# 2. Annual accounts and reports on the financial year


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# 2.1 Annual report

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

### 2.1.1.1 Balance sheet

The balance sheet total was down slightly by 2.5 %, or € 4.7 billion, to € 181.8 billion.

In regard to monetary policy transactions, the liquidity in euro provided to credit institutions declined mainly as a result of the fall in lending (€ –3.4 billion). However, that decline was offset to a very small degree by the purchase of securities (€ +0.3 billion). The Bank considerably reduced its own portfolio in euro, in both MTM and HTM (€ –3.0 billion).

That reduction in liquidity led to withdrawals from current accounts and from the deposit facility (€ –14.0 billion), which were partly offset by the outgoing payments via TARGET2 (€ + 10.8 billion). Non-residents of the euro area also reduced their current account assets.

Since the volume of banknotes placed in circulation by the Bank (up 11.4 % as an annual average) continued to rise faster than the figure for the Eurosystem (up 5.1 % as an annual average), net claims relating to the allocation of euro-denominated banknotes in the Eurosystem declined (€ –0.3 billion).

The table below gives an overview of the securities portfolios which represent a substantial proportion of the assets on the balance sheet.

On the balance sheet date, the MTM portfolios are marked to market. The HTM, statutory and monetary policy portfolios are recorded at the amortised purchase price.

**Summary of the securities portfolios at book value**
(end-of-period data, in € billion)

| | 2019 | 2018 |
|---|---|---|
| ▪ fixed-income securities in foreign currencies (“MTM portfolio”) | 9.0 | 9.0 |
| ▪ fixed-income securities in euro (“MTM portfolio”) | 1.2 | 3.5 |
| ▪ investment funds in euro (“MTM portfolio”) | 0.3 | – |
| ▪ fixed-income securities in euro held to maturity (“HTM portfolio”) | 4.5 | 5.5 |
| ▪ statutory portfolio of fixed-income securities in euro | 6.1 | 5.6 |
| Total portfolios on the Bank's own account | 21.1 | 23.6 |
| ▪ securities held for monetary policy purposes | 113.9 | 113.6 |
| Total portfolios | 135.0 | 137.2 |

The MTM and HTM portfolios in euro managed for the Bank's account were down by € 2.0 billion and € 1.0 billion respectively. Securities reaching their maturity date were not reinvested and certain MTM securities were sold.

The size of the statutory portfolio is determined by the sum of the capital, reserves and amortisation accounts. Following the allocation of the profits for the financial year 2018, supplementary fixed-income securities could thus be added to this portfolio.

In the case of the monetary policy portfolios for which the purchase programmes (CBPP1, CBPP2 and SMP) have ended, securities maturing were redeemed (€ –1.1 billion). In the Eurosystem, under the CBPP3, PSPP and CSPP programmes net purchases of securities were resumed on 1 November for € 20 billion per month. The Bank participated in the sum of € 1.4 billion.

As in previous years, in the case of the CSPP, the Bank purchased securities for the account of the Eurosystem in a much larger proportion than its share in the ECB's capital.

Below is the geographical distribution of the securities in the own-account portfolios.

(in € million)

| | Book value | Market value | Revaluation accounts |
|---|---|---|---|
| Belgium | 6 114.9 | 6 614.0 | 9.7 |
| United States | 5 962.8 | 5 962.8 | 109.2 |
| Germany | 1 332.5 | 1 411.5 | 5.3 |
| Spain | 464.1 | 501.2 | – |
| France | 1 654.4 | 1 785.6 | 5.3 |
| Austria | 559.9 | 604.1 | – |
| Ireland | 44.0 | 44.7 | – |
| Italy | 184.1 | 194.2 | – |
| Japan | 1 174.4 | 1 174.4 | 2.4 |
| International organisations | 461.5 | 494.2 | 2.5 |
| The Netherlands | 632.1 | 660.1 | 2.2 |
| Portugal | 50.4 | 59.9 | – |
| Greece | 33.0 | 36.7 | – |
| Switzerland | 705.5 | 705.5 | 36.1 |
| Finland | 457.5 | 486.0 | 0.4 |
| United Kingdom | 94.3 | 94.3 | 2.6 |
| Other | 886.0 | 890.6 | 11.2 |
| Total fixed-income securities | 20 811.4 | 21 719.8 | 186.9 |
| Investment funds | 253.4 | 253.4 | 3.4 |
| Total portfolios | 21 064.8 | 21 973.2 | 190.3 |

If the Bank had sold all its own-account portfolios on the balance sheet date, it would have realised: (i) the gains currently recorded (as unrealised gains) in the revaluation accounts (€ 190.3 million) on the liabilities side of the balance sheet, and (ii) the positive difference between the market value and the book value (€ 908.4 million). Altogether, an additional gain of around € 1 098.7 million would thus have been recorded in the results.

The impairment tests carried out in 2019 did not lead to any write-downs on the Bank's own-account portfolios.

With a view to reducing the exchange rate risk on its assets denominated in US dollars and SDRs, the Bank once again concluded forward contracts. Thus, in 2019, the net position in dollars and SDRs remained virtually unchanged at $ 2.2 billion (€ 2.0 billion) and SDR 22.8 million (€ 28.2 million) respectively. The net position in Chinese yuan and South Korean won also remained unchanged: CNY 1.5 billion (€ 185.6 million) and KRW 120.1 billion (€ 92.7 million). At the end of the financial year, the revaluation accounts on the liabilities side recorded positive exchange differences of € 294.6 million.

In order to determine shared risks, account must also be taken of the Bank's share of € 48.0 billion in the monetary policy portfolios and credit operations of the Eurosystem central banks. In addition, securities for which non-shared risks are included in item 7 of the balance sheet amounting to € 63.3 billion must be taken into account.

**Monetary policy operations to which risk-sharing applies**
(in € billion)

| | NCB balance sheets | NBB key: 3.63 % | NBB balance sheet |
|---|---|---|---|
| Lending to euro area credit institutions related to monetary policy operations denominated in euro | 624.2 | 22.7 | 19.3 |
| Main refinancing operations | 7.9 | 0.3 | 0.4 |
| Longer-term refinancing operations | 616.2 | 22.4 | 18.9 |
| Marginal lending facility | 0.1 | – | – |
| Securities held for monetary policy purposes | 695.8 | 25.3 | 50.6 |
| SMP | 44.2 | 1.6 | 1.4 |
| CBPP3 | 241.9 | 8.8 | 8.0 |
| ABSPP | – | – | – |
| PSPP-Supranational securities | 225.2 | 8.2 | – |
| CSPP | 184.5 | 6.7 | 41.1 |
| Total | 1 320.0 | 48.0 | 69.9 |

## Agreement on Net Financial Assets (ANFA)

At the end of 2019 the Bank's net financial assets totalled € 13.3 billion.

The Agreement on Net Financial Assets, concluded between the national central banks (NCBs) of the euro area and the European Central Bank (ECB), sets an overall limit on the total net financial assets relating to national tasks unconnected with monetary policy.

The limit on the amount that the NCBs can hold is necessary to ensure that the ECB Governing Council has full control over the size of the Eurosystem's balance sheet, to permit the effective implementation of monetary policy.

The net financial assets are equal to the difference between assets that are not directly related to monetary policy and liabilities that also have no direct link with monetary policy.

### 2.1.1.2 Result

In 2019 the Bank made a higher net profit than in the previous year (€ +80 million). This increase is due primarily to the net income from financial transactions, which was up by € 113 million. However, that effect was partly negated by the decline in both net interest income and the Bank's contribution to monetary income (€ –51 million). The increase in income from equity shares and participating interests, at € 14 million, contributed to the improvement in the result.

Net income from financial transactions rose sharply, the main factor being the decline in interest rates in dollar (€ +86 million) and in euro (€ +28 million).

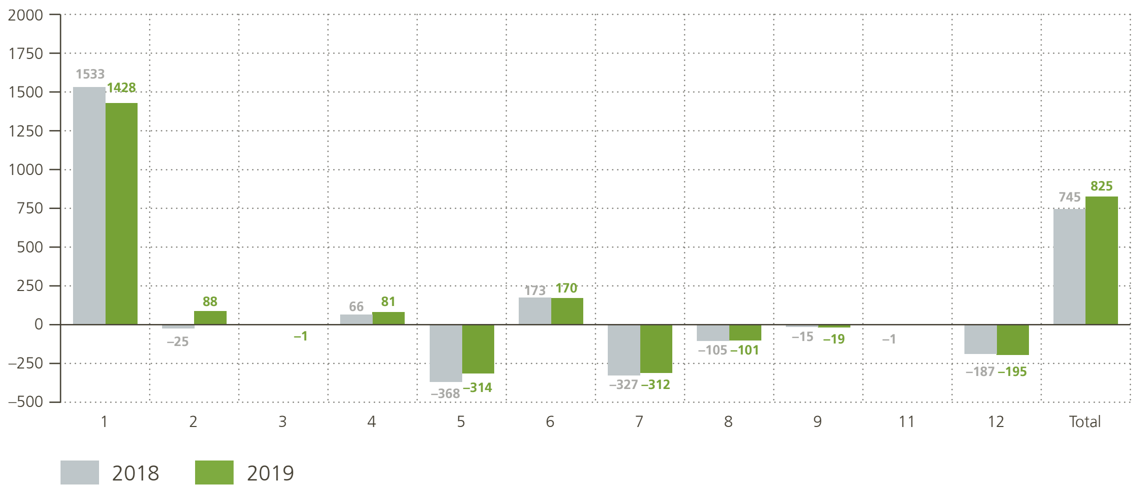
Net interest income was down by € 105 million, mainly as a result of:

- the reduced volumes on current account and on the deposit facility (€ –90 million);
- the reduced volumes on the Bank's own portfolios in euro (€ –27 million);
- the increased volume of the monetary policy portfolios (€ +10 million).

The Bank's contribution to the pooling of monetary income was smaller than in the previous year (€ +48 million), primarily as a result of the decline in current accounts and deposit facility liabilities in euro. The impairment tests on monetary policy securities in the Eurosystem resulted in a partial withdrawal from the provision formed in the previous year (€ +6 million). Together, these two factors improved the pooling of monetary income by € 54 million.

**General structure of the result**

(in € million)




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
11. Other expenses
12. Corporate tax

### 2.1.1.3 Profit distribution

The minimum amount of the Bank's reserves is determined on the basis of an estimate of the quantifiable risks. All the Bank's financial risks are quantified according to the value at risk / expected shortfall methodology, for which the Bank uses very cautious parameters with regard to probabilities and timescales, or according to long-term scenarios.

The estimate of the minimum level of risks at the end of 2019 resulted in a figure of around € 4.6 billion, compared to € 5.4 billion at the end of 2018.

That amount comprises the financial risks on:

- the Bank's own securities portfolios in euro and in foreign currencies;
- the monetary policy portfolios shown on the Bank's balance sheet for which the Bank alone bears the risks;
- the monetary policy credit operations and securities portfolios shown on the balance sheet of all national central banks (NCBs) in the Eurosystem, for which the risk is shared among the NCBs (see notes 5 and 7 to the annual accounts).

The volume and the composition of the balance sheet, and particularly the Expanded Asset Purchase Programme, imply a risk of the Bank's results coming under pressure. Consequently, the Bank is maintaining its reserve policy at 50 % of the profit for the year for so long as the period of non-standard monetary measures persists.

Thus, an amount of € 412.6 million is allocated to the available reserve. Following the profit distribution, the Bank's buffers total € 6.6 billion. In addition, the current profit is the first buffer used to cover any losses.

The dividend policy remains unchanged. This results in a gross dividend of € 122.57 per share, down by 11.5 % against the year 2018, the main reason being that no premises were sold this year.

The balance of the profit for the year is assigned to the State in accordance with the Organic Law. For 2019, this amounts to € 363.6 million.

### 2.1.2 Risk management

As regards risk management, the Bank applies the "three lines of defence" system.

Its departments, autonomous services and units assume the **first line of responsibility** for the effectiveness of the internal control system. This involves:

- identifying, assessing, controlling and mitigating the risks that their entities incur;
- setting up adequate internal control and risk management mechanisms for managing their entities' risks within the risk tolerance limits set by the Board of Directors;
- making sure that these objectives, policies and internal control are respected in their entities.

The **second line of responsibility** for the effectiveness of the internal control system lies with the Treasurer-Director, Jean Hilgers, as regards financial risks (see 2.1.2.1). For non-financial risks (see 2.1.2.2), second line responsibility rests with the Director Vincent Magnée.

The Internal Audit Service assumes the **third line of responsibility** for the efficiency of the internal control system. Its task is to give the Board of Directors further assurance, based on the highest degree of organisational independence and objectivity, as to the effectiveness of the Bank's governance, risk management and internal control, including the achievement of risk management and control objectives by the first and second lines of defence.

The Bank's financial and non-financial risk management during the year under review is described below.

