196,994
2.2 Deposit facility		2,895,779	1,607,300
2.3 Fixed-term deposits		–	–
2.4 Fine-tuning reverse operations		–	–
2.5 Deposits related to margin calls		–	–
3. Other liabilities to euro area credit institutions denominated in euro	**12**	**226,403**	**130,193**
4. Liabilities to other euro area residents denominated in euro	**13**	**115,753**	**85,307**
4.1 General government		107,777	58,396
4.2 Other liabilities		7,976	26,911
5. Liabilities to non-euro area residents denominated in euro	**14**	**257,674**	**273,713**
6. Liabilities to euro area residents denominated in foreign currency		–	–
7. Liabilities to non-euro area residents denominated in foreign currency	**16**	**2,206,790**	**2,529,999**
8. Counterpart of special drawing rights allocated by the IMF	**17**	**4,706,392**	**536,100**
9. Intra-Eurosystem liabilities	**18**	**42,489,874**	**104,242,930**
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)		42,489,874	104,242,930
10. Other liabilities	**19**	**654,546**	**1,065,755**
10.1 Off-balance-sheet instruments revaluation differences		52,597	–
10.2 Accruals and income collected in advance		19,547	58,872
10.3 Sundry		582,402	1,006,883
11. Provisions	**20**	**142,194**	**1,156,915**
11.1 For future exchange losses		–	150,020
11.2 For new premises		–	–
11.3 For contingencies		–	803,549
11.4 In respect of monetary policy operations		142,194	203,346
12. Revaluation accounts	**21**	**5,515,358**	**4,655,322**
13. Capital, reserve fund and available reserve	**22**	**2,671,829**	**2,401,477**
13.1 Capital		10,000	10,000
13.2 Reserve fund:			
Statutory reserve		1,168,694	862,429
Extraordinary reserve		1,150,790	1,150,790
Amortisation accounts in respect of tangible and intangible fixed assets		342,345	378,258
13.3 Available reserve		–	–
14. Profit for the financial year	**23**	**1,911,908**	**444,600**
Total liabilities		**101,460,508**	**153,204,512**

3.2.2 Profit and loss account

(thousands of euro)

	See note below	31-12-2009	31-12-2008
1. Net interest income	24	**990,635**	**912,171**
1.1 Interest income [1]		1,829,606	4,097,961
1.2 Interest expense [1] [2]		–838,971	–3,185,790
2. Net result of financial operations, write-downs and provisions	25	**1,085,720**	**90,644**
2.1 Realised gains/losses arising from financial operations [1] [2]		145,958	106,246
2.2 Write-downs on financial assets and positions [2]		–13,806	–10,102
2.3 Transfer to/from provisions		953,568	–5,500
3. Net income/expense from fees and commissions	26	**7,440**	**4,773**
3.1 Fees and commissions income		15,994	12,346
3.2 Fees and commissions expense		–8,554	–7,573
4. Income from equity shares and participating interests [1]	27	**50,193**	**56,506**
5. Net result of pooling of monetary income	28	**63,821**	**–255,763**
6. Other income	29	**69,403**	**70,993**
7. Staff costs	30	**–188,080**	**–187,155**
8. Administrative expenses	31	**–74,187**	**–61,748**
9. Depreciation of tangible and intangible fixed assets	32	**–918**	**–13,738**
10. Banknote production services		**n/a**	**n/a**
11. Other expenses		**–**	**–247**
12. Corporation tax	35	**–92,119**	**–171,836**
Profit for the year		**1,911,908**	**444,600**

The new presentation of the profit and loss account is in accordance with the one recommended for the Eurosystem.
The cross-references below give the reader an additional information on two items specific to the National Bank of Belgium, being the proceeds from statutory investments and the result assigned to or paid by the State.

	31-12-2009	31-12-2008
(1) Of which proceeds from statutory investments:		
1.1 Interest income	112,133	84,009
1.2 Interest expense	–83	–170
2.1 Realised gains/losses arising from financial operations	3,976	–3,416
4. Income from equity shares and participating interests	14,580	13,764
Total	130,606	94,187
(2) Of which due to (–) / by (+) the State:		
1.2 Interest expense	–37,440	–356,559
2.1 Realised gains/losses arising from financial operations	6,142	–287
2.2 Write-downs on financial assets and positions	8,441	1,727
Total	–22,857	–355,119

3.2.3 Allocation of profit for the year ending 31 December 2008

(thousands of euro)

Profit for the financial year	**444,600**
Allocation in accordance with Article 32 of the Organic Law:	
1. To the shareholders a first dividend of 6 p.c.	600
2. Of the amount in excess of this:	
a) 10 p.c. to the statutory reserve	44,400
b) 8 p.c. to the staff or to institutions in its favour	35,520
3. Of the amount in excess of this:	
a) to the State, one-fifth	72,816
b) to the shareholders, a second dividend	29,400
c) the balance to the statutory reserve	261,864

3.2.4 Allocation of profit for the year ending 31 December 2009

(thousands of euro)

Profit for the financial year	**1,911,908**
The annual profits shall be distributed as follows, in accordance with Article 32 of the Organic Law:	
1. A first dividend of 6 p.c. of the capital shall be allocated to the shareholders	600
2. From the excess, an amount proposed by the Board of Directors and established by the Council of Regency shall be independently allocated to the reserve fund or to the available reserves	1,207,322
From the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50 p.c. of the net proceeds from the assets forming the counterpart to the reserve fund and available reserves shall be allocated to the shareholders	49,992
3. The balance shall be allocated to the State; it shall be exempt from corporation tax	653,994

In accordance with the decision of the General Meeting of 30 March 2009, the dividend will be payable from the fifth bank working day following the General Meeting, namely 7 June 2010, on presentation of coupon No. 208:

(euro)

	Gross amount	Withholding tax	**Net amount**
Dividend per share	126.48	31.62	**94.86**

3.2.5 Off-Balance-Sheet Items

(thousands of euro)

	See note below	31-12-2009	31-12-2008
Forward transactions in foreign currencies and in euro	36		
Forward claims		4,232,933	45,721,665
Forward liabilities		4,284,674	44,345,866
Forward transactions on interest rate and fixed-income securities	37	569,208	237,623
Liabilities which could lead to a credit risk	38		
Commitments towards international institutions		381,010	386,680
Commitments towards other institutions		770,754	548,692
Valuables and claims entrusted to the institution	39		
For encashment		276	335
Assets managed on behalf of the Treasury		68,385	63,763
Assets managed on behalf of the ECB		1,288,374	1,266,778
Custody deposits		718,179,783	849,726,941
Capital to be paid up on shares of the BIS	40	204,521	207,564

3.2.6 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)	
			2009	2008
1. In the financial year and the previous year				
Average number of workers	1,449.92	863.42	2,129.94 (FTE)	2,148.38 (FTE)
Actual number of hours worked	2,165,292	1,021,794	3,187,086 (T)	3,214,406 (T)
Staff costs (in thousands of euro)	139,065	55,418	194,483 (T)	191,496 (T)
Value of benefits granted in addition to wages (in thousands of euro)	–	–	2,161 (T)	1,994 (T)
2. At the end of the financial year				
a. Number of workers entered in the staff register	1,418	860	2,094.75 (FTE)	
b. By type of contract of employment				
Permanent contract	1,345	854	2,019.15 (FTE)	
Fixed-term contract	73	6	75.60 (FTE)	
Contract for the execution of a clearly defined project	–	–	–	
Substitution contract	–	–	–	
c. By gender and standard of education				
Male	1,097	341	1,384.80 (FTE)	
Primary	9	7	15.20 (FTE)	
Secondary	477	197	643.20 (FTE)	
Higher non-university	264	72	324 (FTE)	
University	347	65	402.40 (FTE)	
Female	321	519	709.95 (FTE)	
Primary	12	10	19.55 (FTE)	
Secondary	176	342	428.90 (FTE)	
Higher non-university	67	105	145.65 (FTE)	
University	66	62	115.85 (FTE)	
d. By occupational category				
Management personnel	15	–	15 (FTE)	
Non-manual workers	1,403	860	2,079.75 (FTE)	
Manual workers	–	–	–	
Other	–	–	–	

B. TEMPORARY STAFF AND PERSONS MADE AVAILABLE TO THE ENTERPRISE

	Temporary staff	Persons made available to the enterprise
During the year		
Average number of persons employed	4.68	–
Actual number of hours worked	7,460	–
Costs to the enterprise (in thousands of euro)	159	–

2. Table of staff movements during the year

A. STAFF ENTERING SERVICE

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers entered in the staff register during the year	352	11	358.70
b. By type of contract of employment			
Permanent contract	11	–	11
Fixed-term contract	341	11	347.70
Contract for the execution of a clearly defined project	–	–	–
Substitute contract	–	–	–

B. STAFF LEAVING

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers whose contract termination date was recorded in the staff register during the year	378	34	401.60
b. By type of contract of employment			
Permanent contract	40	26	58.70
Fixed-term contract	338	8	342.90
Contract for the execution of a clearly defined project	–	–	–
Substitute contract	–	–	–
c. Reason for termination of contract			
Retirement	29	16	40.25
Early retirement	–	–	–
Dismissal	8	–	8
Other reasons	341	18	353.35
of which: number of persons continuing to perform services for the enterprise on a self-employed basis, at least 50 p.c. of normal hours	–	–	–

3. Information on training for workers during the year

	Men	Women
1. Formal further vocational training at the employer's expense		
Number of workers concerned	1,098	650
Number of hours of training completed	29,248	19,549
Net cost to the firm (in thousands of euro)	3,966	2,651
of which:		
Gross cost directly relating to training (in thousands of euro)	3,966	2,651
Contributions and payments to communal funds (in thousands of euro)	–	–
Subsidies and other financial benefits received (to be deducted) (in thousands of euro)	–	–
2. Semi-formal or informal further vocational training at the employer's expense		
Number of workers concerned	1,307	667
Number of hours of training completed	27,439	14,007
Net cost to the firm (in thousands of euro)	1,760	898
3. Basic vocational training at the employer's expense		
Number of workers concerned	–	–
Number of hours of training completed	–	–
Net cost to the firm	–	–

3.3 NOTES TO THE ANNUAL ACCOUNTS

3.3.1 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 17 December 2007 (ECB/2007/20), OJ L42 of 16/02/2008, the Guideline of 11 December 2008 (ECB/2008/21), OJ L36 of 5/02/2009, the Guideline of 17 July 2009 (ECB/2009/18), OJ L202 of 4/08/2009, and the Guideline of 14 December 2009 (ECB/2009/28), OJ L348 of 29/12/2009.