#### 2.1.2.1 Financial risk management

##### *2.1.2.1.1 Management of the gold and foreign currency reserves, portfolios of securities in euro and monetary policy operations*

Management of the gold and foreign currency reserves and that of the portfolios of securities in euro, and the monetary policy operations (intervention portfolios, loans, etc.) exposes the Bank, like any financial institution, to financial risks such as market and credit risks as well as to operational risks.

For the purpose of managing its reserves, the Bank first defines a level of risk which it deems appropriate according to its risk aversion, the level of which depends among other things on constraints related to carrying out its tasks in all circumstances, as well as its ability to take even exceptional losses. That level is reviewed regularly as the Bank's tasks evolve and develop, particularly in regard to monetary policy, and in the light of actual or expected changes in market risks. The Bank then establishes a policy which aims to limit and control these risks and keep them at the pre-selected level. In particular, it determines the currency mix, the market mix and the financial instrument mix, and the strategic duration of each own-account bond portfolio (and maximum deviations permitted in the course of active management) by applying the value-at-risk method to assess market risk (losses which could be generated by adverse movements in exchange rates, asset prices and interest rates). It also conducts stress tests in order to estimate short- or even longer-term trends in its results under the various scenarios that are defined both within the Bank and by external institutions. The limits imposed for risk factors and the portfolio structure therefore reflect the level of risk which the Bank considers acceptable, and are adjusted if necessary on the basis of market developments and implications relating to the Bank's tasks, such as the constitution of monetary policy portfolios (the Securities Markets Programme, Covered Bonds Purchase Programmes, Asset-backed Securities Purchase Programme, Public Sector Purchase Programme, Corporate Sector Purchase Programme).

Moreover, in order to limit its credit risk (including migration risk), i.e. the risk of losses which could result from payment default (including debt restructuring) or deterioration in the credit quality of counterparties or issuers, the Bank gives preference to sovereign risk instruments which have a high credit rating or which are collateralised, imposing strict limits on its other investments, especially bank deposits. It also demands a high rating for its investment instrument issuers and counterparties, and ensures as far as possible that its investments are diversified. The securities purchase programmes under the Expanded Asset Purchase Programme have a specific impact on credit risk owing to a high concentration on certain sovereign issuers.

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 (such as implied ratings) which take account of developments on certain markets (credit default swaps, stock market value, etc.) and financial ratios, and possibly financial analyses conducted with due regard for the total segregation of the Bank's entities responsible for banking supervision. For overall credit risk assessment, it uses the CreditMetrics method with cautious and consistent parameters whose adequacy is regularly reviewed.

In order to increase the return on its US-dollar-denominated assets in the long term, the Bank invests a small proportion of those assets in corporate bonds. Specific rules have been drawn up for this type of bond (minimum rating, wide diversification obligation, 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, to a lesser extent, bonds backed by first-rate claims (*Pfandbriefe* type or other covered bonds) which help raise the expected yield. In conducting the investment operations concerning the Bank's portfolios, account is taken of the primacy of the monetary policy programmes and the strict organisational segregation designed to avoid any risk of a conflict of interests.

The Bank continues to implement its policy of taking account of ecological, social and governance criteria (ESG) in managing its assets.

In order to improve the long-term risk/return ratio, the Bank acquired, for a modest amount, an investment fund comprising shares of European companies, which reflects as closely as possible the performance of a European index (which excludes the United Kingdom and Switzerland) and which applies ESG criteria. The fund is managed externally and passively in order to rule out any conflict of interests.

Both market risks and credit risks for the portfolios are closely monitored. The Bank has risk management procedures in place to enable it to monitor the limits and criteria that securities must meet before they are bought under the integrated portfolio management system, and it carries out regular internal reporting on these risks.

Finally, the Bank limits the operational 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.

As regards the Bank's lending transactions pursuant to the Eurosystem's monetary policy, a risk management framework was established within the Eurosystem to enable harmonised implementation throughout the euro area. In this way, the eligible assets can be used without discrimination and the same risk control measures are applied throughout the Eurosystem. The risk management framework contains the eligibility criteria, which can be used on the one hand to draw up a single list of eligible securities and, on the other hand, to select non-tradable assets (bank loans). This framework also sets out risk management procedures and is regularly revised to take account of recent developments and in order to guarantee high-grade protection. Since 2012, every central bank has been able to define an additional framework for non-marketable assets, setting out eligibility rules and specific risk measures. These additional frameworks are approved by the Eurosystem. The Bank has not implemented such a framework as sufficient eligible assets are available.

##### *2.1.2.1.2 Interest rate risk and risks associated with the volume of interest-bearing assets*

Among the Bank's various sources of income, those obtained from issuing banknotes are traditionally the most important. For central banks, banknotes are unremunerated liabilities. As the counterpart, central banks 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.

Owing to the APP, the counterpart to an increasing proportion of the assets on the Bank's balance sheet is no longer banknotes but other liabilities remunerated at a pre-determined short-term interest rate. That increases the longer-term interest rate risk.

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. Thus, the State is the first to bear the consequences of the volatility in the Bank's seigniorage income.

### 2.1.2.2 Non-financial risk management

The Bank's **operational risk framework** is a risk management system based on three lines of defence. Within that framework, the first line services are responsible for identifying, assessing and tackling risks inherent in their activities. This implies that all first line services conduct risk analyses on all their activities in order to ensure that they remain within acceptable limits so that the objectives can be achieved.

Since 2017, the Bank has had a fully-developed second line of defence for operational risk management, which has been incorporated in a new Department responsible for implementing and overseeing the framework for operational risk management. That Department develops and maintains the risk management framework for the Bank and supports the first line in the management of all operational risks, including risks relating to physical security, business continuity, outsourcing, information technology, information security and cyber security, and major compliance risks (e.g. compliance with the anti-money-laundering legislation or the legislation relating to the General Data Protection Regulation (GDPR), the code of ethics, etc.).

Where **business continuity** is concerned, the Bank continues to refine its reference framework. In this connection, the impact analyses and business continuity plans for critical activities are revised and updated. These plans are then tested against specific scenarios in accordance with an annual schedule and adapted on the basis of the test results. The Bank's crisis management forms part of its business continuity management and is likewise tested regularly.

In the field of **information security** there is a clear allocation of roles and responsibilities between the first and second lines. To ensure that all staff are aware of the rules that must be respected in regard to keeping information systems secure, the Bank keeps a register containing all the relevant approved ESCB and NBB policies. A regulation on the use of individual file storage space has been approved. Since, in addition to clear governance, user awareness also contributes to better information security, the awareness programme in the form of e-learning has been extended to all staff members and the study of all the awareness modules has been included in the personal annual targets of all staff. The awareness programme covers a four-year period and its content is regularly supplemented. Finally, the project set up last year for structurally enhancing information security continued in order to address new cyber risks.

Under second line supervision concerning **banknotes**, there were regular conformity checks at the Central Cash Office and in the Printing Works in order to identify and avert any risks. This concerns cash inspections, dealing with cash discrepancies and complaints from financial institutions, internal checks on damaged banknotes, non-compliant packs of banknotes and offline destruction of banknotes, admission tests on BPS machines, checks on Printing Works suppliers, and measures to combat money laundering and terrorist financing.

On the subject of **legal compliance**, 110 questions regarding interpretation, 25 requests to authorise financial transactions and 320 benefit statements from staff and management concerning the application of the code of ethics and the General Data Protection Regulation were addressed. A new code of conduct came into force, applicable to the members and alternate members of the Governing Council and Supervisory Board of the European Central Bank. A regulation governing access to the infrastructure and information for staff on secondment or those absent for long periods of time was revised to take account of the group of employees taking advantage of the early retirement plan. To meet the requirements of the GDPR, the cookie banner and disclaimer on the Bank's website and jobsite were adapted and the privacy risks were assessed in relation to new data processing. In addition, the Bank's policy, the template for the processing register, the data protection effect assessment and the data leaks procedure were revised and made user-friendly. To meet the requirements of the Framework Law on the Processing of Personal Data, the forwarding of personal data to other authorities was formalised on the basis of a protocol. Finally, eight information sessions on ethics and the GDPR were arranged for staff.

### 2.1.3 Post-balance-sheet events

After the balance sheet date, Belgium like the rest of the euro area was confronted by the global crisis caused by the COVID-19 pandemic.

The Bank is not one of the sectors primarily affected; it remains operational by maximising home working and is thus ensuring the continuity of its essential activities.

In view of the particularly fast-changing situation, it is impossible to produce reliable estimates of the financial impact of the COVID-19 crisis on the Bank.

However, the Bank would draw attention to the ECB Governing Council's decision on 18 March 2020, launching a new, temporary purchase programme (Pandemic Emergency Purchase Programme, PEPP) whereby the purchases under the existing programmes (Asset Purchase Programme, APP) are extended until the end of 2020 with an overall envelope of € 750 billion. As a national central bank of the Eurosystem, the Bank will be involved in the implementation of this programme, which will affect its balance sheet total and the risks to which it is exposed.

This highlights once again the appropriateness of the reserve policy established by the Council of Regency, setting aside 50 % of the profit for the year for so long as the period of non-standard monetary measures continues.

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

The ECB Governing Council intends to continue reinvesting maturing securities acquired under the Expanded Asset Purchase Programme for a prolonged period following the date on which it begins raising the key interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and a high degree of monetary support. The Governing Council also decided to resume monthly net purchases of securities under the APP from 1 November 2019 for an indefinite period. In addition, on 18 March 2020 the Governing Council decided to launch a new securities purchase programme (Pandemic Emergency Purchase Programme, PEPP). The consequences of these programmes could put pressure on the Bank's results.

### 2.1.5 Research and development

The research and development activities focused mainly on the provision of services within the Eurosystem including measures to combat counterfeiting, the development of new security features, and banknote circulation. The Bank and its Printing Works made a significant contribution to various working groups in collaboration with various other central banks, including those in the Eurosystem.

### 2.1.6 Conflict of interests

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.

### 2.1.7 Financial instruments

In managing its portfolios, the Bank uses financial instruments such as (reverse) repurchase agreements, currency and interest rate 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, 6, 9, 12, 15, 16, 24, 37 and 38).

See point 2.1.2.1. for a description of the Bank's financial risk management policy.

### 2.1.8 Expertise and independence of the Audit Committee

The Board of Censors is the Bank's Audit Committee.

In accordance with Article 36 of the Statutes, the Censors are chosen from among persons with specific qualifications in the field of supervisory procedures. They are experts in accountancy and auditing, in view of their training in economics and finance and/or their acknowledged professional experience in those fields. Most of the members of the Board of Censors satisfy the independence criteria mentioned in Article 7:87 (1) of the Companies and Associations Code.

## 2.1.9 Corporate governance statement

### 2.1.9.1 Belgian corporate governance code and corporate governance charter

For listed companies in Belgium, the Belgian Corporate Governance Code 2009 ("the Code") is the reference text on governance. The Code, published on the website www.corporategovernancecommittee.be, is a recommendation and sets out principles and guidelines in regard to governance which complement the legislation in force and cannot be interpreted in a manner contrary to the law.

Established in the form of a public limited company listed on the stock market, the Bank is Belgium's central bank. It forms an integral part of the Eurosystem whose primary aim is the maintenance of price stability. It is also responsible for supervising the financial sector and performs other tasks in the general interest 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.

In view of the pre-eminence of the Bank's tasks in the public interest, the law has given it a special legal framework. The provisions on public limited liability companies are applicable to it only additionally, i.e. in regard to matters not governed by the Treaty on the Functioning of the European Union, the Protocol on the Statutes of the ESCB and the ECB annexed to that Treaty, and the Bank's Organic Law and Statutes, 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. It also enjoys special status regarding the information disclosure obligations. For instance, the rules on the production and circulation of periodic information do not apply to the Bank.

The Bank's tasks in the public interest pursuant to its role as a central bank also justify a special governance structure, laid down by its Organic Law and its Statutes. The specific provisions concerning the arrangements for appointing the members of its organs, the specific composition and role of the Council of Regency, the reduced powers of the General Meeting of Shareholders and the special arrangements for the exercise of supervision are intended to ensure that the Bank can perform the tasks in the public interest assigned to it with due regard for the independence requirements imposed by the Treaty.

That explains why certain provisions of the Code do not apply to the Bank. Nevertheless, the Bank considers that the system of governance imposed on it partly by its own Organic Law and its Statutes, and partly by EU rules, is just as exacting as the Code, or even more so in some respects, such as oversight.

In order to provide the public with full information on the corporate governance rules which it applies, the Bank has drawn up a Corporate Governance Charter which offers additional clarification regarding its organisation, governance and supervision. That Charter can be consulted on the Bank's website.

### 2.1.9.2 Internal control and risk management systems in connection with the financial reporting process

The financial and non-financial risks connected with the Bank's activities and their management, and the organisation of risk management according to the standard three-level model, are discussed in point 2.1.2 of this Report.

In its capacity as the Audit Committee, the Board of Censors monitors the financial reporting process and ensures that the main risks, including those relating to compliance with the current legislation and rules, are correctly identified, managed and brought to the attention of the Audit Committee and the Board of Directors. It also examines the notes on internal control and risk management in the Annual Report.

The Audit Committee discusses important questions relating to the financial reporting with the Board of Directors and the auditor. The Board of Directors informs the Audit Committee of the principles adopted for recording significant and abnormal transactions in cases where various accounting approaches are possible. The Audit Committee assesses the relevance and consistency of accounting rules drawn up by the Council of Regency, examines proposed changes to those rules and expresses an opinion on that subject. It also assesses the accuracy, exhaustiveness and consistency of the financial information and, in particular, examines the annual accounts drawn up by the Board of Directors before they are discussed and approved by the Council of Regency.

The Council of Regency approves the annual accounts, the Directors' Report, 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.

In accordance with the Protocol on the Statutes of the ESCB and of the ECB annexed to the Treaty on the Functioning of the European Union, the annual accounts are audited and certified by an independent auditor. The latter reports to the Audit Committee on important questions which arise in carrying out his/her statutory auditing task, particularly on significant weaknesses in the internal control regarding the financial reporting process. Each year, the auditor gives the Audit Committee written confirmation of his/her independence from the Bank, and examines with the Audit Committee the potential risks to that independence and the safeguard measures taken to attenuate those risks.

### 2.1.9.3 Shareholdership

The Bank's share capital of € 10 million is represented by 400 000 shares, of which 200 000, or 50 % of the voting rights, belong to the Belgian State. The other 200 000 shares are held by the public and listed on Euronext Brussels. Except for the shares owned by the State, the Bank does not know of any shareholdings carrying 5 % or more of the voting rights.

There is no current or planned programme for issuing or redeeming shares. There are no securities conferring special control rights. There are no legal or statutory restrictions on the exercise of voting rights. However, the Bank's shareholders must take account of the fact that the powers of the Bank's General Meeting of Shareholders are limited. The General Meeting in fact only has power to elect the Regents (from a dual list of candidates) and Censors, to appoint the auditor, to take note of the annual accounts and the Directors' Report, and to amend the Statutes on the proposal of the Council of Regency in cases where the latter does not itself have power to do so.

The Council of Regency amends the Statutes in order to bring them into line with the Organic Law and the international obligations which are binding on Belgium. Other amendments to the Statutes are made by the General Meeting of Shareholders on the proposal of the Council of Regency. The General Meeting has to be convened for that purpose and can only pass valid resolutions if the proposed amendments are mentioned in the convening notice and if the shareholders present or represented hold at least half of the share capital. If that proportion of the capital is not represented at a first meeting, a new meeting must be convened which can pass valid resolutions whatever the proportion of the capital held by the shareholders present or represented. Amendments to the Statutes must be approved by a three-quarters majority of the votes attached to all the shares present or represented at the General Meeting. They must also be approved by Royal Decree.

The dividend paid to shareholders is fixed by the Council of Regency. For more details, see the Bank's reserve and dividend policy (see point 2.2.7.3). The dividend is payable on the fourth working day following the General Meeting.

### 2.1.9.4 Composition and functioning of the organs and other actors

#### GOVERNOR

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 of the European Union against such a decision.

Mr Pierre Wunsch was appointed Governor with effect from 2 January 2019.

#### BOARD OF DIRECTORS

The Directors are 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 have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties.

### Composition of the Board of Directors as at 31 December 2019:

| Member | Function |
|---|---|
| Pierre Wunsch | Governor [1] |
| Jean Hilgers | Director |
| Vincent Magnée | Director |
| Tom Dechaene | Director |
| Tim Hermans | Director |
| Steven Vanackere | Director [2] |

1 Governor with effect from 2 January 2019.
Jan Smets was Governor until 1 January 2019.
2 Director with effect from 2 January 2019.

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

The Board of Directors met 39 times in 2019 for central banking matters, 41 times for prudential supervision and 9 times to discuss macroprudential policy matters.

## TREASURER

Director Jean Hilgers performs the function of Treasurer.

## SECRETARY

Director Tim Hermans performs the function of Secretary.

## COUNCIL OF REGENCY

The Council of Regency is composed of the Governor, the Directors, and ten Regents. The Regents are elected by the General Meeting for a renewable term of three years. 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 terms of office of the Regents end after the Ordinary General Meeting. They leave office each year in groups, one of four members and the other two of three members. The Regent elected to replace a member who has died or resigned completes the term of office of the one whom he replaces.

At the General Meeting on 20 May 2019, the terms of office as Regents of Messrs Cedric Frère, Robert Vertenueil and Edwin De Boeck came to an end.

### Regents as at 31 December 2019:

Mr Marc Leemans [1]
Mr Pieter Timmermans [2]
Mr Pieter Verhelst [2]
Mr Yves Prete [2]
Mr Eric Mathay [3]
Mr Danny Van Assche [3]
Mrs Fabienne Bister [3]

The Council of Regency met 22 times in 2019. These meetings focused in particular on the approval of the 2018 annual accounts and Annual Report, including the remuneration report, and on the settlement of the year's profit distribution. The Council of Regency approved the Bank's 2020 budget, and, after examination by the Audit Committee, laid down the accounting rules for the financial year 2019. It took note of the report on the activities and auditing work of the Board of Censors. Finally, it exchanged views on general questions relating to the Bank and to the Belgian, European and global economy.

## BOARD OF CENSORS/AUDIT COMMITTEE

The Board of Censors is composed of ten members. The Censors are elected by the General Meeting of Shareholders for a renewable term of three years. They are chosen from among persons with special qualifications in the field of supervisory procedures. The Censors' functions come to an end after the Ordinary General Meeting. The Censors leave office each year in groups, one of four members and the other two of three members. The Censor elected to replace a member who has died or resigned completes the term of office of the one whom he replaces.

1 Regent elected on the proposal of the most representative labour organisations.
2 Regent 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 Regent elected on the proposal of the Minister of Finance.

At the General Meeting on 20 May 2019 the terms of office as Censors of Mrs Mia De Schamphelaere and Messrs Herman Matthijs and Dimitri Lhoste were renewed.

### Censors as at 31 December 2019:

Mr Jean-François Hoffelt
Mrs Mia De Schamphelaere
Mr Jean Eylenbosch
Mr Herman Matthijs
Mr Grégoire Koutentakis
Mr Mario Coppens
Mrs Claire Tillekaerts
Mr Lionel Rouget
Mr Dimitri Lhoste
Mr Eddy Vermoesen

The Board of Censors met 9 times in 2019. At these meetings, the Board of Censors, in its capacity as the Audit Committee, examined *inter alia* the annual accounts and the Annual Report for the year 2018. The Chairman of the Board of Censors reported back to the Council of Regency on these subjects. In addition, the Board of Censors, as the Audit Committee, took note of the work programme and the work of the Internal Audit Service, and checked the auditor's independence. The Board of Censors also supervised the preparation of the Bank's 2020 budget and handed down a positive opinion on the accounting rules for the financial year 2019.

## BUDGET COMMITTEE

The Budget Committee is responsible for examining the Bank's budget before it is submitted to the Council of Regency for approval. It is chaired by a member of the Board of Censors and also comprises three Regents, two additional Censors, the representative of the Minister of Finance and – in an advisory capacity – the member of the Board of Directors competent for the Controlling Department

### Composition of the Budget Committee as at 31 December 2019:

Chairman: Mr Herman Matthijs, Censor
Mr Pieter Verhelst, Regent
Mr Eric Mathay, Regent
Mr Danny Van Assche, Regent
Mr Grégoire Koutentakis, Censor
Mr Mario Coppens, Censor
Mr Hans D'Hondt, representative of the Minister of Finance
Mr Tom Dechaene, Director

This Committee met once in 2019. At that meeting, Director Tom Dechaene reiterated the priorities for the 2019 financial year. The priorities for the year 2020 were then discussed in detail. Following an in-depth discussion, the Budget Committee gave a positive opinion on the Bank's budget proposals for 2020.

## REMUNERATION AND APPOINTMENTS COMMITTEE

The Remuneration and Appointments Committee advises the Council of Regency on the remuneration of the members of the Board of Directors, the Regents and Censors. It also expresses opinions for the attention of the organs and entities competent to propose candidates for vacancies on the Board of Directors, the Council of Regency and the Board of Censors, in order to enable those bodies and entities to respect all the legal, statutory and ethical rules applicable and to ensure that the composition of the Bank's organs is balanced.

The Remuneration and Appointments Committee comprises two Regents, two Censors and the representative of the Minister of Finance. The Governor attends as an adviser.

### Composition of the Remuneration and Appointments Committee as at 31 December 2019:

Chairman: Mr Jean Eylenbosch, Censor
Mr Pieter Timmermans, Regent
Mr Yves Prete, Regent
Mrs Claire Tillekaerts, Censor
Mr Hans D'Hondt, representative of the Minister of Finance

The Remuneration and Appointments Committee met once in 2019. Its meetings are confidential. However, in order to demonstrate proper transparency in relation to the public, the activities and decisions of the Remuneration and Appointments Committee concerning remuneration policy and remuneration are spelt out in the remuneration report (see point 2.1.10).

#### SPECIAL FUND COMMITTEE

The Special Fund Committee is responsible for examining the allocation of the Special Fund for the Bank's sponsorship work, prior to its approval by the Council of Regency.

#### Composition of the Special Fund Committee as at 31 December 2019:

Chairman: Mr Pierre Wunsch, Governor
Mr Marc Leemans, Regent
Mrs Fabienne Bister, Regent
Mr Jean-François Hoffelt, Censor
Mrs Mia De Schamphelaere, Censor

This committee met once in 2019. At that meeting, the various proposals concerning the Bank's sponsorship were examined.

#### REPRESENTATIVE OF THE MINISTER OF FINANCE

Since 1 October 2012, Mr Hans D'Hondt has acted as representative of the Minister of Finance.

#### GENERAL MEETING OF SHAREHOLDERS

At the Ordinary General Meeting on 20 May 2019, the Governor and Director Tom Dechaene reported on the operations of the financial year 2018. The members of the Board of Directors answered numerous questions. Finally, the shareholders present conducted the necessary elections to fill the vacant posts of Censor. The minutes of this General Meeting are available on the Bank's website.

#### AUDITOR

The firm Mazars Réviseurs d'entreprises, represented by Mr Dirk Stragier, acts as the Bank's auditor and was appointed by the General Meeting on 15 May 2017 for a renewable term of three years.

### 2.1.9.5 Diversity policy

The Bank aims at diversity in all its forms. It attaches importance to a balanced composition of its organs and its staff.

In particular, the Remuneration and Appointments Committee takes the question of diversity into account in its opinions on appointments.

Nevertheless, the Bank is bound by the specific provisions of its Organic Law and its Statutes. It is the King who appoints the Governor. The other members of the Board of Directors are also appointed by the King, upon a proposal from the Council of Regency. The Regents are appointed on the proposal of the Minister of Finance and civil society. In view of the arrangements for appointing the members of its organs, it is therefore not the Bank alone that establishes and implements the diversity policy.

## 2.1.10 Remuneration report

### 2.1.10.1 Procedure for developing the remuneration policy and determining remuneration

The Council of Regency is authorised to determine the remuneration policy and the remuneration of the members of the Board of Directors, including that of the Governor, the Council of Regency and the Board of Censors. The Council of Regency is assisted by the Remuneration and Appointments Committee in the exercise of that power. The role, composition and functioning of the latter are set out in the Remuneration and Appointments Committee regulations, available on the Bank's website.

On the recommendation of the Remuneration and Appointments Committee, the Council of Regency decided to assess at least once a year the principles underlying the remuneration policy and the actual remuneration. This means that the Council of Regency meets at least once a year to discuss remuneration. The Council of Regency may also at any time decide to hold additional meetings on this subject, e.g. in response to reports which it receives from the Remuneration and Appointments Committee, which meets at least twice a year.

The remuneration policy and the remuneration paid are set out in the remuneration report which is produced as part of the Directors' Report each year. The present remuneration report relating to the year 2019 was prepared by the Remuneration and Appointments Committee and approved by the Council of Regency, in accordance with Article 30.5 of the Statutes, on Wednesday, 25 March 2020.

### 2.1.10.2 Declaration on the remuneration policy

PRINCIPLES UNDERLYING THE REMUNERATION

**Governor, Vice-Governor and Directors**

The Council of Regency determines the salaries and pensions of members of the Board of Directors. The latter cannot be present during the discussions or the voting by the Council of Regency concerning their own remuneration.

Upon the advice of the Remuneration and Appointments Committee and in the light of the debate on public sector pay, the Council of Regency decided in 2014 to derogate from the policy that had been followed for many years which had involved setting the remuneration of every new Governor, Vice-Governor or Director at the level of his predecessor. A decision was taken to lower salaries by more than 12 % across the board. This new salary level applies to all Governors, Vice-Governors and Directors appointed from 1 June 2014 onwards and also to Board members whose term of office is renewed after that date.