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 16 December 2009.

They are presented in thousands of euro unless otherwise stated.

3.3.2 Accounting principles and valuation rules

Changes during the financial year

I. MANDATORY ACCOUNTING RULES UNDER THE ESCB/ECB STATUTES

Securities held for monetary policy purposes

This new sub-item 7.1 on the assets side was added to the balance sheet to record covered bonds. These securities are valued at amortised cost and earmarked in the calculation of monetary income.

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

Rule on the allocation of proceeds and profits

The Law of 3 April 2009 abolished Article 29 of the Organic Law (3 p.c. rule) and the balance of the annual profits, following creation of the necessary reserves and remuneration of the shareholders, is assigned to the State. Furthermore, the various particular agreements with the State, assigning to the State the income from deposits other than those included in liability sub-item 4.1, were also terminated on that occasion. The same law fixed the second dividend at a minimum of 50 p.c. of the net proceeds from the statutory investments, and permitted the Bank to form an available reserve from now on. The profit distribution format was adjusted accordingly.

Provision for future exchange losses

The agreement of 8 July 1998 between the Belgian State and the Bank no longer applies owing to the repeal of the said Article 29. The balance of the provision for future foreign exchange losses will be added to the available reserve at the time of the profit distribution for the current financial year.

III. ACCOUNTING RULES ESTABLISHED BY THE COUNCIL OF REGENCY

Tangible/intangible fixed assets

Fixed assets acquired from the 2009 financial year onwards are no longer written off entirely in the year in which they are acquired but are written off in accordance with the probable useful economic life accepted under the tax rules.

The positive impact on the profit and loss account comes to € 17.8 million.

Provision for contingencies

Under the new policy on reserves, the amount of the provision for contingencies will be added to the available reserve at the time of the profit distribution for the current financial year.

Profit and loss account format

In view of the repeal of Article 29 of the Organic Law, the profit and loss account can henceforth be drawn up in accordance with the ECB Guideline of 10 November 2006, in order to ensure consistency and comparability with the Eurosystem's annual accounts.

The 2008 profit and loss account was also redrafted in the new format.

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, the held-to-maturity portfolio and the portfolio of securities held for monetary policy purposes), 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 in the statutory portfolio and those held to maturity or for monetary policy purposes, 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 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. The same applies to securities held for monetary policy purposes.

3. (Reverse) repurchase agreements

A repurchase agreement is a sale of securities in which the transferor expressly undertakes to repurchase them and the transferee expressly agrees to sell them back at an agreed price and on an agreed date. The transferor records, on the liabilities side of the balance sheet, the amount of the liquidity received as a debt to the transferee, and values the securities ceded in accordance with the accounting rules applicable to the securities portfolio in which they are held.

The transferee, for his part, records on the assets side of his balance sheet a claim on the transferor corresponding to the amount paid out, while the securities acquired are not recorded in the balance sheet but off-balance-sheet. The above-mentioned transactions are regarded by the Bank as repurchase agreements or reverse repurchase agreements depending on whether it acts as transferor or transferee of the securities.

Repurchase agreements and reverse repurchase agreements denominated in foreign currencies have no effect on the position in the currency in question.

4. Share in the capital of the ECB

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

5. Determination of the result

5.1 The result is determined in accordance with the following rules:
- income and expenses are recognised in the financial year in which they are earned or incurred;
- realised gains and losses are taken to the profit and loss account;
- at the end of the year, positive revaluation differences (on securities and foreign reserves) are not shown in the profit and loss account but are recorded in the revaluation accounts on the liabilities side of the balance sheet;
- negative revaluation differences are first of all deducted from the corresponding revaluation account, any balance then being taken to the profit and loss account;
- losses included in the profit and loss account are not offset during subsequent years by new positive revaluation differences; negative revaluation differences on a security, currency or asset in gold are not netted either against positive revaluation differences on other securities, currencies or assets in gold;
- for gold, no distinction is made between the price and currency revaluation;
- in order to calculate the acquisition cost of securities or currencies that are sold, the average cost method is used on a daily basis; at the end of the year, if any negative revaluation differences are taken to the profit and loss account, the average cost of the asset in question (gold, currency or security) is adjusted downwards to the level of the current exchange rate or market price value.

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

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

5.4 The amount of monetary income of each NCB in the Eurosystem is determined by calculating the effective annual income resulting from the earmarkable assets held in counterpart to the liabilities items which serve as the basis for calculation. This basis comprises the following items:
- banknotes in circulation;
- liabilities to euro area credit institutions related to monetary policy operations and denominated in euro;
- net intra-Eurosystem liabilities resulting from 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;
- securities in euro held for monetary policy purposes;
- 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 (1).

(1) ECB Decision of 6 December 2001 on the allocation of monetary income of the national central banks of participating Member States from the financial year 2002 (ECB/2001/16), OJ L337 of 20/12/2001, as amended by the Decision of 22 November 2007 (ECB/2007/15, OJ L333 of 19/12/2007) and by the Decision of 14 December 2009 (ECB/2009/27, OJ L339 of 22/12/2009).

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 [1]. The total value of the euro banknotes in circulation is allocated on the last working day of each month in accordance with the banknote allocation key.

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

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that is actually put into circulation by each NCB gives rise to intra-Eurosystem balances. These claims or liabilities, which incur interest, 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 [2].

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

(1) ECB Decision of 6 December 2001 on the issue of euro banknotes (ECB/2001/15), OJ L337 of 20/12/2001, as amended by the Decision of 18 December 2003 (ECB/2003/23), OJ L9 of 15/01/2004, the Decision of 22 April 2004 (ECB/2004/9), OJ L205 of 9/06/2004, the Decision of 15 December 2006 (ECB/2006/25), OJ L24 of 31/01/2007 and the Decision of 7 December 2007 (ECB/2007/19), OJ L1 of 4/01/2008.

(2) 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.

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, 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. Capital, reserve fund and available reserve

5.1 Capital

Under Article 4 of the Organic Law, the share capital, totalling € 10 million, is represented by 400,000 shares, which do not have any nominal value. The share capital is fully paid-up.

The Belgian State holds 200,000 registered, non-transferable shares, or 50 p.c. of the total voting rights.

5.2 Reserve fund

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

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

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

5.3 Available reserve

The available reserve, provided for in Article 32 of the Organic Law as amended by Article 3 of the Law of 3 April 2009 may, by decision of the Council of Regency, be used to make good losses or to pay out the dividend.

6. Determination of the result

6.1 Proceeds fully assigned to the State

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 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.

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

6.2 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

(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.

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.

7. Profit distribution

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

1. a first dividend of 6 p.c. of the capital is assigned to the shareholders;
2. of the remainder, an amount proposed by the Board of Directors and determined by the Council of Regency, totally independently, is assigned to the reserve fund or to the available reserve;
3. from the surplus, a second dividend determined by the Council of Regency is assigned to the shareholders, totalling at least 50 p.c. of the net proceeds from the assets which are the counterpart of the reserve fund and the available reserve;
4. the balance is assigned to the State; it is exempt from corporation tax.

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. Ceiling on the portfolio of statutory investments

The ceiling on the statutory investments is determined annually at the time of the final profit distribution. It is equal to the sum of the following elements:

- the capital;
- the reserve fund (statutory reserve, extraordinary reserve and amortisation accounts);
- the available reserve;
- the allocations to the reserves.

The valuation of the statutory investments is based on the principles described in points 1 and 2 above.

4. Transfer of securities between different portfolios

The transfer of securities between portfolios subject to different accounting rules is effected at market price.

5. 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.

Tangible and intangible fixed assets acquired from the 2009 financial year onwards, including ancillary costs, are written off 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

6. 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.

7. Corporation tax

Pursuant to Article 32 of the Organic Law, the balance of the profits for the financial year assigned to the State after profit distribution and allocations to the reserves is exempt from corporation tax. For the purpose of calculating the average tax rate, in other words the ratio between the tax due and the pre-tax profit, the share of the profits accruing to the State is deducted from the recurring result for the financial year.

The calculation of the average tax rate takes account of tax adjustments for preceding financial years, regardless of whether they are positive or negative.

8. Calculation of the second dividend

The net proceeds from the assets as defined in Article 32 (3) of the Organic Law are equal to the gross proceeds after deduction of the tax due, calculated at the average tax rate defined in point 7 above.

The gross proceeds are equal to the proceeds from the statutory investments, excluding the proceeds generated from the capital, which is remunerated by the first dividend.