Since the Bank, in its capacity as a central bank, is unlike other listed companies in that maximising profits is not its primary objective, the Organic Law stipulates that the remuneration of the Governor, the Vice-Governor and the Directors must not include a share in the profits. Consequently, their remuneration consists solely of a fixed component, with no variable element. No bonuses are paid.

The Governor and the other members of the Board of Directors hand over to the Bank the remuneration that they receive in respect of any external posts held in connection with their position at the Bank. As the sole exception to this principle, the Governor may keep the fee that he receives as a director of the Bank for International Settlements. Conversely, the Bank no longer pays the cost of accommodation and furnishings for the Governor.

The salaries of the members of the Board of Directors are index-linked in line with the health index.

The Governor, Vice-Governor and Directors are prohibited from holding shares issued by the Bank, by enterprises subject to the Bank's supervision, by Belgian enterprises subject to the supervision of the European Central Bank, or by foreign enterprises established in Belgium and subject to the supervision of the European Central Bank, or shares in other companies belonging to groups comprising enterprises subject to the supervision of the Bank or the European Central Bank as mentioned above, except for shares which they already held when taking office. They may trade such securities only with the prior authorisation of the Board of Directors. When determining whether to grant or refuse that authorisation, the Board of Directors takes account of a range of factors, such as the state of the market and the issuer of the securities in question, the size of the transaction, its justification and its urgency, the existence of unpublished information concerning the market or the issuer of the securities in question, and any risks to the Bank's reputation if the transaction takes place. The Board of Directors produces an annual report for the attention of the Council of Regency, describing in general terms the authorisations which it has granted or refused. If members of the Board of Directors trade the Bank's shares, they are required to notify the Financial Services and Markets Authority (FSMA).

There is a pension plan for members of the Board of Directors, offering them a supplementary pension in addition to the statutory pension. The supplementary pension plan is a "defined benefits" plan. The pension of the members of the Board of Directors is subject to the Law of 5 August 1978 on economic and fiscal reforms (the Wyninckx Law).

**Regents and Censors**

The Regents and Censors receive attendance fees and travel expenses. The amount of these allowances is fixed by the Council of Regency, subject to the supervision of the Minister of Finance exercised by his representative, and on the recommendation of the Remuneration and Appointments Committee.

The amount of the attendance fees comprises only a fixed component, with no variable element, and is granted for each meeting actually attended by members of the Council of Regency and the Board of Censors. The same attendance fees are paid to the Regents and Censors for each meeting attended by the members of the Remuneration and Appointments Committee, the Budget Committee and the Special Fund Committee, except if the meeting is held on the same day as a meeting of the Council of Regency or the Board of Censors.

The amount of the attendance fees is index-linked annually in line with the health index, and is assessed periodically by the Council of Regency, on the recommendation of the Remuneration and Appointments Committee.

The calculation method and rules for granting travel expenses to the Regents and Censors are aligned with the rules of tax law (fixed allowance per kilometre).

#### PROPORTIONS OF THE VARIOUS REMUNERATION COMPONENTS

As explained above, the remuneration of the Governor, Directors, Regents and Censors comprises only a fixed component, and no variable remuneration.

#### CHARACTERISTICS OF PERFORMANCE BONUSES

No performance bonuses are paid in any form to the Governor, Directors, Regents and Censors.

#### INFORMATION ON THE REMUNERATION POLICY FOR THE NEXT TWO FINANCIAL YEARS

On 25 March 2020, the Council of Regency analysed, assessed and confirmed the remuneration policy as described in this report, on the recommendation of the Remuneration and Appointments Committee. It did not propose any major changes for the coming financial years.

### 2.1.10.3 Remuneration paid to Regents and Censors

The fee for attending the meetings of the Council of Regency, the Board of Censors, the Remuneration and Appointments Committee, the Budget Committee and the Special Fund Committee stood at € 545 gross per meeting attended in 2019.

On the basis of actual attendance at meetings in 2019, the fees paid were as follows (names in alphabetical order):

Censors: Mario Coppens (€ 4,905 for 9 meetings), Mia De Schamphelaere (€ 3,815 for 7 meetings), Jean Eylenbosch (€ 5,450 for 10 meetings), Jean-François Hoffelt (€ 5,450 for 10 meetings), Grégoire Koutentakis (€ 2,180 for 4 meetings), Dimitri Lhoste (€ 4,905 for 9 meetings), Herman Matthijs (€ 4,905 for 9 meetings), Lionel Rouget (€ 4,360 for 8 meetings), Claire Tillekaerts (€ 4,360 for 8 meetings), Eddy Vermoesen (€ 4,905 for 9 meetings).

Regents: Fabienne Bister (€ 9,265 for 17 meetings), Edwin De Boeck[1] (€ 4,360 for 8 meetings), Cedric Frère[2] (€ 4,360 for 8 meetings), Marc Leemans (€ 7,630 for 14 meetings), Eric Mathay (€ 10,355 for 19 meetings), Yves Prete (€ 10,900 for 20 meetings), Pieter Timmermans (€ 10,900 for 20 meetings), Danny Van Assche (€ 7,085 for 13 meetings), Pieter Verhelst (€ 7,630 for 14 meetings), Robert Vertenueil[3] (€ 545 for 1 meeting).

### 2.1.10.4 Information on the amount of the remuneration paid to members of the Board of Directors as members of the Council of Regency

The Governor, Vice-Governor and Directors do not receive any payment for the duties which they perform in the Council of Regency. Neither do they receive any payment for their positions on the Remuneration and Appointments Committee, the Budget Committee and the Special Fund Committee.

1 Member of the Council of Regency until 20 May 2019.
2 Member of the Council of Regency until 20 May 2019.
3 Member of the Council of Regency until 20 May 2019.

#### 2.1.10.5 Criteria for assessing performance in connection with the payment of variable remuneration

As already stated, the remuneration of the Governor, Directors and Censors comprises solely a fixed component and no variable remuneration is paid.

#### 2.1.10.6 Remuneration and other benefits granted to the Governor and other members of the Board of Directors

In 2019, the gross salaries came to € 506 606 for the post of Governor and € 349 383 for the post of Director. These amounts are paid on the basis of self-employed status.

In accordance with the principles of the Organic Law and the remuneration policy determined by the Council of Regency, no variable remuneration is paid to the Governor and other members of the Board of Directors.

Under the pension plan, the Bank's contributions represent the amounts paid on the individual contracts of the members of the Board of Directors and the (non-individualised) amounts paid into the financing fund to spread the contributions evenly over time. For the year 2019, the Bank's contribution came to € 479 058.

Members of the Board of Directors are provided with a company car. For the past financial year, the value of this benefit in kind is assessed at € 3 368 for the Governor and € 23 618 for the other Directors taken together.

#### 2.1.10.7 Shares, share options and other rights to acquire shares in the Bank

The Bank does not grant any shares, share options or other rights to acquire shares in the Bank to the Governor, Directors, Regents and Censors.

#### 2.1.10.8 Provisions on severance pay for members of the Board of Directors

Pursuant to Article 26 of the Organic Law, the Governor, Vice-Governor and other members of the Board of Directors may not hold any post in institutions which are subject to the Bank's supervision until one year after leaving office. On the recommendation of the Remuneration and Appointments Committee, the Council of Regency therefore decided that, as a general principle, a payment equivalent to 12 months' salary can be made to members of the Board of Directors whose term of office is not renewed, so long as they do not take up any new professional activities and have not attained the age of 67 years. The Council of Regency will always ensure that these conditions are fulfilled on a case-by-case basis.

#### 2.1.10.9 Decisions on severance pay

No severance pay was granted to members of the Board of Directors in 2019.

#### 2.1.10.10 Right to reclaim variable remuneration

As already stated, the remuneration of the Governor, Directors, Regents and Censors comprises solely a fixed component and no variable remuneration is paid.

### 2.1.11 Non-financial declaration

In its capacity as the country's central bank, the National Bank has been assigned tasks in the general interest (see also point 2.1.9.1). The Bank's main activities are not of a commercial or industrial nature.

In view of the nature of its activities, its location and the procedures that it applies, the Bank is only very marginally exposed to risks relating to environmental issues, human rights and the fight against corruption. Nevertheless, as an important player in the economic world and in regard to society, the Bank ensures respect for non-financial values.

As far as sustainability is concerned, the Bank has been awarded the Ecodynamic Enterprise label by the Brussels Institute for Environmental Management (IBGE), with three stars, the highest award possible.

On the social front, the Bank strives to guarantee its staff a high-quality working environment. It also closely monitors its staff's security, which has been tightened up as a result of the terrorist threat. The Bank has put in place a series of measures designed to make it easier to reconcile personal and professional life. It pays particular attention to skills development and career progression. All its buildings are accessible to people with reduced mobility.

The Bank has adopted a code of ethics in order to ensure ethical behaviour by its management and its staff. Moreover, the Bank is subject to the anti-money-laundering and terrorist financing legislation and takes all necessary measures to implement it. The Bank remains in regular contact with the CTIF/CFI (Financial Intelligence Processing Unit). The Bank is also subject to public procurement legislation and has to respect strict procedures for all orders for work, supplies or services. This legislation notably includes rules designed to avoid any conflict of interest. Under its purchasing policy, which refers to this regulatory framework, the Bank takes account of social and environmental criteria.

In regard to risk management, the Bank applies the three lines of defence system (see point 2.1.2 for a description of the system and point 2.1.2.2 regarding non-financial risks).

# Council of Regency

**Pierre Wunsch**
Governor

**Jean Hilgers**
Director
Treasurer

**Vincent Magnée**
Director

**Tom Dechaene**
Director

**Tim Hermans**
Director
Secretary

**Steven Vanackere**
Director

**Marc Leemans**
Regent

**Pieter Timmermans**
Regent

**Pieter Verhelst**
Regent

**Yves Prete**
Regent

**Eric Mathay**
Regent

**Danny Van Assche**
Regent

**Fabienne Bister**
Regent

**Hans D'Hondt**
Representative of the Minister of Finance

# Board of Censors / Audit Commitee

**Jean-François Hoffelt**
Chairman

**Mia De Schamphelaere**

**Jean Eylenbosch**

**Herman Matthijs**

**Grégoire Koutentakis**

**Mario Coppens**

**Claire Tillekaerts**

**Lionel Rouget**

**Dimitri Lhoste**

**Eddy Vermoesen**

# 2.2 Annual accounts

## 2.2.1 Balance Sheet

(before profit distribution)

### Assets

(end-of-period data, in € thousand)

| | See note below | 2019 | 2018 |
|---|---|---|---|
| 1. Gold and gold receivables | 1 | 9 900 064 | 8 195 519 |
| 2. Claims on non-euro area residents denominated in foreign currency | 2 | 15 872 290 | 15 288 762 |
| 2.1 Receivables from the IMF | | 6 595 494 | 6 402 443 |
| 2.2 Balances with banks and security investments, external loans and other external assets | | 9 276 796 | 8 886 319 |
| 3. Claims on euro area residents denominated in foreign currency | 3 | 474 210 | 405 191 |
| 4. Claims on non-euro area residents denominated in euro | 4 | 169 538 | 1 666 137 |
| 5. Lending to euro area credit institutions related to monetary policy operations denominated in euro | 5 | 19 279 480 | 22 690 200 |
| 5.1 Main refinancing operations | | 423 000 | – |
| 5.2 Longer-term refinancing operations | | 18 856 480 | 22 690 200 |
| 5.3 Fine-tuning reverse operations | | – | – |
| 5.4 Structural reverse operations | | – | – |
| 5.5 Marginal lending facility | | – | – |
| 5.6 Credits related to margin calls | | – | – |
| 6. Other claims on euro area credit institutions denominated in euro | 6 | 65 646 | 17 543 |
| 7. Securities of euro area residents denominated in euro | 7 | 119 704 133 | 122 199 708 |
| 7.1 Securities held for monetary policy purposes | | 113 918 412 | 113 574 838 |
| 7.2 Other securities | | 5 785 721 | 8 624 870 |
| 8. Intra-Eurosystem claims | 8 | 7 939 450 | 8 199 806 |
| 8.1 Participating interest in ECB capital | | 328 735 | 287 101 |
| 8.2 Claims equivalent to the transfer of foreign currency reserves | | 1 465 002 | 1 435 911 |
| 8.3 Net claims related to the allocation of euro banknotes within the Eurosystem | | 6 145 713 | 6 476 794 |
| 8.4 Other claims within the Eurosystem (net) | | – | – |
| 9. Other assets | 9 | 8 384 276 | 7 876 801 |
| 9.1 Coins of euro area | | 8 453 | 8 849 |
| 9.2 Tangible and intangible fixed assets | | 436 525 | 416 899 |
| 9.3 Other financial assets | | 6 507 559 | 6 041 445 |
| 9.4 Off-balance-sheet instruments revaluation differences | | 57 050 | – |
| 9.5 Accruals and prepaid expenditure | | 1 358 129 | 1 399 710 |
| 9.6 Sundry | | 16 560 | 9 898 |
| Total assets | | 181 789 087 | 186 539 667 |