9. 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

3.3.3 Notes to the balance sheet

Note 1 Gold and gold receivables

GOLD STOCKS

	31-12-2009	31-12-2008
In ounces of fine gold	7,314,759.7	7,315,160.3
In kg of fine gold	227,514.5	227,526.9
At market price (millions of euro)	5,605.6	4,546.7

The reduction in gold stocks is due to the sale of 12.5 kg of gold at market price to the Belgian Royal Mint.

As at 31 December 2009, 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 2009.

GOLD PRICE
(euro)

	31-12-2009	31-12-2008
Ounce of fine gold	766.347	621.542
Kg of fine gold	24,638.63	19,983.04

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)

	31-12-2009	31-12-2008
Special drawing rights	4,796.2	408.5
Participation in the IMF	832.5	704.2
Loans to the PRGF-ESF Trust	141.9	95.5
Total	**5,770.6**	**1,208.2**

SDR RATE

	31-12-2009	31-12-2008
EUR/SDR	0.9186	0.9051

SPECIAL DRAWING RIGHTS (SDR)

SDRs are reserve assets created *ex nihilo* by the IMF and allocated by it to its members to supplement their existing official reserves.

With the approval of a general allocation of SDRs in August and a special allocation in September, the total amount of the net cumulative allocation of SDRs by the IMF to its members increased from SDR 21 billion to SDR 204.1 billion. The net cumulative allocation to Belgium increased from SDR 485.2 million to SDR 4,323.3 million.

The SDRs allocated to IMF members may be sold in exchange for convertible currency on the basis of agreements freely concluded between member countries. The agreement between the Bank and the IMF, which was revised in October 2009, stipulates that the Bank's SDR holdings must total between 65 and 135 p.c. of the net cumulative allocation.

As at 31 December 2009, the holding recorded on the "Special drawing rights" account stood at SDR 4,405.8 million, against SDR 369.8 million a year earlier. The net SDR holding, i.e. the difference between the SDR holdings and the SDR allocation, stood at SDR 82.4 million on the balance sheet date and is due to the provision of euros against SDRs for IMF members.

PARTICIPATION IN THE IMF

This liquid claim of Belgium on the IMF is also called the reserve tranche position. It is equal 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. The quota determines Belgium's voting rights in the IMF.

Belgium's participation in the IMF may be called upon at any time in order to obtain convertible currencies for financing a balance of payments deficit. Changes in the participation may also result from a contribution by Belgium to 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 position amounted to SDR 764.7 million, against SDR 637.4 million a year earlier. This increase is due to net loans by Fund member countries.

LOANS TO THE PRGF-ESF TRUST

The amount shown under this sub-item is the equivalent of the currencies which the Bank has lent to the Poverty Reduction and Growth Facility - Exogenous Shocks Facility (PRGF-ESF) Trust Fund which is 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-ESF 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 2009 to SDR 130.4 million, against SDR 86.4 million a year earlier, as the repayments made during the year were more than offset by new credit line drawings.

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

BREAKDOWN BY TYPE OF INVESTMENT
(millions of euro)

	31-12-2009	31-12-2008
Sight deposits	84.8	297.2
Time deposits	503.7	129.0
Securities	4,610.0	4,903.8
Reverse repurchase agreements	111.0	125.2
Total	**5,309.5**	**5,455.2**

EXCHANGE RATES

	31-12-2009	31-12-2008
EUR/USD	1.4406	1.3917
EUR/JPY	133.1600	126.1400
EUR/CHF	1.4836	1.4850

BREAKDOWN BY CURRENCY
(millions of euro)

	31-12-2009	31-12-2008
USD	5,061.0	5,173.1
JPY	241.1	278.3
CHF	5.4	2.0
Other	2.0	1.8
Total	**5,309.5**	**5,455.2**

BREAKDOWN OF FIXED-INCOME SECURITIES BY THEIR RESIDUAL TERM
(millions of euro)

	31-12-2009	31-12-2008
≤ 1 year	1,580.6	1,735.0
> 1 year and ≤ 5 years	2,363.8	2,495.2
> 5 years	665.6	673.6
Total	**4,610.0**	**4,903.8**

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 corporate bonds with a high rating.

On the balance sheet date, the unrealised gains and losses on securities valued at market price came to € 76.8 million and € 11.5 million respectively.

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)

	31-12-2009	31-12-2008
USD	1.5	1.6

The factors behind this decrease are as follows:

– encashment of investment income	+0.2
– sales of dollars against euros	–0.2
– 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)

	31-12-2009	31-12-2008
Time deposits	77.1	35,966.9
Securities	168.6	152.8
Total	**245.7**	**36,119.7**

On the balance sheet date, there was no longer an outstanding amount relating to special, dollar-denominated financing transactions in connection with joint interventions by the ECB and the United States Federal Reserve (€ 35.8 billion in 2008).

BREAKDOWN OF FIXED-INCOME FOREIGN CURRENCY SECURITIES ACCORDING TO THEIR RESIDUAL TERM
(millions of euro)

	31-12-2009	31-12-2008
≤ 1 year	5.6	107.0
> 1 year and ≤ 5 years	158.7	43.1
> 5 years	4.3	2.7
Total	**168.6**	**152.8**

On the balance sheet date, the unrealised gains and losses on the value of the securities at market prices came to € 3.1 million and € 0.2 million respectively.

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

BREAKDOWN BY TYPE OF INVESTMENT
(millions of euro)

	31-12-2009	31-12-2008
Sight deposits	11.2	0.6
Securities	495.4	343.5
Total	**506.6**	**344.1**

BREAKDOWN OF FIXED-INCOME SECURITIES, OTHER THAN THOSE HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM
(millions of euro)

	31-12-2009	31-12-2008
≤ 1 year	15.2	40.0
> 1 year and ≤ 5 years	97.8	36.0
> 5 years	117.8	19.1
Total	**230.8**	**95.1**

An amount of € 36 million was transferred from this securities portfolio to the statutory investments portfolio (see note 9).

On the balance sheet date, the unrealised gains on the value of the securities at market prices came to € 4.9 million. There were no losses on these securities.

BREAKDOWN OF FIXED-INCOME SECURITIES HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM
(millions of euro)

	31-12-2009	31-12-2008
≤ 1 year	14.2	14.0
> 1 year and ≤ 5 years	118.5	132.9
> 5 years	131.9	101.5
Total	**264.6**	**248.4**

Note 5 Lending to euro area credit institutions related to monetary policy operations denominated in euro

The assets held for monetary policy total € 749.9 billion for the Eurosystem as a whole, of which € 41.3 billion is for the National Bank of Belgium. Pursuant to Article 32.4 of the ECB/ESCB Statutes, any loss resulting from the monetary policy operations is borne, as soon as it occurs, entirely by the NCBs of the Eurosystem in proportion to the ECB capital key.

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 € 79.3 billion for the euro area as a whole, of which € 5 billion was attributed to credit institutions in Belgium, against € 4.2 billion at the end of 2008.

LONGER-TERM REFINANCING OPERATIONS

Credit extended to credit institutions by way of monthly tenders with a longer term than the main refinancing operations.

At the end of 2009, the longer-term refinancing operations of the Belgian banks came to € 36.3 billion, against € 52.1 billion at the end of 2008, indicating that the Belgian banks had less need to obtain long-term finance from the Bank. In the Eurosystem, those operations continued to expand strongly, from € 616.9 billion at the end of 2008 to € 669.3 billion in 2009, in particular as a result of the substantial participation in the one-year tenders.

The fact that, from one financial year to the next, credit allocated in euro via the refinancing operations declined from € 56.2 to € 41.3 billion, and credit in dollar-denominated financing operations was down by € 35.8 billion largely accounted for the € 61.7 billion reduction in liabilities vis-à-vis TARGET2 in relation to those operations (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.

On the balance sheet date, no amount was recorded under this item, in contrast to the previous year, indicating that the year-end transition went much more smoothly than in 2008.

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)

	31-12-2009	31-12-2008
Current accounts	0.9	1.0
Reverse repurchase agreements	2,386.7	2,850.1
Total	**2,387.6**	**2,851.1**

The fall in reverse repurchase agreements in euro matched the decline 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

SECURITIES HELD FOR MONETARY POLICY PURPOSES

As a result of the Governing Council decisions (7 May and 4 June 2009) to buy, by the end of June 2010, euro-denominated covered bonds issued by euro area credit institutions for a sum of € 60 billion, the Bank held covered bonds amounting to € 984.2 million on 31 December 2009.

BREAKDOWN OF SECURITIES HELD FOR MONETARY POLICY PURPOSES, ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

	31-12-2009	31-12-2008
≤ 1 year	–	–
> 1 year and ≤ 5 years	670.2	–
> 5 years	314.0	–
Total	**984.2**	–

OTHER SECURITIES

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.

An amount of € 918 million in securities denominated in euro was transferred to the securities portfolio from the statutory investments (see note 9).

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

(millions of euro)

	31-12-2009	31-12-2008
≤ 1 year	881.8	1,298.8
> 1 year and ≤ 5 years	3,294.3	3,473.1
> 5 years	591.2	848.8
Total	**4,767.3**	**5,620.7**

On the balance sheet date, the unrealised gains and losses on securities at their market price came to € 123.7 million and € 2.1 million respectively.

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

(millions of euro)

	31-12-2009	31-12-2008
≤ 1 year	944.7	978.8
> 1 year and ≤ 5 years	3,780.8	3,758.0
> 5 years	4,828.0	4,818.4
Total	**9,553.5**	**9,555.2**

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, which is fully paid, comes to 2.4256 p.c., or € 139.7 million (see note 27).

CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN CURRENCY RESERVES

Euro-denominated claim amounting to € 1,397.3 million on the ECB arising from the transfer of foreign reserves. That claim is remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, adjusted to reflect a zero return on the gold component.

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

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

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.

(millions of euro)

	31-12-2009	31-12-2008
Net claims related to the allocation of euro banknotes within the Eurosystem	18,698.2	22,807.4
Banknotes put into circulation by the Bank	7,086.8	2,070.5
Banknotes in circulation	**25,785.0**	**24,877.9**

The banknotes put into circulation by the Bank increased more strongly than in the Eurosystem, so that the claim on the Eurosystem has diminished.

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 11 December 2008 on the approval of the volume of coin issuance (ECB/2008/20), the maximum amount of the euro coins to issue in 2009 was € 105.4 million for Belgium. Since the net amount issued in 2008 was € 1,174.3 million, the authorised amount totalled € 1,279.7 million for 2009.

TANGIBLE AND INTANGIBLE FIXED ASSETS

In 2009, the Bank's investment in tangible and intangible fixed assets totalled € 18.7 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 (€ 35.6 million).

OTHER FINANCIAL ASSETS

In accordance with Article 19 (4) of the Organic Law, the Board of Directors decides on the statutory investments after consulting the Council of Regency. The 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.

In view of the transfer of the balance of the provisions for future exchange losses and contingencies to the available reserve, the ceiling on the statutory investments had already been increased by € 953.6 million on 8 May 2009.

That increase in the ceiling led to a transfer from the portfolio of euro-denominated securities to the statutory investments portfolio, enabling the recording of a gain of € 24.6 million (see 2.5).

BREAKDOWN BY TYPE OF INVESTMENT
(millions of euro)

	31-12-2009	31-12-2008
Fixed-income securities	3,328.7	2,068.8
Participating interests	331.9	332.0
Reverse repurchase agreements	74.1	33.3
Total	**3,734.7**	**2,434.1**

BREAKDOWN OF FIXED-INCOME SECURITIES ACCORDING TO THEIR RESIDUAL TERM
(millions of euro)

	31-12-2009	31-12-2008
≤ 1 year	409.9	137.1
> 1 year and ≤ 5 years	1,130.9	739.9
> 5 years	1,787.9	1,191.8
Total	**3,328.7**	**2,068.8**

BREAKDOWN OF PARTICIPATING INTERESTS

	31-12-2009		31-12-2008	
	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	91	0.1	137	0.2
Total		**331.9**		**332.0**

ACCRUALS AND PREPAID EXPENDITURE

These are subdivided into:
- Expenses carried forward (€ 2.8 million);
- Income acquired (€ 626.9 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 (€ 66.3 million);
- Trade receivables (€ 5.5 million);
- Printing Works stocks (€ 1.4 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.

At the end of the year under review, as a result of the abundant provision of liquidity a sum of € 162.1 billion (€ 200.5 billion in 2008) was placed in the deposit facility for the Eurosystem as a whole, of which € 2.9 billion (€ 1.6 billion in 2008) in Belgium.

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, that balance came to € 43 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)

	31-12-2009	31-12-2008
Repurchase agreements in USD . . .	2,206.8	2,530.0

Repurchase agreements in USD are the counterpart of 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 must 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 4,323.3 million.

Note 18 Intra-Eurosystem liabilities

OTHER LIABILITIES WITHIN THE EUROSYSTEM (NET)

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

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

1. the Bank's liabilities vis-à-vis the ECB resulting from cross-border transfers effected via TARGET2 with the other NCBs of the Eurosystem and the ECB (€ 42,519.8 million). The decline in the volume of the TARGET2 transfers is due to the disappearance of the euro element of the special refinancing operations denominated in dollar, discussed in note 3, the reduction of the outstanding amount of the refinancing operations in euro and the increase in the monetary reserves and the banknotes issued by the Bank;
2. the intra-Eurosystem claim of € 2.7 million, resulting from the mechanism for the pooling and distribution of monetary income within the Eurosystem (see item 5 in the profit and loss account);
3. the intra-Eurosystem claim of € 27.4 million relating to the distribution of ECB income from banknotes (see item 4 of the profit and loss account).

Note 19 Other liabilities

OFF-BALANCE-SHEET INSTRUMENTS REVALUATION DIFFERENCES

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

ACCRUALS AND INCOME COLLECTED IN ADVANCE

Accruals (€ 19.5 million), in particular interest accrued but not yet paid on liabilities.

SUNDRY

In particular:
- unavailable reserve of capital gains on gold (€ 298.9 million);
- taxes, wages and social contributions due (€ 128.8 million);
- repurchase agreements concerning statutory investments (€ 74.1 million);
- interest payable by the Bank on its net debt to the ECB in connection with TARGET2 (€ 31.6 million);
- proceeds accruing entirely to the State (€ 22.6 million);
- trade debts (€ 5.7 million).

Note 20 Provisions

(millions of euro)

	31-12-2009	Appropriation	31-12-2008
For future exchange losses	0.0	–150.0	150.0
For contingencies	0.0	–803.6	803.6
	0.0	–953.6	953.6
In respect of monetary policy operations	142.2	–61.1	203.3
Total	**142.2**	**–1,014.7**	**1,156.9**

On 8 May 2009, the balances of the provisions for future exchange losses and for contingencies (see notes 9 and 25) were written back, in accordance with the decision of the Council of Regency of 25 March 2009. Those balances will be transferred to the available reserve in the profit distribution.

In accordance with Article 32.4 of the ESCB/ECB Statutes, the provision for counterparty risks resulting from monetary policy operations is allocated to the NCBs of the participating Member States in proportion to their paid-up share in the capital of the ECB as at the time of the occurrence of the risk. In accordance with the accounting principle of prudence, the ECB Governing Council revalued the amount of that provision. It decided to reduce it from a total of € 5.7 billion on 31 December 2008 to € 4 billion on 31 December 2009.

The Bank's share in that provision is € 142.2 million, compared to € 203.3 million at the end of 2008. Changes in the provision are shown in the profit and loss account. For the Bank, the corresponding proceeds come to € 61.1 million in 2009 (see note 28).

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 portfolios of held-to-maturity securities and securities held for monetary policy purposes) and, on the other hand, their average cost value.

(millions of euro)

	31-12-2009	31-12-2008
Positive exchange revaluation differences on:		
– gold	5,288.6	4,229.6
– foreign currencies	18.3	82.3
Positive price revaluation differences on:		
– securities in foreign currencies other than held to maturity (items 2 and 3 of the assets)	79.9	207.6
– securities in euro other than held to maturity (items 4 and 7 of the assets)	128.6	135.8
Total	**5,515.4**	**4,655.3**

Note 22 Capital, reserve fund and available reserve

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	205,714
Dematerialised shares	174,185
Bearer shares	20,101
Total	**400,000**

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 down by € 35.9 million.
The assets taken out of use consist mainly of fixed assets with a low value (€ 12.1 million), and assets which are difficult to earmark (€ 16.3 million), relating to building work for which the economic life has expired, and assets taken out of service during the financial year (€ 7.2 million).
The decommissioning of the assets does not affect the profit and loss account.
From this financial year onwards, fixed assets are no longer written off entirely in the year in which they are acquired but are written off in accordance with the probable useful economic life accepted under the tax rules. Depreciation came to € 0.9 million for the financial year, and depreciation written back came to € 1.2 million.

The tax-exempt part of the extraordinary reserve comes to € 15.7 million.

AVAILABLE RESERVE

Since this reserve is new and since the balance sheet is drawn up before profit distribution, there is no net amount as at 31 December 2009. A sum of € 1,207.3 million will be allocated to the available reserve at the time of the profit appropriation (see 2.5).

CAPITAL, RESERVE FUND AND CORRESPONDING PROFIT DISTRIBUTION

(millions of euro)

	31-12-2009	31-12-2008
Capital	10.0	10.0
Reserve fund	2,661.8	2,391.5
Available reserve	–	–
Profit distribution	1,207.3	306.3
Total	**3,879.1**	**2,707.8**

On expiry of the Bank's right of issue, the State has a priority right to one-fifth of the reserve fund. That rule does not apply to the available reserve.

3.3.4 Notes to the profit and loss account

Introductory remark

Since the Bank has approved a new format for the profit and loss account in accordance with the ECB's recommendations, the profit and loss account for 2008 was redrafted in the new format.

The proceeds which accrue to the State are treated as interest charges and are included in note 24.

Foreign exchange differences and gains on gold which accrue to the State are discussed in note 25.