**Liabilities**
(end-of-period data, in € thousand)

| | See note below | 2019 | 2018 |
|---|---|---|---|
| 1. Banknotes in circulation | 10 | 43 190 510 | 39 870 275 |
| 2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro | 11 | 45 443 128 | 59 408 947 |
| 2.1 Current accounts (covering the minimum reserve system) | | 36 466 154 | 23 669 646 |
| 2.2 Deposit facility | | 8 976 974 | 35 739 301 |
| 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 | 301 391 | 543 628 |
| 4. Liabilities to other euro area residents denominated in euro | 13 | 612 745 | 379 465 |
| 4.1 General government | | 80 616 | 11 355 |
| 4.2 Other liabilities | | 532 129 | 368 110 |
| 5. Liabilities to non-euro area residents denominated in euro | 14 | 857 264 | 8 147 501 |
| 6. Liabilities to euro area residents denominated in foreign currency | 15 | 3 350 988 | 710 480 |
| 7. Liabilities to non-euro area residents denominated in foreign currency | 16 | 654 709 | 3 219 651 |
| 8. Counterpart of special drawing rights allocated by the IMF | 17 | 5 334 574 | 5 254 592 |
| 9. Intra-Eurosystem liabilities | 18 | 63 974 101 | 53 192 130 |
| 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) | | 63 974 101 | 53 192 130 |
| 10. Other liabilities | 19 | 660 484 | 706 583 |
| 10.1 Off-balance-sheet instruments revaluation differences | | – | 8 994 |
| 10.2 Accruals and income collected in advance | | 41 546 | 44 542 |
| 10.3 Sundry | | 618 938 | 653 047 |
| 11. Provisions | 20 | 3 146 | 5 670 |
| 11.1 For future exchange losses | | – | – |
| 11.2 For new premises | | – | – |
| 11.3 For contingencies | | – | – |
| 11.4 In respect of monetary policy operations | | 3 146 | 5 670 |
| 12. Revaluation accounts | 21 | 10 068 000 | 8 231 503 |
| 13. Capital, reserve fund and available reserve | 22 | 6 512 795 | 6 123 680 |
| 13.1 Capital | | 10 000 | 10 000 |
| 13.2 Reserve fund : | | | |
| Statutory reserve | | 1 168 694 | 1 168 694 |
| Extraordinary reserve | | 1 153 603 | 1 153 600 |
| Amortisation accounts in respect of tangible and intangible fixed assets | | 346 288 | 329 958 |
| 13.3 Available reserve | | 3 834 210 | 3 461 428 |
| 14. Profit for the year | 23 | 825 252 | 745 562 |
| Total liabilities | | 181 789 087 | 186 539 667 |

## 2.2.2 Profit and loss account

(end-of-period data, in € thousand)

| | See note below | 2019 | 2018 |
|---|---|---|---|
| 1. Net interest income | 24 | 1 427 590 | 1 532 936 |
| 1.1 Interest income [1] | | 1 700 539 | 1 783 670 |
| 1.2 Interest expense [1, 2] | | –272 949 | –250 734 |
| 2. Net result of financial operations, write-downs and provisions | 25 | 87 790 | –25 090 |
| 2.1 Realised gains/losses arising from financial operations [1, 2] | | 91 854 | 20 331 |
| 2.2 Write-downs on financial assets and positions [2] | | –4 064 | –45 421 |
| 2.3 Transfer to/from provisions | | – | – |
| 3. Net income/expense from fees and commissions | 26 | –661 | –264 |
| 3.1 Fees and commissions income | | 7 217 | 6 859 |
| 3.2 Fees and commissions expense | | –7 878 | –7 123 |
| 4. Income from equity shares and participating interests [1] | 27 | 80 530 | 66 271 |
| 5. Net result of pooling of monetary income | 28 | –313 502 | –367 648 |
| 6. Other income [1] | 29 | 169 788 | 173 484 |
| 7. Staff costs | 30 | –311 572 | –326 889 |
| 8. Administrative expenses [1] | 31 | –101 332 | –105 028 |
| 9. Depreciation of tangible and intangible fixed assets | 32 | –18 755 | –14 791 |
| 10. Banknote production services | 33 | n. | n. |
| 11. Other expenses | 34 | –3 | –637 |
| 12. Corporate tax | 35 | –194 621 | –186 782 |
| Profit for the year | | 825 252 | 745 562 |

| | | | |
|---|---|---|---|
| 1 Of which proceeds from statutory investments and similar: | | | |
| 1.1 Interest income | | 122 991 | 129 173 |
| 1.2 Interest expense | | – | – |
| 2.1 Realised gains/losses arising from financial operations | | –63 | 4 635 |
| 4. Income from equity shares and participating interests | | 15 052 | 14 231 |
| 6. Other income: Proceeds from sale of real estate | | – | 9 673 |
| 8. Administrative expenses: Costs related to the sale of real estate | | – | –17 |
| Total | | 137 980 | 157 695 |

| | | | |
|---|---|---|---|
| 2 Of which due to (–) / by (+) the State: | | | |
| 1.2 Interest expense | | –32 991 | –33 559 |
| 2.1 Realised gains/losses arising from financial operations | | 21 351 | 15 486 |
| 2.2 Write-downs on financial assets and positions | | – | – |
| Total | | –11 640 | –18 073 |

### 2.2.3 Profit distribution

(in € thousand)

| | See note below | 2019 | 2018 |
|---|---|---|---|
| Profit for the year | 36 | 825 252 | 745 562 |
| The annual profits shall be distributed as follows, in accordance with Article 32 of the Organic Law: | | | |
| 1. A first dividend of 6 % of the capital shall be allocated to the shareholders | | 600 | 600 |
| 2. From the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, shall be allocated to the reserve fund or to the available reserve | | 412 626 | 372 781 |
| 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 reserve shall be allocated to the shareholders | | 48 428 | 54 788 |
| 4. The balance shall be allocated to the State; it shall be exempted from corporate tax | | 363 598 | 317 393 |

### 2.2.4 Dividend per share

(in €)

| | 2019 | 2018 |
|---|---|---|
| Gross dividend | 122.57 | 138.47 |
| Withholding tax | 36.77 | 41.54 |
| Net dividend | 85.80 | 96.93 |

The dividend is payable the fourth bank working day following the General Meeting.

## 2.2.5 Off-Balance-Sheet Items

(end-of-period data, in € thousand)

| | See note below | 2019 | 2018 |
|---|---|---|---|
| Forward transactions in foreign currencies and in euro | 37 | | |
| Forward claims | | 5 763 549 | 5 191 245 |
| Forward liabilities | | 5 725 449 | 5 222 592 |
| Forward transactions on interest rate and fixed-income securities | 38 | 319 388 | 8 468 813 |
| Liabilities which could lead to a credit risk | 39 | | |
| Commitments towards international institutions | | 16 214 199 | 16 120 879 |
| Commitments towards other institutions | | 2 917 467 | 815 140 |
| Valuables and claims entrusted to the institution | 40 | | |
| For encashment | | – | 4 |
| Assets managed on behalf of the Treasury | | 184 830 | 205 302 |
| Assets managed on behalf of the ECB | | 1 927 284 | 1 776 686 |
| Custody deposits | | 771 295 183 | 757 831 692 |
| Capital to be paid up on participations | 41 | 231 819 | 228 343 |

## 2.2.6 Social Balance Sheet

### 1. Statement of persons employed

### A. Workers for whom the enterprise has submitted a DIMONA declaration or who are recorded in the general staff register

| | Total | Men | Women |
|---|---|---|---|
| 1. During the financial year | | | |
| a. Average number of employees | | | |
| Full-time | 1 807.00 | 1 272.40 | 534.60 |
| Part-time | 499.73 | 147.30 | 352.43 |
| **Total in full-time equivalents (FTE)** | **2 164.73** | **1 380.50** | **784.23** |
| b. Number of hours actually worked | | | |
| Full-time | 2 428 648.10 | 1 731 816.60 | 696 831.50 |
| Part-time | 450 662.55 | 143 627.60 | 307 034.95 |
| **Total** | **2 879 310.65** | **1 875 444.20** | **1 003 866.45** |
| c. Staff costs (in €) | | | |
| Full-time | 251 422 539.60 | 187 574 331.22 | 63 848 208.38 |
| Part-time | 42 673 307.40 | 13 293 132.28 | 29 380 175.12 |
| **Total** | **294 095 847.00** | **200 867 463.50** | **93 228 383.50** |
| d. Amount of benefits additional to wages | **3 129 959.63** | **2 137 762.43** | **992 197.20** |
| 2. During the previous financial year | | | |
| Average number of workers in FTEs | 2 155.26 | 1 389.10 | 766.16 |
| Number of hours actually worked | 2 830 573.70 | 1 885 364.90 | 945 208.80 |
| Staff costs (in €) | 309 470 550.88 | 212 699 109.62 | 96 771 441.26 |
| Amount of benefits additional to wages (in €) | 3 081 778.24 | 2 118 106.18 | 963 672.06 |

| | Full-time | Part-time | Total in full-time equivalents |
|---|---|---|---|
| 3. On the balance sheet date | | | |
| a. Number of workers | **1 818** | **485** | **2 165.46** |
| b. By type of employment contract | | | |
| Permanent contract | 1 710 | 481 | 2 054.76 |
| Fixed-term contract | 108 | 4 | 110.70 |
| Contract for a specific project | – | – | – |
| Substitution contract | – | – | – |
| c. By gender and level of education | | | |
| Men | 1 270 | 138 | 1 372.60 |
| Elementary | 96 | 16 | 107.40 |
| Secondary | 327 | 61 | 371.50 |
| Higher non-university | 312 | 36 | 339.90 |
| University | 535 | 25 | 553.80 |
| Women | 548 | 347 | 792.86 |
| Elementary | 61 | 57 | 100.56 |
| Secondary | 139 | 143 | 237.90 |
| Higher non-university | 129 | 89 | 193.20 |
| University | 219 | 58 | 261.20 |
| d. By occupational category | | | |
| Management staff | 21 | 0 | 21.00 |
| Clerical workers | 1 797 | 485 | 2 144.46 |
| Manual workers | – | – | – |
| Other | – | – | – |

### B. Agency staff and persons on secondment

| | Agency staff | Persons on secondment |
|---|---|---|
| During the financial year | | |
| Average number of persons employed | 8.52 | – |
| Number of hours actually worked | 16 063.98 | – |
| Costs to the enterprise (in €) | 314 197.23 | – |

## 2. Table of staff movements during the year

### A. Recruitment

| | Full-time | Part-time | Total in full-time equivalents |
|---|---|---|---|
| a. Number of workers for whom the enterprise submitted a DIMONA declaration or who were entered in the general staff register during the year | 140 | 7 | 145.00 |
| b. By type of employment contract | | | |
| Permanent contract | 72 | 3 | 74.20 |
| Fixed-term contract | 68 | 4 | 70.80 |
| Contract for a specific project | – | – | – |
| Substitution contract | – | – | – |

### B. Departures

| | Full-time | Part-time | Total in full-time equivalents |
|---|---|---|---|
| a. Number of workers whose contract expiry date was recorded in a DIMONA declaration or in the general staff register during the year | 118 | 34 | 140.70 |
| b. By type of employment contract | | | |
| Permanent contract | 57 | 31 | 77.20 |
| Fixed-term contract | 61 | 3 | 63.50 |
| Contract for a specific project | – | – | – |
| Substitution contract | – | – | – |
| c. By reason for termination of contract | | | |
| Retirement | 40 | 26 | 57.30 |
| Unemployment with company supplement | – | – | – |
| Redundancy | 7 | 0 | 7.00 |
| Other reason | 71 | 8 | 76.40 |
| of which: number of persons continuing to provide services for the enterprise at least half time as self-employed workers | – | – | – |

## 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 | 1 251 | 743 |
| Number of hours of training completed | 35 134 | 22 261 |
| Net cost to the enterprise (in €) | 5 841 776 | 3 701 273 |
| of which: | | |
| Gross cost directly relating to training | – | – |
| Contributions and payments to communal funds | – | – |
| Subsidies and other financial benefits received (to be deducted) | – | – |
| **2. Semi-formal or informal further vocational training at the employer's expense** | | |
| Number of workers concerned | 1 275 | 732 |
| Number of hours of training completed | 25 747 | 13 552 |
| Net cost to the enterprise (in €) | 2 629 831 | 1 384 230 |
| **3. Basic vocational training at the employer's expense** | | |
| Number of workers concerned | – | – |
| Number of hours of training completed | – | – |
| Net cost to the enterprise | – | – |

## 2.2.7 Notes to the annual accounts

### 2.2.7.1 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 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."*

In accordance with Articles 11 and 12 of the Law of 17 July 2013 inserting Book III "Freedom of establishment, freedom to provide services, and general obligations of undertakings" in the Code of Economic Law and inserting the definitions specific to Book III and the law enforcement provisions specific to Book III in Books I and XV of the Code of Economic Law, that provision should read as follows: *"Articles III.82 to III.84, III.86 to III.89 and XV.75 of the Code of Economic Law and their implementing decrees shall apply to the Bank with the exception of the decrees implementing Articles III.84, seventh paragraph, and III.89, § 2."*

The mandatory rules referred to in Article 33 (1) are defined in the Guideline of the ECB of 3 November 2016 on the legal framework for accounting and financial reporting in the ESCB (recast) (ECB/2016/34), OJ L347 of 20 December 2016, as amended in the Guideline of 28 November 2019 (ECB/2019/34), OJ L332 of 23 December 2019.