Note 24 Net interest income

INTEREST INCOME

INTEREST INCOME OF ASSETS IN EURO

	31-12-2009			31-12-2008		
	Income	Average volume	Average rate	Income	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Credit transactions relating to monetary policy	620.0	41,830.6	1.5	1,879.7	43,600.0	4.3
Securities portfolio in euro (including securities held to maturity)	617.6	15,109.1	4.1	646.7	15,074.6	4.3
Claims on the ECB equivalent to the transfer of foreign currency reserves	15.4	1,397.3	1.1	49.6	1,423.3	3.5
Net claims related to the allocation of euro banknotes within the Eurosystem	281.4	23,432.6	1.2	981.9	25,718.1	3.8
Statutory investments (fixed-income securities and reverse repos)	112.1	2,951.2	3.8	84.0	2,031.9	4.1
Other claims (1)	23.1	2,696.0	0.9	63.5	1,453.1	4.4
Total	**1,669.6**	**87,416.8**	**1.9**	**3,705.4**	**89,301.0**	**4.1**

(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

	31-12-2009			31-12-2008		
	Income	Average volume	Average rate	Income	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Claims related to international cooperation transactions	4.1	995.8	0.4	8.1	503.2	1.6
Investments in foreign currencies and in gold (1)	155.9	19,713.8	0.8	384.4	14,838.2	2.6
Total	**160.0**	**20,709.6**	**0.8**	**392.5**	**15,341.4**	**2.6**

(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 EXPENSE

INTEREST EXPENSE ON LIABILITIES IN EURO

	31-12-2009			31-12-2008		
	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	159.0	13,863.3	1.1	543.2	13,430.8	4.0
Net liabilities to the ECB related to TARGET2 (1)	633.3	62,877.7	1.0	2,174.5	60,408.9	3.6
Statutory investments (repo transactions)	0.1	18.1	0.5	0.2	7.2	2.4
Other liabilities	0.0	0.5	1.5	0.2	5.4	3.5
Total	**792.4**	**76,759.6**	**1.0**	**2,718.1**	**73,852.3**	**3.7**

(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 EXPENSE ON EXTERNAL LIABILITIES

	31-12-2009			31-12-2008		
	Expenses	Average volume	Average rate	Expenses	Average volume	Average rate
	(millions of euro)		(percentages)	(millions of euro)		(percentages)
Repurchase agreement transactions in foreign currencies (1)	8.7	2,526.7	0.3	108.3	3,941.7	2.7
Net use of assets in SDR	0.5	99.1	0.5	2.8	113.7	2.5
Total	**9.2**	**2,625.8**	**0.3**	**111.1**	**4,055.4**	**2.7**

(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.

INCOME ACCRUING TO THE STATE

(millions of euro)

	Expenses	
	31-12-2009	31-12-2008
Income from net interest-bearing assets (old Article 29)	–	317.3
Income accruing entirely to the State	37.4	39.3
– Deposits other than those under liabilities item 4.1	–	2.0
– Capital gains on gold	13.0	12.9
– Conversion of consolidated debt	24.4	24.4
Total	**37.4**	**356.6**

Note 25 Net result of financial operations, write-downs and provisions

REALISED GAINS/LOSSES ARISING FROM FINANCIAL OPERATIONS

(millions of euro)

	31-12-2009	31-12-2008
Capital gains (-losses)		
on statutory investments	4.0	–3.4
on investment		
in USD	38.4	87.9
in EUR	89.7	13.3
Foreign exchange gains (-losses)		
on USD	13.6	8.4
on other currencies	0.2	–
on SDR	–6.4	–1.0
on gold	0.3	1.3
Foreign exchange gains (-losses) accruing to the State (SDR and gold)	6.1	–0.3
Total	**145.9**	**106.2**

WRITE-DOWNS ON FINANCIAL ASSETS AND POSITIONS

(millions of euro)

	31-12-2009	31-12-2008
Capital losses on investments		
in USD	–11.7	–6.6
in EUR	–2.1	–3.4
Foreign exchange losses		
on USD	–	–0.1
on SDR	–8.4	–1.7
Foreign exchange losses charged to the State (SDR)	8.4	1.7
Total	**–13.8**	**–10.1**

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

Compared to 2008, the movements in the dollar exchange rate led to the realisation of more foreign exchange gains. In contrast, the positive exchange rate differences in foreign currencies (see note 21) at the end of the year were lower than in 2008.

The transactions in SDR led to a foreign exchange loss of € 14.8 million, and the gold sale to the Belgian Royal Mint generated a gain of € 0.3 million. A net figure of € 14.5 million was charged to the State.

TRANSFER TO / FROM PROVISIONS

- Write-back from the provision for future foreign exchange losses : € 150 million.
- Write-back from the provision for contingencies : € 803.6 million.
  (see note 20).

Note 26 Net income / expense from fees and commissions

FEES AND COMMISSIONS INCOME

- Commissions received as remuneration for the Bank's services as financial intermediary : € 16 million of which € 14 million related to the collateralisation of securities and € 2 million to transactions with customers. Despite an improvement in conditions on the interbank market, recourse by commercial banks to liquidity provided by the central banks remained considerable in 2009. Although guarantees mobilised within the framework of the "Correspondent Central Banking Model" (CCBM) declined throughout 2009, they still exceeded the 2008 figure, on average, on an annualised basis.

FEES AND COMMISSIONS EXPENSE

- Commissions paid by the Bank for financial services rendered to the Bank by third parties (€ 8.6 million).

Note 27 Income from equity shares and participating interests

(millions of euro)

	31-12-2009	31-12-2008
Dividend on participation in ECB	4.1	–
Repayment of share in ECB capital	4.1	–
Income distributed by ECB	27.4	42.7
Dividends on participations in statutory investment portfolio	14.6	13.8
Total	**50.2**	**56.5**

In 2009, the Bank received a dividend of € 4.1 million on its share in the capital of the ECB. In 2008 the ECB had not paid out any dividend.

This item also comprises the sum of € 4.1 million included in the results arising from the decline in the Bank's percentage share in the ECB's capital on 1 January 2009, which was attributable to adjustments to the ECB capital subscription key (see Corporate Report 2008, p. 91).

In 2009, the ECB paid out all the income from its allotted share in the issue of euro banknotes, in accordance with the Governing Council's decision of 17 December 2009. The part accruing to the Bank comes to € 27.4 million.

For the 2008-2009 financial year, the BIS paid a dividend of SDR 265 per share; for the Bank, that makes a total of € 14.6 million.

Note 28 Net result of pooling of monetary income

(millions of euro)

	31-12-2009	31-12-2008
Allocated net monetary income	2.7	–52.4
Provision in respect of monetary policy operations	61.1	–203.3
Total	**63.8**	**–255.7**

The monetary income pooled within the Eurosystem is allocated among the NCBs of the euro area in accordance with the paid-up capital key (3.4755 p.c. for the Bank since 1 January 2009).

CALCULATION OF NET MONETARY INCOME ALLOCATED TO THE BANK

(millions of euro)

	31-12-2009	31-12-2008
Monetary income pooled by the Bank in the Eurosystem	–393.8	–1,028.1
Monetary income allocated to the Bank by the Eurosystem	396.5	975.7
Net monetary income allocated	**2.7**	**–52.4**

Note 29 Other income

(millions of euro)

	31-12-2009	31-12-2008
Amounts recovered from third parties	67.7	65.2
Other	1.7	5.8
Total	**69.4**	**71.0**

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 Office, the Central Individual Credit Register and the Central Corporate Credit Register (€ 34.2 million);
- work done by the Printing Works (€ 5.1 million);
- payment systems such as TARGET2, the CEC and the Clearing House (€ 5.3 million);
- the securities settlement system (€ 5.8 million);
- cooperation with the CBFA (€ 6 million);
- the Cash and Bond Centres (€ 3.6 million);
- the internationalisation of IT applications (€ 4.1 million).

The item "Other" comprises, if applicable, proceeds from the sale of premises, the disposal of used equipment and furniture, and other miscellaneous proceeds.

Note 30 Staff costs

These costs 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.

Note 31 Administrative expenses

This item comprises in particular administrative and IT expenses (€ 21.3 million), those relating to the repair and maintenance of premises (€ 10.6 million), printing work (€ 8.7 million) and work done and services rendered by third parties (€ 15.3 million). The withholding tax on income from immovable property and the regional, provincial and municipal taxes are also included here (€ 4.5 million).

Note 32 Depreciation of tangible and intangible fixed assets

The depreciation covers the following investments:

(millions of euro)

	31-12-2009	31-12-2008
Renovation of premises	–	1.9
Hardware and software	0.3	3.0
Equipment for the Printing Works	0.2	6.4
Other equipment and furniture	0.4	2.4
Total	**0.9**	**13.7**

Note 35 Corporation tax

(millions of euro)

	31-12-2009	31-12-2008
Tax on the result for the financial year	99.2	168.0
Tax on the result for previous financial years	–7.1	3.8
Total	**92.1**	**171.8**

MAIN DIFFERENCES

(millions of euro)

	31-12-2009	31-12-2008
Profit before tax	2,004.0	616.4
Differences		
Risk capital deduction	–72.8	–59.3
Share of profit accruing to the State	–654.0	–72.8
Release from provisions established earlier	–953.6	
Share of profit accruing to the staff, paid in to the Group insurance	–29.2	
Surplus depreciation	–14.0	–2.6
Other	–1.5	–1.3
Taxable profit	**278.9**	**480.4**

CALCULATION OF THE AVERAGE TAX RATE

(millions of euro)

	31-12-2009	31-12-2008
Numerator (1)		
Tax due	92.1	171.8
Denominator (2)		
Profit before tax	2,004.0	616.4
Release from provisions established earlier	–953.6	
Share of profit accruing to the State	–654.0	–72.8
Total	**396.4**	**543.6**
Average tax rate (p.c.) (1) / (2)	23.2	31.6

3.3.5 Note on the profit distribution for the financial year (millions of euro)

PROFIT FOR THE FINANCIAL YEAR 1,911.9

Council of Regency decisions for the year 2009 only

On 25/03/2009, the Council of Regency decided to transfer to the available reserve the whole of the provision for contingencies and the provision for future exchange losses. –953.6

On 08/05/2009, the ceiling on the statutory investments was raised by a transfer from the portfolio of euro-denominated securities.

On 09/09/2009, the Council of Regency decided that the capital gain (after tax) resulting from that transfer should be included in the available reserve, in the sum of –18.9

PROFIT FOR DISTRIBUTION 939.4

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

1. a first dividend of 6 p.c. of the capital is assigned to the shareholders 0.6

2. of the remainder, an amount proposed by the Board of Directors and determined by the Council of Regency, totally independently, is assigned to the reserve fund or to the available reserve. In accordance with the new reserve and dividend policy of 22/07/2009, the Council of Regency decided to allocate 25 p.c. of the profit for distribution to the available reserve. For the year 2009, that is 234.8

3. from the surplus, a second dividend determined by the Council of Regency is assigned to the shareholders, totalling at least 50 p.c. of the net proceeds from the assets which are the counterpart of the reserve fund and the available reserve.

   – Gross proceeds from the statutory investments

	Income	Average volume	Yield (p.c.)
Bonds	116.0	2,933.1	4.0
Participating interests	14.6	332.0	4.4
Total	**130.6**	**3,265.1**	**4.0**

   – Share of the income generated by the capital in the total proceeds from the statutory investments: 10 × 130.6 / 3,265.1 = 0.4

   – Average tax rate: 23.2 p.c. (see note 35)

   – Calculation of the second dividend [(130.6 – 0.4) × (1 – 0.232) × 0.5] 50.0

4. the balance is assigned to the State; it is exempt from corporation tax 654.0

3.3.6 Notes to the off-balance-sheet items

Note 36. Forward transactions in foreign currencies and in euro

(millions of euro)

	31-12-2009	31-12-2008
Forward claims		
EUR	2,903.9	42,685.5
USD	403.6	260.3
CHF	925.4	2,775.9
Forward liabilities		
EUR	1,159.0	2,896.3
USD	1,959.9	38,396.2
JPY	240.3	277.5
CHF	925.4	2,775.9

The currency swaps 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.

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

Note 37 Forward transactions on interest rate and fixed-income securities

At the end of the financial year, the Bank holds a net long position in futures in US and German government securities and in 3-month euro-dollar rate futures. These contracts were revalued at market price. As at 31 December 2009, the Bank held a net long position of € 569.2 million.

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

Note 38 Liabilities which could lead to a credit risk

Liabilities towards international institutions include the commitment signed by the Bank to lend SDR 350 million (€ 381 million) to the PRGF Trust. The amount still available comes to SDR 10.9 million (€ 11.9 million). This loan is guaranteed by the Belgian State.

Note 39 Valuables and claims entrusted to the institution

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

The reduction in the custody deposits is due mainly to the decrease in the guarantees received by the Bank, partly offset by the increase in securities issued by enterprises and recorded in the securities settlement system.

Note 40 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 (€ 204.5 million).

3.3.7 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 2009 came to € 501,105, while the vice-governor and the other members of the Board of Directors received a gross salary of € 402,571 and € 346,232 respectively.

In 2009, the regents and censors received gross attendance fees of € 472 per meeting attended.

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

3.3.8 Auditor's remuneration

The remuneration paid to Ernst & Young Reviseurs d'Entreprises SCCRL totalled € 96,591 for the audit assignment. That remuneration comprises a sum of € 54,113 for certification of the annual accounts, a sum of € 35,173 for certification work on behalf of the ECB auditor and a sum of € 7,305 for assignments for the Audit Committee.

3.3.9 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 are pending before the Brussels Court of Appeal between the Bank and various groups of shareholders. This concerns three appeals lodged by various groups of shareholders 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 the former 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.

3.3.10 Post-balance-sheet date events

In view of the multilateral efforts to make sufficient financial resources available to the IMF and to enable the Fund to offer timely, effective assistance to its members in financing a balance of payments deficit, the Bank concluded a loan agreement with the Fund on 12 February 2010 for a sum in SDR not exceeding € 4.74 billion.

3.4 COMPARISON OVER FIVE YEARS

3.4.1 Balance Sheet

ASSETS
(thousands of euro)

	2009	2008	2007	2006	2005
1. Gold and gold receivables	**5,605,644**	**4,546,679**	**4,158,103**	**3,533,260**	**3,183,132**
2. Claims on non-euro area residents denominated in foreign currency	**11,080,062**	**6,663,472**	**6,996,921**	**6,621,103**	**7,030,957**
2.1 Receivables from the IMF	5,770,551	1,208,242	815,795	958,274	1,497,732
2.2 Balances with banks and security investments, external loans and other external assets	5,309,511	5,455,230	6,181,126	5,662,829	5,533,225
3. Claims on euro area residents denominated in foreign currency	**245,659**	**36,119,658**	**793,962**	**268,782**	**471,093**
4. Claims on non-euro area residents denominated in euro	**506,611**	**344,108**	**186,819**	**346,096**	**431,299**
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	**41,277,000**	**57,966,948**	**56,311,590**	**39,910,452**	**28,950,433**
5.1 Main refinancing operations	5,002,000	4,185,000	51,050,000	39,100,000	27,895,000
5.2 Longer-term refinancing operations	36,275,000	52,050,000	5,261,590	810,452	1,055,433
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	–	–	–	–	–
6. Other claims on euro area credit institutions denominated in euro	**2,387,636**	**2,851,076**	**30,881**	**350,619**	**51,157**
7. Securities of euro area residents denominated in euro	**15,305,044**	**15,175,921**	**5,109,271**	**4,479,265**	**4,672,397**
7.1 Securities held for monetary policy purposes	984,249	–	–	–	–
7.2 Other securities	14,320,795	15,175,921	5,109,271	4,479,265	4,672,397
8. Intra-Eurosystem claims	**20,235,274**	**24,374,279**	**25,502,215**	**23,803,328**	**22,034,183**
8.1 Participating interest in ECB capital	139,730	143,548	143,548	142,816	142,816
8.2 Claims equivalent to the transfer of foreign currency reserves	1,397,304	1,423,342	1,423,342	1,419,102	1,419,102
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem	18,698,240	22,807,389	23,935,325	22,241,410	20,472,265
8.4 Other claims within the Eurosystem (net)	–	–	–	–	–
9. Other assets	**4,817,578**	**5,162,371**	**13,266,360**	**3,463,490**	**2,542,385**
9.1 Coins of euro area	4,788	7,495	7,479	10,069	10,021
9.2 Tangible and intangible fixed assets	373,657	390,579	390,643	391,898	391,471
9.3 Other financial assets	3,734,720	2,434,094	11,976,665	2,536,705	1,806,975
9.4 Off-balance-sheet instruments revaluation differences	–	1,450,628	61,914	64,374	–
9.5 Accruals and prepaid expenditure	629,703	618,595	522,982	228,000	189,646
9.6 Sundry	74,710	260,980	306,677	232,444	144,272
Total assets	**101,460,508**	**153,204,512**	**112,356,122**	**82,776,395**	**69,367,036**

LIABILITIES
(thousands of euro)

	2009	2008	2007	2006	2005
1. Banknotes in circulation	**25,784,992**	**24,877,907**	**22,129,413**	**20,618,837**	**18,550,389**
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	**14,776,795**	**10,804,294**	**17,789,308**	**7,928,100**	**6,785,900**
2.1 Current accounts (covering the minimum reserve system)	11,881,016	9,196,994	16,735,366	7,928,100	6,785,900
2.2 Deposit facility	2,895,779	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	–	–	–	–	–
3. Other liabilities to euro area credit institutions denominated in euro	**226,403**	**130,193**	**–**	**–**	**50,854**
4. Liabilities to other euro area residents denominated in euro	**115,753**	**85,307**	**55,065**	**59,547**	**48,254**
4.1 General government	107,777	58,396	44,595	46,398	37,369
4.2 Other liabilities	7,976	26,911	10,470	13,149	10,885
5. Liabilities to non-euro area residents denominated in euro	**257,674**	**273,713**	**412,580**	**521,940**	**320,960**
6. Liabilities to euro area residents denominated in foreign currency	**–**	**–**	**–**	**–**	**155,763**
7. Liabilities to non-euro area residents denominated in foreign currency	**2,206,790**	**2,529,999**	**1,563,587**	**705,112**	**377,936**
8. Counterpart of special drawing rights allocated by the IMF	**4,706,392**	**536,100**	**521,154**	**553,957**	**587,099**
9. Intra-Eurosystem liabilities	**42,489,874**	**104,242,930**	**61,659,594**	**45,268,675**	**35,592,396**
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)	42,489,874	104,242,930	61,659,594	45,268,675	35,592,396
10. Other liabilities	**654,546**	**1,065,755**	**848,029**	**638,184**	**667,914**
10.1 Off-balance-sheet instruments revaluation differences	52,597	–	–	–	22,695
10.2 Accruals and income collected in advance	19,547	58,872	47,344	32,465	26,243
10.3 Sundry	582,402	1,006,883	800,685	605,719	618,976
11. Provisions	**142,194**	**1,156,915**	**948,068**	**932,468**	**852,268**
11.1 For future exchange losses	–	150,020	144,519	198,919	188,719
11.2 For new premises	–	–	–	–	–
11.3 For contingencies	–	803,549	803,549	733,549	663,549
11.4 In respect of monetary policy operations	142,194	203,346	–	–	–
12. Revaluation accounts	**5,515,358**	**4,655,322**	**3,930,309**	**3,246,095**	**3,203,584**
13. Capital, reserve fund and available reserve	**2,671,829**	**2,401,477**	**2,215,797**	**2,059,408**	**1,814,789**
13.1 Capital	10,000	10,000	10,000	10,000	10,000
13.2 Reserve fund:					
Statutory reserve	1,168,694	862,429	676,971	520,306	276,196
Extraordinary reserve	1,150,790	1,150,790	1,150,543	1,150,543	1,150,543
Amortisation accounts in respect of tangible and intangible fixed assets	342,345	378,258	378,283	378,559	378,050
13.3 Available reserve	–	–	–	–	–
14. Profit for the financial year	**1,911,908**	**444,600**	**283,218**	**244,072**	**358,930**
Total liabilities	**101,460,508**	**153,204,512**	**112,356,122**	**82,776,395**	**69,367,036**