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

The accounts for the financial year under review have been drawn up in accordance with the above-mentioned Article 33, adhering to the format and the accounting rules approved by the Council of Regency on 17 December 2019. The accounting rules were changed in 2019 by the addition of the treatment of investment funds (see point 2.2.7.2 I 2).

The accounts are presented in thousands of euros unless otherwise stated.

### 2.2.7.2 Accounting principles and valuation rules

#### I. MANDATORY ACCOUNTING RULES UNDER THE ESCB/ECB STATUTE

The accounts, which are drawn up on a historical cost basis, are adjusted to reflect the valuation at market prices of marketable instruments (other than the statutory portfolio, the held-to-maturity portfolios, and the portfolios 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 gold and 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 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.

## 2. Securities

Fixed-income marketable securities, excluding those in the statutory portfolio, those held to maturity (HTM), and those held for monetary policy purposes, are valued at the market price prevailing on the balance sheet date (MTM). Securities are revalued individually.

The held-to-maturity (HTM) portfolios consist exclusively of fixed or determinable income securities and fixed term securities which the Bank has the express intention to hold to maturity. These securities are treated as a separate portfolio and valued at the amortised purchase price.

Securities held for monetary policy purposes are treated as separate portfolios and valued at amortised purchase price regardless of the holding intention.

Securities valued at amortised purchase price may be subject to impairment.

Marketable investment funds are valued at the market price prevailing on the balance sheet date. These funds are revalued on a net basis and not on the basis of the underlying assets if they fulfil certain criteria [1], without offsetting between the various investment funds.

## 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 transferred 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 Bank regards the above-mentioned transactions as repurchase agreements or reverse repurchase agreements depending on whether it acts as transferor or transferee of the securities.

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

## 4. Share in the capital of the ECB

Pursuant to Article 28 of the Statute of the ESCB and of the ECB, the national central banks (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. 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 [2]. 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 % of the total value of the banknotes in circulation is allocated to the ECB, while the remaining 92 % 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

1 These criteria are defined in Article 11a of the ECB Guideline of 3 November 2016, amended by the Guideline of 28 November 2019 (ECB/2019/34), OJ L332 of 23 December 2019.

2 Decision of the ECB of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29, OJ L35 of 09 February 2011), as amended by the Decision of 27 November 2014 (ECB/2014/49, OJ L50 of 21 February 2015).

Eurosystem" under item 8.3 of the assets or 9.2 of the liabilities.

## 6. Determination of the result

6.1 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.

6.2 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.

6.3 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.

6.4 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 related to the allocation of euro banknotes in the Eurosystem;
- accrued interest arising on monetary policy liabilities with a collection period that equals or exceeds one year.

Any interest 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 related to the allocation of euro banknotes in the Eurosystem;
- euro-denominated securities 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;
- accrued interest arising on monetary policy assets with a collection period that equals or exceeds one year.

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 Decision of the ECB of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016/36, OJ L347 of 20 December 2016).

6.5 The whole of the income of the ECB arising from the 8 % share in euro banknotes allocated to it and that arising from its purchases of portfolio securities for monetary policy purposes (SMP, CBPP3, ABSPP and PSPP) is payable to the NCBs in the financial year in which it is generated. The ECB distributes that income to the NCBs in January of the next financial year.

The whole of that income is distributed unless it exceeds the ECB's net profit.

In addition, the Governing Council may decide, before the end of the financial year, on the principle of transferring all or part of that income to a provision for foreign exchange rate, interest rate, credit and gold price risks [1].

### 7. Off-balance-sheet instruments

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 swaps and futures are revalued individually and recorded under the off-balance-sheet items. In the case of futures, 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.

1 Decision of the ECB of 15 December 2014 on the interim distribution of the income of the ECB (recast) (ECB/2014/57, OJ L53 of 25 February 2015), as amended by the Decision of 2 July 2015 (ECB/2015/25, OJ L193 of 21 July 2015).

### 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 at the balance sheet date.

## 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. This account appears under item 10.3 "Sundry" on the liabilities side.

### 2. IMF operations

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

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

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

Since, according to the European Commission, such an automatic State guarantee means that emergency liquidity measures must be classed as State aid – which could give rise to constraints on the Bank's performance of its role as lender of last resort – that provision was cancelled [1]. In the event of a sudden crisis on the financial markets or a serious threat of a systemic crisis, the King could still – on the Bank's recommendation – grant the Bank an ad hoc guarantee via a Royal Decree deliberated in the Council of Ministers on the basis of Article 36/24, § 1, 2° of the Organic Law.

## 4. Treasury's current account

Pursuant to an agreement of 13 November 2014 and its amendment of 2 June 2017, the end-of-day credit balance of the Treasury's current account at the closure of TARGET2 bears interest, up to a maximum of € 150 million, at the Euro Overnight Index Average Rate (EONIA).

## 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 % 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.

It is intended for:

1° compensating for the losses in capital stock;
2° supplementing any shortfall in the annual profit up to a dividend of 6 % 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 [2].

### 5.3 Available reserve

The available reserve, provided for in Article 32 of the Organic Law may, by decision of the Council of Regency, be used to compensate for 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, and its amendment dated 10 July 2009, published in the Moniteur belge/Belgisch Staatsblad of 17 July 2009.

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

1 Law of 18 December 2016 on the recognition and definition of crowdfunding, and laying down miscellaneous provisions concerning finance (Article 76), *Moniteur belge/Belgisch Staatsblad* of 20 December 2016.

2 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 (Article 128(1) of the Treaty on the Functioning of the European Union).

the State or with its express approval are guaranteed by the State. Foreign exchange gains and losses realised on these operations accrue to the State.

Pursuant to Article 37 of the Organic Law, capital gains realised on the sale of gold to the Belgian Royal Mint are handed over to the State. Sales of gold to that Institution with a view to issuance by the State of numismatic or commemorative coins may not exceed 2.75 % 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 % of the capital is allocated to the shareholders;
2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, is allocated to the reserve fund or to the available reserve;
3. from the second excess, a second dividend established by the Council of Regency is allocated to the shareholders, forming a minimum of 50 % of the net proceeds from the assets which are the counterpart of the reserve fund and the available reserve;
4. the balance is allocated to the State: it is exempt from corporate tax.

## III. ACCOUNTING RULES ESTABLISHED BY THE COUNCIL OF REGENCY

### 1. Participations in the statutory investment 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 ECB 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 ECB 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 additions 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 with a limited economic life, 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 |
| ▪ improvements to property held for rental | no more than the duration of the tenancy |

### 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. Corporate 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 corporate 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 result for the financial year.

The calculation of the average tax rate takes account of tax settlements 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 by 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 participations | | Nominal amount, currencies converted at the market exchange rate |

## 2.2.7.3 Reserve and dividend policy

The reserve and dividend policy rules, defined by the Council of Regency pursuant to Article 32 of the Organic Law, are as follows:

1. The result of the year is the first buffer for absorbing losses. Any negative result for the financial year is first charged to the available reserve. Next, if necessary, it is covered by the reserve fund.

   An estimate of the quantifiable risks forms the basis for determining the minimum amount of the reserves. For the calculation of all the financial risks, the Bank applies either the value-at-risk/expected shortfall methodology for which it uses very cautious parameters in terms of probabilities and time horizons, or long-term scenarios. These methodologies are also applied by other Eurosystem members.

   Each year, as long as the period of unconventional monetary measures persists, 50 % of the profit of the year is allocated to the reserve fund or to the available reserve.

   The risks estimate is updated annually. On the basis of this assessment, the Council of Regency may decide to transfer a different percentage of the profits to the reserves.

The comparison between the existing reserves and the minimum amount disregards the amortisation accounts, since these cannot be used to cover losses or to supplement profits.

Since the reserve fund is almost totally non-available, and in view of its size in relation to the capital, profits to be reserved are added to the available reserve.

If the level of the reserves is considered excessive, withdrawals from the available reserve may be made. They must be exceptional and duly founded. Such withdrawals may only be paid out as a dividend.

2. The shareholders' dividend comprises a first dividend of 6 % of the capital and a second dividend established by the Council of Regency pursuant to Article 32, 3° of the Organic Law.

   The first dividend of € 1.5 per share (6 % of the capital) is guaranteed both by the available reserve and by the reserve fund.

   The second dividend is established by the Council of Regency at 50 % of the net proceeds from the assets forming the counterpart of the reserves ("the statutory portfolio").

   Net proceeds refers to the amount mentioned in the profit and loss account ("proceeds from statutory investments") following adjustment for the capital counterpart and after deduction of corporate tax actually due for the financial year in question (see point 2.2.7.2.III.8).

   The second dividend is guaranteed by the available reserve, unless a withdrawal from the available reserve would reduce the reserves to a level insufficient to cover the estimated risks. The financial soundness and independence of the Bank take priority.

3. If an amount which is less than half the net proceeds from the statutory portfolio is allocated to the reserves, the allocation to the reserves is supplemented until it corresponds to 50 % of these net proceeds insofar as the net profit after deduction of the dividend permits.

   If the Bank does not have to make further allocations to the reserves, and if the profit is sufficient, the second dividend is increased until it corresponds to the total net proceeds (100 %) of the statutory portfolio.

   The reserve and dividend policy therefore guarantees that, if the profit is sufficient, the net proceeds from the statutory portfolio are either allocated to the reserves, thus increasing the basis of calculation of the second dividend, or paid directly to the shareholders by way of a second dividend. The balance allocated to the State will never include any part of the net proceeds from this portfolio.

4. For the purposes of the reserve and dividend policy, net proceeds from the sale of real estate are treated entirely as proceeds from the statutory portfolio. Net proceeds refers to the proceeds from the sales after the deduction of all costs (including taxes) and any replacement investments in property.

5. Equity, transparency and stability are the guiding principles of the Bank's reserve and dividend policy. The Bank expressly aims at consistent application of the policy set out above. Any change to that policy must be duly motivated and made public immediately.

### 2.2.7.4 Notes to the balance sheet

#### NOTE 1. GOLD AND GOLD RECEIVABLES

**Gold stock**
(end-of-period data)

| | 2019 | 2018 |
|---|---|---|
| In ounces of fine gold | 7 311 154.9 | 7 311 154.9 |
| In kg of fine gold | 227 402.4 | 227 402.4 |
| At market price (in € million) | 9 900.1 | 8 195.5 |

On 31 December 2019, 9 tonnes of gold were still available for the issue of coins by the State for numismatic or commemorative purposes.

The major part of the gold stock is held at the Bank of England. A much smaller part is held at the Bank of Canada and at the Bank for International Settlements. A very small quantity is stored at the National Bank of Belgium.

On the balance sheet date, gold is valued on the basis of the euro price per fine ounce, notified by the ECB.

### Gold price
(end-of-period data, in €)

| | 2019 | 2018 |
|---|---|---|
| Ounce of fine gold | 1 354.10 | 1 120.96 |
| Kg of fine gold | 43 535.45 | 36 039.73 |

## NOTE 2. CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

### Exchange rates
(end-of-period data, per €)

| | 2019 | 2018 |
|---|---|---|
| SDR | 0.8104 | 0.8228 |
| USD | 1.1234 | 1.1450 |
| JPY | 121.9400 | 125.8500 |
| CNY | 7.8205 | 7.8751 |
| KRW | 1 296.2800 | 1 277.9300 |

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.

## Net positions in SDR and USD

### Net position in SDR
(million)

| | in SDR | in € |
|---|---|---|
| Balance sheet | | |
| Claims | 5 345.2 | 6 595.5 |
| Liabilities | –4 323.3 | –5 334.6 |
| Pro rata interest | 0.7 | 0.9 |
| Off balance sheet | | |
| Liabilities | –999.8 | –1 233.6 |
| Net position | 22.8 | 28.2 |

The position in SDR is guaranteed by the State. In order to reduce the exchange risk, the Bank concluded forward transactions which limit the net position to SDR 22.8 million.

### Net position in USD
(million)

| | in USD | in € |
|---|---|---|
| Balance sheet | | |
| Claims | 9 307.1 | 8 284.8 |
| Liabilities | –4 500.0 | –4 005.7 |
| Pro rata interest | 31.8 | 28.3 |
| Off balance sheet | | |
| Claims | 1 158.6 | 1 031.4 |
| Liabilities | –3 747.5 | –3 335.9 |
| Pro rata interest | –7.6 | –6.8 |
| Net position | 2 242.4 | 1 996.1 |

The net position in USD is 2.2 billion. The major part of the portfolio invested in dollars is financed by foreign exchange swaps or repurchase agreements.

## Receivables from the IMF

### Receivables from the IMF
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Special Drawing Rights | 4 811.1 | 4 733.2 |
| Participation in the IMF | 1 098.0 | 819.8 |
| Loans to the IMF | 253.9 | 411.8 |
| Loans to the PRGT | 432.5 | 437.6 |
| Total | 6 595.5 | 6 402.4 |

## 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.

The SDRs allocated to IMF members may be sold in exchange for convertible currency on the basis of swap 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 % of the net cumulative allocation.

As at 31 December 2019, the holding recorded on the Special Drawing Rights account stood at SDR 3 899.1 million, against SDR 3 894.4 million a year earlier. Net use of the SDR holding, i.e. the difference between the SDR allocation and the SDR holdings, stood at SDR 424.2 million on the balance sheet date.

### 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 6 410.7 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 such a 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 889.9 million against SDR 674.5 million a year earlier. This increase is due to net loans by Fund member countries, primarily Argentina.

### Loans to the IMF

These receivables represent the counter-value of the loans granted to the IMF by the Bank in its own name and the claims of the Belgian State on the IMF in the event of implementation of loan agreements intended to increase the IMF's resources, namely the New Arrangements to Borrow. As at 31 December 2019, the Bank's claims in respect of new loan agreements came to SDR 205.8 million, against SDR 338.8 million a year earlier, as a result of the partial repayment by Greece.

### Loans to the PRGT

The amount shown under this item is the equivalent of the money which the Bank has lent to the Poverty Reduction and Growth Trust (PRGT), 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 1999 and 2012 lending agreements, and a new agreement dated 30 August 2017, the PRGT has a credit line with the Bank totalling SDR 1 050 million. On 31 December 2019, the Bank's claims under this heading amounted SDR 350.5 million, against SDR 360.1 million a year earlier, as a result of repayments during the financial year.

### Balances with banks and security investments, external loans and other external assets

#### Breakdown by type of investment
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Sight deposits | 130.5 | 39.4 |
| Time deposits | 336.9 | 109.2 |
| Reverse repurchase agreements | 138.4 | 158.5 |
| Fixed-income securities | 8 671.0 | 8 579.2 |
| Total | 9 276.8 | 8 886.3 |

#### Breakdown by foreign currency
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| USD | 7 952.2 | 7 678.0 |
| JPY | 1 022.5 | 916.0 |
| CNY | 203.3 | 194.9 |
| KRW | 98.1 | 96.8 |
| Other | 0.7 | 0.6 |
| Total | 9 276.8 | 8 886.3 |

#### Breakdown of fixed-income foreign currency securities by their residual term
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| ≤ 1 year | 2 732.7 | 2 703.8 |
| > 1 year and ≤ 5 years | 4 551.1 | 4 482.4 |
| > 5 years | 1 387.2 | 1 393.0 |
| Total | 8 671.0 | 8 579.2 |

**Value of fixed-income foreign currency securities by issuer country**
(end-of-period data, in € million)

| | Book value = Market value 2019 | Book value = Market value 2018 |
|---|---|---|
| United States | 5 962.8 | 6 056.9 |
| Japan | 1 174.4 | 1 079.4 |
| International organisations | 165.3 | 124.9 |
| United Kingdom | 94.3 | 59.1 |
| Switzerland | 705.5 | 699.8 |
| Other | 568.7 | 559.1 |
| Total | 8 671.0 | 8 579.2 |

On the balance sheet date, the unrealised gains and losses on securities at market prices came to € 161.5 million and € 2.9 million respectively.

**Value of fixed-income foreign currency securities by issuer country**
(end-of-period data, in € million)

| | Book value = Market value 2019 | Book value = Market value 2018 |
|---|---|---|
| Belgium | – | 4.4 |
| Germany | 81.0 | 80.0 |
| France | 94.7 | 94.3 |
| Austria | 19.9 | 39.1 |
| The Netherlands | 123.0 | 125.6 |
| Finland | 31.8 | 26.2 |
| Other | – | 12.0 |
| Total | 350.4 | 381.6 |

On the balance sheet date, the unrealised gains on securities at market prices came to € 6.3 million.

## NOTE 3. CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

**Breakdown by type of investment (USD)**
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Time deposits | 123.8 | 23.6 |
| Fixed-income securities | 350.4 | 381.6 |
| Total | 474.2 | 405.2 |

**Breakdown of fixed-income foreign currency securities according to their residual term**
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| ≤ 1 year | 195.5 | 143.0 |
| > 1 year and ≤ 5 years | 134.1 | 216.2 |
| > 5 years | 20.8 | 22.4 |
| Total | 350.4 | 381.6 |

## NOTE 4. CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN EURO

**Breakdown by type of investment**
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Sight deposits | – | 269.6 |
| Reverse repurchase agreements | 11.8 | 1 014.1 |
| Fixed-income securities | 157.7 | 382.4 |
| Total | 169.5 | 1 666.1 |

**Breakdown of fixed-income securities by their residual term**
(end-of-period data, in € million)

| | MTM | | HTM | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| ≤ 1 year | 10.0 | 93.8 | 30.1 | 29.0 |
| > 1 year and ≤ 5 years | 79.7 | 171.3 | 30.2 | 60.9 |
| > 5 years | 7.7 | 27.5 | – | – |
| Total | 97.4 | 292.6 | 60.3 | 89.9 |

**Value of fixed-income securities by issuer country**
(in € million)

| | MTM | | HTM | |
|---|---|---|---|---|
| | Book value | Market value | Book value | Market value |
| International organisations | 32.9 | 32.9 | 60.3 | 61.7 |
| Other | 64.5 | 64.5 | – | – |
| Total | 97.4 | 97.4 | 60.3 | 61.7 |

On the balance sheet date, the unrealised gains on securities at market prices came to € 1.9 million.

## NOTE 5. LENDING TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

This item came to € 624.2 billion for the Eurosystem as a whole, of which € 19.3 billion for the National Bank of Belgium. In accordance with Article 32.4 of the ESCB / ECB Statute, the whole of any loss resulting from operations under this heading, once realised, is shared between the Eurosystem NCBs in proportion to their shares in the ECB's capital key.

### Main refinancing operations

Reverse transactions intended to grant liquidity 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 was € 7.9 billion, whereas at the end of 2018 it had come to € 9.6 billion for the euro area as a whole, of which € 423 million was attributed to credit institutions in Belgium, compared to zero last year.

### Longer-term refinancing operations

Reverse transactions intended to provide liquidity to credit institutions by way of tenders with a term of between 3 and 48 months.

At Eurosystem level, these operations declined from € 723.8 billion in 2018 to € 616.2 billion in 2019, mainly as a result of the partial repayment of the TLTRO-II amounting to € 208.1 billion and reduced participation in the 3-month LTRO, down by € 0.7 billion, which were partly offset by subscriptions to the TLTRO-III amounting to € 101.1 billion.

At the end of 2019, the longer-term refinancing operations for Belgian banks came to € 18.9 billion, against € 22.7 billion at the end of 2018, as a result of the partial repayment under the TLTRO-II amounting to € 9.3 billion, offset by the subscription to the TLTRO-III in the sum of € 5.5 billion.

## 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**
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Current accounts | 0.5 | 0.5 |
| Reverse repurchase agreements | 65.1 | 17.0 |
| Total | 65.6 | 17.5 |

## NOTE 7. SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

### Securities held for monetary policy purposes

In 2019 the Eurosystem continued to buy bonds under the asset purchase programme (APP) which comprises the CBPP3, the PSPP, the CSPP and the ABSPP (the latter being included on the ECB's balance sheet). During the first ten months, purchases were only made for the purpose of reinvesting securities reaching maturity.

The monthly asset purchases by the Eurosystem under the APP were resumed from 1 November for an average of € 20 billion per month.

**Composition of the monetary policy portfolios held by the Bank**
(end-of-period data, in € million)

| | Book value | Market value | Book value | Market value |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| CBPP1 | 10.0 | 10.9 | 30.0 | 31.6 |
| CBPP2 | 12.1 | 13.3 | 17.1 | 18.7 |
| CBPP3 | 8 041.1 | 8 243.4 | 8 289.6 | 8 368.7 |
| SMP | 1 444.4 | 1 533.5 | 2 543.7 | 2 726.3 |
| PSPP | 63 302.5 | 67 241.2 | 63 201.7 | 63 178.4 |
| CSPP | 41 108.3 | 42 716.0 | 39 492.7 | 38 961.6 |
| Total | 113 918.4 | 119 758.3 | 113 574.8 | 113 285.3 |

In accordance with Article 32.4 of the ESCB/ECB Statute, the whole of any loss incurred by NCBs on CBPP3 and SMP securities, on securities of international or supranational organisations in the PSPP portfolio and on CSPP securities, once realised, is shared between the Eurosystem NCBs in proportion to their shares in the ECB's capital key.

Conversely, the Bank bears the risks on the CBPP1, CBPP2 and PSPP portfolios included in the balance sheet.

## CBPP1 – First covered bond purchase programme

This programme, which expired at the end of June 2010, involved the acquisition of covered bonds in euro issued by euro area credit institutions. The Bank held covered bonds amounting to € 10.0 million on 31 December 2019.

**Breakdown of first programme covered bonds, according to their residual term**
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| ≤ 1 year | – | 20.0 |
| > 1 year and ≤ 5 years | 10.0 | 10.0 |
| > 5 years | – | – |
| Total | 10.0 | 30.0 |

## CBPP2 - Second covered bonds purchase programme

This second programme for the purchase of euro-denominated covered bonds came to an end on 31 October 2012. On 31 December 2019, the Bank held covered bonds amounting to € 12.1 million under this programme.

**Breakdown of second programme covered bonds, according to their residual term**
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| ≤ 1 year | – | 5.0 |
| > 1 year and ≤ 5 years | 12.1 | 12.1 |
| > 5 years | – | – |
| Total | 12.1 | 17.1 |

## CBPP3 – Third covered bonds purchase programme

Third programme for the purchase of covered bonds in euro issued by euro area credit institutions. These purchases are spread across the whole euro area and effected gradually by the ECB and the Eurosystem NCBs in the form of purchases on the primary and secondary markets.

On 31 December 2019, the Bank held covered bonds amounting to € 8 041.1 million under this programme.

**Breakdown of third programme covered bonds, according to their residual term**
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| ≤ 1 year | 925.0 | 849.1 |
| > 1 year and ≤ 5 years | 4 765.3 | 4 596.3 |
| > 5 years | 2 350.8 | 2 844.2 |
| Total | 8 041.1 | 8 289.6 |

## SMP – Securities markets programme

This programme, which ended on 6 September 2012, involved buying up both private and government bonds in the euro area. On 31 December 2019, the Bank held SMP securities totalling € 1 444.4 million under this programme.

### Breakdown of securities markets programme bonds, according to their residual term
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| ≤ 1 year | 758.6 | 1 114.2 |
| > 1 year and ≤ 5 years | 667.8 | 1 399.9 |
| > 5 years | 18.0 | 29.6 |
| Total | 1 444.4 | 2 543.7 |

## PSPP – Public sector purchase programme

Purchases made on the secondary market under this programme started on 9 March 2015. On 31 December 2019, the Bank held PSPP securities issued by Belgian public authorities totalling € 63 302.5 million.

### Breakdown of bonds acquired under the public sector purchase programme, according to their residual term
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| ≤ 1 year | 2 246.7 | 1 679.0 |
| > 1 year and ≤ 5 years | 19 056.0 | 16 065.2 |
| > 5 years | 41 999.8 | 45 457.5 |
| Total | 63 302.5 | 63 201.7 |

## CSPP – Corporate sector purchase programme

Purchases under this programme began on 8 June 2016. On 31 December 2019, the Bank held CSPP securities of issuers located in various European countries (BE, CY, LU, NL, PT, SI and SK) totalling € 41 108.3 million.

### Breakdown of corporate sector purchase programme bonds, according to their residual term
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| ≤ 1 year | 2 783.0 | 1 216.7 |
| > 1 year and ≤ 5 years | 15 397.9 | 13 415.8 |
| > 5 years | 22 927.4 | 24 860.2 |
| Total | 41 108.3 | 39 492.7 |

## 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), bonds issued by national public organisations and, since 2019, investment funds.