3.4.2 Profit and Loss Account [1]

(thousands of euro)

	2009	2008
1. Net interest income	**990,635**	**912,171**
1.1 Interest income	1,829,606	4,097,961
1.2 Interest expense	–838,971	–3,185,790
2. Net result of financial operations, write-downs and provisions	**1,085,720**	**90,644**
2.1 Realised gains/losses arising from financial operations	145,958	106,246
2.2 Write-downs on financial assets and positions	–13,806	–10,102
2.3 Transfer to/from provisions	953,568	–5,500
3. Net income/expense from fees and commissions	**7,440**	**4,773**
3.1 Fees and commissions income	15,994	12,346
3.2 Fees and commissions expense	–8,554	–7,573
4. Income from equity shares and participating interests	**50,193**	**56,506**
5. Net result of pooling of monetary income	**63,821**	**–255,763**
6. Other income	**69,403**	**70,993**
7. Staff costs	**–188,080**	**–187,155**
8. Administrative expenses	**–74,187**	**–61,748**
9. Depreciation of tangible and intangible fixed assets	**–918**	**–13,738**
10. Banknote production services	**n/a**	**n/a**
11. Other expenses	**–**	**–247**
12. Corporation tax	**–92,119**	**–171,836**
Profit for the year	**1,911,908**	**444,600**

(1) Following the abrogation of Article 29 of the Organic Law, only the profit and loss account 2008 has been converted to the format recommended by the ECB, in order to allow the comparability of the annual accounts.

3.4.3 Dividend

(euro)

	2009	2008	2007	2006	2005
Net dividend allocated per share	94.86	56.25	54.00	52.50	51.35
Withholding tax deducted per share	31.62	18.75	18.00	17.50	17.12
Gross dividend allocated per share	126.48	75.00	72.00	70.00	68.47

3.5 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 2009

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 2009, prepared in accordance with the financial reporting framework applicable to the National Bank of Belgium (the "Bank"), which show a balance sheet total of 101.460.508 thousands of EUR and a profit for the year of 1.911.908 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 2009 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 Management 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 Management 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 Bank.

– 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 Bank.

– The appropriation of the results proposed to you complies with the legal and statutory provisions.

Brussels, 11 March 2010

Ernst & Young Réviseurs d'Entreprises sccrl
Auditor
represented by

Marc Van Steenvoort
Partner

3.6 ACTIVITY REPORT TO THE BOARD OF CENSORS

Since 2009, the Board of Censors' area of competence has been widened to cover the tasks assigned by law to the audit committee. It has thus been given greater responsibilities mainly in the field of internal and external audit as well as in supervising the preparation of the budget and the annual accounts. Under the new Article 21bis of the Organic Law, the audit committee is responsible for monitoring the statutory audit of the annual accounts, the independence of the auditor, the process of preparation of financial information and the effectiveness of the Bank's internal audit and risk management systems.

Meetings of the Board of Censors have notably been devoted to the following subjects:
- the audit plan put forward by the auditor;
- the working programme and the reports on the activities of the Bank's Internal Audit Service;
- the proposal for a new reserve and dividend policy;
- half-yearly closing of the accounts on 30 June 2009;
- presentation of the annual accounts and the Annual Report for the year 2009;
- progress with IT projects and the organisation of IT at the Bank;
- monitoring implementation of the 2009 budget and drawing up the 2010 budget.

At its meeting on 24 June, the Board of Censors took note of and discussed the content of the audit plan presented by the auditor. This discussion addressed the various elements involved in carrying out the audit assignment and confirmed the auditor's independence in the performance of this work and good coordination with the Bank's Internal Audit Service. The Board has in fact been cooperating closely with Internal Audit for many years. The report on its activities as well as the work carried out in the framework of ESCB tasks received a stamp of approval at the meeting on 9 December. The Board of Censors also took note of the new methodology followed by the Internal Audit Service with a view to using risk mapping within the institution.

Also on 24 June, the Board of Censors examined and approved the new policy for the distribution of the Bank's profits. In particular, it took note of the methodology used and the resultant calculations in order to get a good grasp of the various implications of the proposed policy with regard to risk.

In accordance with the Bank's Statutes, the censors monitored the implementation of the budget for the year 2009, as well as the formulation of the budget for 2010. At its meeting on 9 December, the Board of Censors approved the budget for 2010 along with the amendments made to the accounting rules submitted to the Council of Regency.

On 17 March 2010, the Board of Censors examined the annual accounts and the Management Report for the year 2009.

Finally, the Board of Censors encountered no particular problem or incident during the course of the year under review.

3.7 APPROVAL BY THE COUNCIL OF REGENCY

At its meeting on 24 March 2010, the Council of Regency approved the annual accounts and the report on the company's activities in the year 2009, 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.

Chantal TALBOT, Des peaux de terre se déchirent en miroir-éclat, 67 x 83 x 15 cm, ceramic and wood, 1983, detail.
Photo by Patrick Van den Branden.

Annex 1 Organic Law[(1)]

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 public limited liability companies [sociétés anonymes – naamloze vennootschappen][(2)].

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.

(1) Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium (unofficial coordinated version as at 1 April 2010).

(2) The provisions on public limited companies apply to the National Bank of Belgium only:

1. in respect of matters which are not regulated either by the provisions of Title VII Part 3 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 present Law of 22 February 1998 or the Statutes of the National Bank of Belgium; and
2. in so far as they do not 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).*

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, at the owner's request.

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 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. 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. It takes precedence over the rights set out in Article 8, paragraph 3, of the Law of 2 January 1991 on the market in public debt securities and monetary policy instruments, Articles 12, paragraph 4, and 13, paragraph 4, of Royal Decree N° 62 on the deposit of fungible financial instruments and the settlement of transactions involving such instruments, as coordinated by the Royal Decree of 27 January 2004, and 471, paragraph 4, of the Company Code.

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 action 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 the debtor has competing 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 on financial collateral and various tax provisions in relation to in rem collateral arrangements and loans for 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 over all other in rem collateral subsequently arranged or granted to third parties in relation to the same claims, irrespective of whether or not the debtor of the pledged claims has been notified of the above-mentioned liens and whether or not the above-mentioned 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 on financial collateral and various tax provisions in relation to in rem collateral arrangements and loans for 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 transaction necessary in this regard.

Art. 9*bis*. – 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 act as State Cashier on the conditions determined by law.

In regard to currencies borrowed by the State, 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.

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. 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 the possible 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 Rules of Procedure.
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, in a personal capacity, have a seat on the Management Committee of the Banking, Finance and Insurance Commission, and one or two members on 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, in a personal capacity, have a seat on the Supervisory Board of the Banking, Finance and Insurance Commission and on 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 21*bis*.

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

Art. 21*bis*.

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 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 removed 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 removed 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 above-mentioned 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 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 Deposit and Financial Instrument Protection Fund (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 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 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 that code must maintain professional secrecy as provided for in Article 458 of the Penal Code.

Art. 27. – The terms of office of the members of the Board of Directors, the Council of Regency and the Board of Censors shall expire at the latest on attainment of the age of sixty-seven years.

However, subject to authorisation by the Minister of Finance, those office-holders may complete their current term. The terms of office of the members of the Board of Directors may subsequently 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. – Repealed

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 arbitraged 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 expiry of the Bank's right of issue (1), 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.

(1) The right of issue includes the right which the Bank may exercise pursuant to Article 106 (1) of the Treaty establishing the European Community (Article 141, § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services).

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

1. a first dividend of 6% of the capital shall be allocated to the shareholders ;

2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency shall be independently allocated to the reserve fund or to the available reserves ;

3. from the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50% of the net proceeds from the assets forming the counterpart to the reserve fund and available reserves shall be allocated to the shareholders ;

4. the balance shall be allocated to the State ; it shall be exempt from corporation tax.

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.

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 are 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 paragraphs shall not prevent the observance, by the members of the Bank's organs 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 20*bis* (2) of the Law of 24 August 1939 on the National Bank of Belgium.

Art. 38. – *pro memoria*

Annex 2 Statutes [1]

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 above-mentioned 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.

(1) Statutes of the National Bank of Belgium adopted by the General Council of 23 December 1998 (unofficial coordinated version as at 1 April 2010).

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, at the owner's request.

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. 20*bis*. – 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.

In regard to currencies borrowed by the State, 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.

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 the possible 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 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 removed 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 removed 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 Deposit and Financial Instrument Protection Fund (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 are subject to 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 subsequently 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 Rules of Procedure 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 expiry 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. – Repealed.

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 profits** shall be distributed as follows:

1. a first dividend of 6% of the capital shall be allocated to the shareholders;

2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency shall be independently allocated to the reserve fund or to the available reserves;

3° from the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50% of the net proceeds from the assets forming the counterpart to the reserve fund and available reserves shall be allocated to the shareholders;

4° the balance shall be allocated to the State; it shall be exempt from corporation tax.

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 single operation 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. – Repealed.

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 arbitraged 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 are 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, insurance companies and reinsurance companies 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 Bank's organs 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 May or, 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 resolutory 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 Governance statement

Latest amendment: 27 October 2009. The amendments are intended to align the text with the provisions of the Law of 3 April 2009 amending the financial provisions of the Bank's Organic Law. At the same time, they clarify some points in paragraph 2.6 concerning the closed periods to be respected by regents and censors.

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, despite having the form of a public limited liability company. 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 assign to the State, as a sovereign State, the surplus seigniorage revenue remaining after the Bank has covered its expenses, including the formation of the necessary reserves and remuneration of the capital.

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 tasks in the public interest, 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).

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	
King	Appointment of the governor	Appointment of the directors	General Meeting
	Appointment of the directors (on the proposal of the Council of Regency)		
General Meeting	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)	Appointment of the auditors	
	Hearing of the administration's report	Hearing of the directors' report, auditors' report and discharge of the auditors	
	Amendment of the Statutes except for Council of Regency prerogatives	Amendment of the articles of association	
Council of Regency	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	Discussion and approval of the annual accounts	
	Appropriation of the profits	Appropriation of the profits	
	Discharge of the Board of Directors	Discharge of the directors	
	Setting the remuneration of the members of the Board of Directors	Setting the remuneration of the Board of Directors	
	Proposal for the appointment of the directors	Appointment and setting of the remuneration of the management team	Board of Directors
	Approval of the budget and the administration's report	Approval of the budget and the directors' report	
Board of Directors	Definition of company policy	Definition of company policy	
	Administration and management	Administration and management	
	Drawing up of the annual accounts	Drawing up of the annual accounts	
	Preparation of the administration's report	Drawing up of the directors' report	
	Management and routine operation	Optional delegation of the management (management board) or the routine operation (chief executive)	Management board or chief executive
Board of Censors	Supervision of the preparation and implementation of the budget		
	Audit committee		
Representative of the Minister of Finance	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)		

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.

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, and determines their salaries.

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.

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 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.

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. It has power to take totally independent decisions on the Bank's reserve and dividend policy. It finally determines the distribution of the profits proposed by the Board of Directors, and ensures that balanced account is taken of the financial interests of the Bank, its shareholders and the State as a sovereign State.

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 May 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;

wto 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 when the Board of Directors draws up the annual accounts until the moment when those accounts are 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. The legal compliance officer informs the regents and censors of the institution of closed periods.

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. A first dividend of 6 p.c. of the capital is guaranteed by the whole of the reserves. The second dividend corresponds to 50 p.c. of the net proceeds from the portfolio which the Bank holds as the counterpart to its total reserves. The second dividend is guaranteed by the available reserve unless that would cause the level of the reserves to fall too low.

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. Shareholders are thus protected 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 4 Reserve and dividend policy[1]

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

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

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

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

2. 25 p.c. of the profit to be allocated is transferred to the available reserve. Every year, the Bank determines the minimum amount of the reserves required in view of its risks. For the current year 2009, the minimum is € 3.2 billion. The assessment can result in the Bank deciding to transfer additional profits to the reserves.

3. The second dividend is set at 50 p.c. of the net proceeds from the portfolio which the Bank holds as a counterpart to its total reserves. Net proceeds means the proceeds stated in the profit and loss account, after deduction of corporation tax at the rate actually due. The second dividend is guaranteed by the available reserve, unless the Bank finds that as a consequence its reserves would be lowered too much.

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

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

The detailed rules are as follows:

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

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

(1) Press release issued by the Bank on 22 July 2009.

of the balance sheet and consists of the statutory reserve, the extraordinary reserve and the amortisation accounts.

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

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

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

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

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

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

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

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

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

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

12. Fairness, transparency and stability are key elements of the reserve and dividend policy of the Bank. It is the Bank's express intention to implement the policy set out above in a sustainable way. While history – and certainly the recent past – has shown that the financial context in which the Bank operates is subject to major changes, any adjustment to the declared policy must be announced immediately, stating the reasons for it.

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

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

Annex 5 List of articles published in 2009

Economic Review

June 2009

1. Economic projections for Belgium – Spring 2009
2. The National Bank of Belgium's new business survey indicator
3. Public employment in Belgium
4. The Belgian migration towards the Single Euro Payments Area (SEPA)

September 2009

1. Deflation, a demon from the distant past or a real danger in 2009 ?
2. Regulation and competition in the distribution sector in Belgium
3. The economic recovery plans
4. Towards more environmental taxes ?
5. Belgian mortgage lending from a European perspective

December 2009

1. Economic projections for Belgium – Autumn 2009
2. Pension system reforms in the EU15 countries
3. Methodology or pricing : how can the greater volatility of consumer gas and electricity prices in Belgium be explained ?
4. Trend in the financial structure and results of firms in 2008
5. The 2008 social balance sheet

Working Papers

155. Fiscal sustainability and policy implications for the euro area
156. Understanding sectoral differences in downward real wage rigidity: workforce composition, institutions, technology and competition
157. Sequential bargaining in a New Keynesian model with frictional unemployment and staggered wage negotiation
158. Economic Importance of Air Transport and Airport Activities in Belgium
159. Rigid labour compensation and flexible employment? Firm-level evidence with regard to productivity for Belgium
160. The Belgian iron and steel industry in the international context
161. Trade, wages and productivity
162. Labour flows in Belgium
163. The young Lamfalussy: an empirical and policy-oriented growth theorist
164. Inflation dynamics with labour market matching: assessing alternative specifications
165. Understanding inflation dynamics: where do we stand?
166. Input-output connections between sectors and optimal monetary policy
167. Back to the basics in banking? A micro-analysis of banking system stability
168. Model misspecification, learning and the exchange rate disconnect puzzle
169. The use of fixed-term contracts and the labour adjustment in Belgium
170. Analysis of business demography using Markov chains: an application to Belgian data
171. A global assessment of the degree of price stickiness results from the NBB business survey
172. Economic importance of the Belgian ports: Flemish sea ports, Liège port complex and port of Brussels – Report 2007 (only available in Dutch and French)
173. Evaluating a monetary business cycle model with unemployment for the euro area
174. How are firms' wages and prices linked: survey evidence in Europe
175. Micro data on nominal rigidity, inflation persistence and optimal monetary policy
176. On the origins of the BIS macro-prudential approach to financial stability: Alexandre Lamfalussy and financial fragility
177. Incentives and tranche retention in securitisation: a screening model
178. Optimal monetary policy and firm entry
179. Staying, dropping or switching: the impacts of bank mergers on small firms
180. Inter-industry wage differentials: how much does rent sharing matter?
181. Empirical evidence on the aggregate effects of anticipated and unanticipated US tax policy shocks
182. Downward nominal and real wage rigidity: survey evidence from European firms
183. The margins of labour cost adjustment: survey evidence from European firms

Annex 6 Opening hours and addresses [1]

SERVICES	ESTABLISHMENTS OFFERING THE SERVICES	OPENING HOURS
Banknotes and coins, State Cashier, Central Balance Sheet Office, Central Individual Credit Register	Brussels, boulevard de Berlaimont 3, Antwerp, Kortrijk, Hasselt, Liège and Mons	9.00 to 15.30 hrs
Library	Brussels, Rue Montagne aux Herbes Potagères 57	10.00 to 17.00 hrs [2]
Museum	Brussels, rue du Bois sauvage 10	10.00 to 18.00 hrs, daily except Mondays

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(1) Situation as at 1 March 2010.
(2) Owing to relocation, the library will not be open to the public from 1 March to 30 April 2010.

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Departments and Services: see website.

Illustrations

Since the beginning of the 1970s, the National Bank has been building up a collection dedicated to Belgian contemporary art. The fruit of a joint initiative of the Bank's Board of Directors and staff representatives, this collection is put together as part of its patronage policy, since the Bank only buys works of art from living Belgian artists, or from artists resident in Belgium, and never re-sells them. The selection which illustrates this volume presents close-ups of several sculptures of various styles and lines of artistic thinking that reflect the diversity of this collection.

The National Bank's current art acquisition policy, run with the assistance of an independent advisor, is mainly targeted at young and upcoming artists.

Chantal TALBOT, Des peaux de terre se déchirent en miroir-éclat, 67 x 83 x 15 cm, ceramic and wood, 1983, detail. Photo by Patrick Van den Branden.

Rafaël BUEDTS, Kop 3/7, 21 x 32 x 23 cm, bronze, 1992. Photo by Patrick Van den Branden.

Joëlle TUERLINCKX, No title, variable dimensions, six crystal balls, undated. Photo by Philippe Debeerst.

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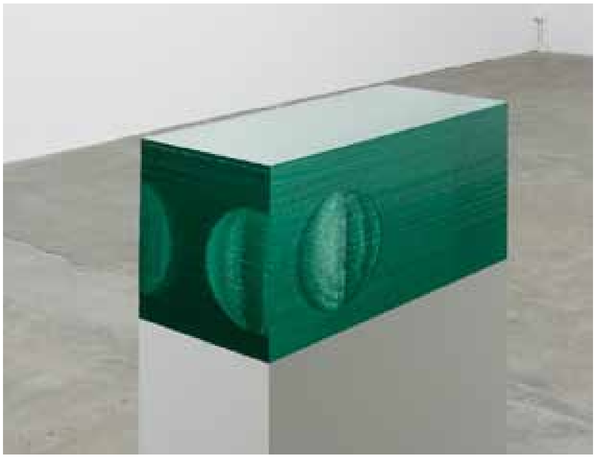
Tjok DESSAUVAGE, Potstruktuur, 22 x 24,5 x 24,5 cm, 1987, ceramic. Photo by Philippe Debeerst.



Carla AROCHA, No title (Ball), 100 x 80 x 35 cm, sheets of glass on wooden base, 2006. Photo by Philippe Debeerst.

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