### Composition of the portfolio of securities in euro
(end-of-period data, in € million)

| | MTM | | HTM | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Fixed-income securities | 1 107.6 | 3 258.7 | 4 424.8 | 5 366.1 |
| Investment funds | 253.4 | – | – | – |
| Total | 1 361.0 | 3 258.7 | 4 424.8 | 5 366.1 |

### Breakdown of fixed-income securities, according to their residual term
(end-of-period data, in € million)

| | MTM | | HTM | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| ≤ 1 year | 309.6 | 693.3 | 941.6 | 924.2 |
| > 1 year and ≤ 5 years | 706.0 | 2 295.1 | 2 949.2 | 3 171.5 |
| > 5 years | 92.0 | 270.3 | 534.0 | 1 270.4 |
| Total | 1 107.6 | 3 258.7 | 4 424.8 | 5 366.1 |

### Value of fixed-income securities, by issuer country
(in € million)

| | MTM | | HTM | |
|---|---|---|---|---|
| | Book value | Market value | Book value | Market value |
| Belgium | 613.8 | 613.8 | 2 330.8 | 2 498.1 |
| Germany | 190.5 | 190.5 | 345.2 | 363.4 |
| Spain | – | – | 102.2 | 108.0 |
| France | 166.5 | 166.5 | 679.0 | 730.4 |
| Austria | 5.2 | 5.2 | 364.8 | 386.1 |
| Ireland | – | – | 10.0 | 10.1 |
| Italy | – | – | 58.9 | 61.4 |
| The Netherlands | 78.4 | 78.4 | 311.5 | 329.1 |
| Finland | 9.1 | 9.1 | 222.4 | 234.6 |
| Other | 44.1 | 44.1 | – | – |
| Total | 1 107.6 | 1 107.6 | 4 424.8 | 4 721.2 |

On the balance sheet date, the unrealised gains on securities at market price came to € 20.6 million.

## NOTE 8. INTRA-EUROSYSTEM CLAIMS

### Participating interest in ECB capital

Since 1 July 2013, the subscribed capital of the ECB has amounted to € 10 825 million. Since 1 January 2019, the Bank's share in that capital, which is fully paid, comes to 2.5280 %, or € 273.7 million. Following changes to the apportionment of the ECB's capital, there was a redistribution between the NCBs of their shares in the accumulated reserves of the ECB : that raised the Bank's share to € 328.7 million.

### Claims equivalent to the transfer of foreign currency reserves

The euro-denominated claim on the ECB increased by € 29.1 million as a result of the adjustment to the ECB's capital key. It thus amounts to € 1 465.0 million. That claim is remunerated at the interest rate for the Eurosystem's main refinancing operations, adjusted to reflect a zero return on the gold component.

The Bank manages the reserves transferred to the ECB at the beginning of 1999. 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 intra-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 issued. The change in the key for the allocation of banknotes (3.34 % instead of 3.24 %) led to a € 1.3 billion increase in the allocated amount of banknotes in circulation.

**Net claims related to the allocation of euro banknotes within the Eurosystem**
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Banknotes in circulation | 43 190.5 | 39 870.3 |
| Banknotes put into circulation by the Bank | –37 044.8 | –33 393.5 |
| Total | 6 145.7 | 6 476.8 |

The increase in the amount of banknotes issued by the Bank exceeded that 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 12 December 2018 on the approval of the volume of coin issuance (ECB/2018/35), the maximum amount of the euro coins to issue in 2019 was € 46.0 million for Belgium. Since the net amount issued in 2018 was € 1 455.1 million, the total authorised amount for 2019 was € 1 501.1 million. On 31 December 2019, the amount actually issued came to € 1 468.1 million.

### Tangible and intangible fixed assets

In 2019 the Bank's investments in tangible and intangible fixed assets totalled € 22.1 million and primarily concerned the construction of the new Cash Centre in Zellik. Apart from that, an amount of € 2.5 million was deducted from the "Tangible and intangible fixed assets" account, corresponding to the acquisition price of assets disposed of or taken out of use.

### 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), and shares in the Bank for International Settlements (BIS).

### Breakdown by type of investment

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Fixed-income securities | 6 100.0 | 5 626.7 |
| Participating interests | 332.2 | 332.2 |
| Reverse repurchase agreements | 75.4 | 82.5 |
| Total | 6 507.6 | 6 041.4 |

### Value of fixed-income securities by issuer country (the market value is given for information)

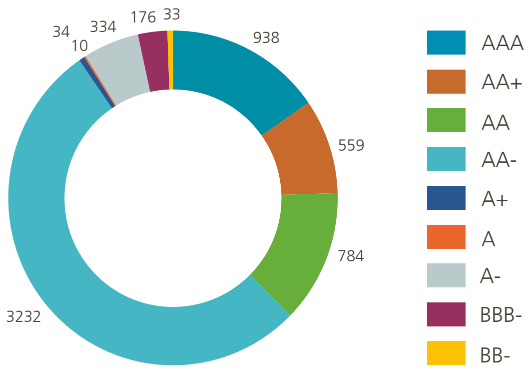
(end-of-period data, in € million)

| | Book value | | Market value | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Belgium | 3 170.4 | 2 582.4 | 3 502.2 | 2 786.7 |
| Germany | 715.8 | 689.5 | 776.6 | 730.4 |
| Spain | 361.9 | 399.3 | 393.2 | 432.2 |
| France | 714.1 | 764.9 | 794.0 | 825.9 |
| Austria | 170.0 | 185.8 | 193.0 | 210.4 |
| Ireland | 34.0 | 84.9 | 34.5 | 88.4 |
| Italy | 125.2 | 143.1 | 132.8 | 150.4 |
| International organisations | 203.0 | 292.0 | 234.2 | 321.3 |
| The Netherlands | 119.1 | 94.4 | 129.5 | 103.8 |
| Portugal | 50.4 | 50.5 | 59.9 | 60.8 |
| Greece | 33.0 | 53.7 | 36.7 | 55.7 |
| Finland | 194.2 | 189.3 | 210.5 | 197.7 |
| Other | 208.9 | 96.9 | 213.4 | 99.5 |
| Total | 6 100.0 | 5 626.7 | 6 710.5 | 6 063.2 |

The net amount of the unrealised gains on fixed-income securities came to € 610.5 million on 31 December 2019, against € 436.5 million in the previous year.

### Rating of fixed-income securities

(book values in € million)




### Yield on fixed-income securities according to their maturity, as at 31 December 2019

(in € million)

| Maturity | Book value | Average volume | Income | Yield (in %) |
|---|---|---|---|---|
| 2019 | – | 207.7 | 6.2 | 3.0 |
| 2020 | 398.4 | 398.7 | 14.2 | 3.6 |
| 2021 | 354.0 | 354.2 | 13.5 | 3.8 |
| 2022 | 356.2 | 357.3 | 13.1 | 3.7 |
| 2023 | 510.4 | 511.9 | 13.3 | 2.6 |
| 2024 | 373.2 | 374.4 | 9.2 | 2.5 |
| 2025 | 384.4 | 384.8 | 6.2 | 1.6 |
| 2026 | 582.4 | 564.4 | 14.3 | 2.5 |
| 2027 | 465.9 | 466.8 | 5.7 | 1.2 |
| 2028 | 684.2 | 657.8 | 10.6 | 1.6 |
| 2029 | 323.2 | 146.0 | 1.0 | 0.7 |
| 2030 | 34.1 | 25.4 | 0.2 | 1.0 |
| 2031 | 297.2 | 287.5 | 2.5 | 0.9 |
| 2032 | 131.0 | 122.6 | 1.2 | 1.0 |
| 2033 | 241.1 | 150.6 | 1.6 | 1.0 |
| 2034 | 243.3 | 216.7 | 2.3 | 1.0 |
| 2035 | 152.6 | 152.6 | 2.8 | 1.8 |
| 2036 | 98.3 | 90.9 | 1.1 | 1.2 |
| 2037 | 236.1 | 162.9 | 2.1 | 1.3 |
| 2038 | 219.5 | 159.2 | 1.9 | 1.2 |
| 2039 | 14.5 | 3.0 | 0.0 | 0.4 |
| Interest income | 6 100.0 | 5 795.4 | 123.0 | 2.1 |
| Realised gains/losses | | | –0.1 | |
| Total | 6 100.0 | 5 795.4 | 122.9 | 2.1 |

**Breakdown of participating interests**
(end-of-period data)

| | Number of shares | In € million | Number of shares | In € million |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| BIS | 50 100 | 329.8 | 50 100 | 329.8 |
| SBI | 801 | 2.0 | 801 | 2.0 |
| SWIFT | 156 | 0.4 | 156 | 0.4 |
| Total | | 332.2 | | 332.2 |

### Off-balance-sheet instruments revaluation differences

Net positive revaluation differences on forward transactions in foreign exchange and interest rates, and on spot transactions in foreign exchange between the contract date and the settlement date (€ 57.0 million).

### Accruals and prepaid expenditure

A distinction can be made between:
- Expenses carried forward (€ 5.4 million);
- Income acquired (€ 1 352.7 million), essentially interest accrued but not received on securities and other assets.

### Sundry

Principally:
- reclaimable taxes (€ 13.9 million);
- trade receivables (€ 1.8 million);
- Printing Works stocks (€ 0.1 million).

## NOTE 10. BANKNOTES IN CIRCULATION

The share in the circulation of euro banknotes in the Eurosystem, allocated to the Bank (see note 8).

## 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 interest rate on the main refinancing operations.

The amounts placed in current accounts by euro area credit institutions (including excess reserves) increased by € 307.5 billion in 2019 to € 1 537.7 billion on the balance sheet date.

In September 2019 the Governing Council decided to introduce a two-tier system of reserve remuneration whereby, from 30 October 2019, part of the excess liquidity held by the banks (up to a maximum of six times the reserve requirement) will no longer be remunerated at the negative deposit facility interest rate but at 0 %. However, the non-exempt part remains subject to the negative deposit facility interest rate.

The asset purchase programmes approved by the Eurosystem have created a liquidity surplus which is recorded either in current accounts as surplus reserves, in the deposit facility or in TARGET2 (see note 18).

In Belgium, the amounts placed on accounts increased from € 23.7 billion to € 36.5 billion.

### Deposit facility

Standing facility allowing credit institutions to make 24-hour deposits with the Bank at a pre-specified interest rate. That rate remained negative throughout the year and declined from –0.40 % to –0.50 % in September 2019.

Credit institutions in Belgium reduced their deposits from € 35.7 billion in 2018 to € 9.0 billion in 2019. The amounts held in the deposit facility are not eligible for the exemption approved in September 2019. Credit institutions therefore preferred to place the maximum amount of their excess liquidity on current account in the form of excess reserves. At the level of the Eurosystem, use of the deposit facility declined for the same reason from € 623.5 billion to € 275.7 billion.

## NOTE 12. OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

This concerns “repurchase agreement” operations relating to the management of the securities portfolios.

## NOTE 13. LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO

### General government

Balances of the current accounts opened in the name of the State and of general government. On the balance sheet date, the Treasury’s current account balance stood at € 70.7 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. Repurchase agreement operations relating to the management of the securities portfolios.

## NOTE 15. LIABILITIES TO EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

These repurchase agreements in USD relate to the Bank’s investment policy.

## NOTE 16. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

These repurchase agreements in USD relate to the Bank’s investment policy.

## NOTE 17. COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

Countervalue of SDRs 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 liability resulting from all the intra-Eurosystem liabilities and claims.

The intra-Eurosystem balances result from cross-border payments in euro within the EU, settled in central bank money. Most of these transactions are made by private entities (credit institutions, firms or individuals). They are settled via the TARGET2 system and lead to bilateral balances on the TARGET2 accounts of EU central banks. These bilateral balances are allocated daily to the ECB : each NCB thus has only one net bilateral position in relation to the ECB alone. The net position of the National Bank of Belgium in TARGET2 in relation to the ECB and the other euro-denominated intra-Eurosystem balances (such as interim dividends paid to the NCBs) are shown on the Bank’s balance sheet in the form of a net position under the assets or the liabilities, and appear in the item "Other claims within the Eurosystem (net)" or "Other liabilities within the Eurosystem (net)". The intra-Eurosystem balances of the NCBs outside the euro area in relation to the ECB, resulting from their participation in TARGET2, appear in the item "Liabilities to non-euro area residents denominated in euro".

The intra-Eurosystem balances resulting from the allocation of euro banknotes within the Eurosystem are shown in the form of a single net asset under the item "Net claims related to the allocation of euro banknotes within the Eurosystem". The intra-Eurosystem balances resulting from the transfer of reserve assets to the ECB by the NCBs joining the Eurosystem are denominated in euro and recorded under the item "Claims equivalent to the transfer of foreign currency reserves" (see note 8).

The Bank's net liability vis-à-vis the Eurosystem can be broken down as follows:
1. the Bank's liability vis-à-vis the ECB resulting from transfers effected via TARGET2 (€ 63 710.1 million);
2. the intra-Eurosystem claim of € 316.0 million, resulting from the mechanism for the pooling and distribution of monetary income within the Eurosystem (see note 28);
3. the intra-Eurosystem claim of € 52.0 million relating to the allocation of the ECB's income (see note 27).

## NOTE 19. OTHER LIABILITIES

### Accruals and income collected in advance

Costs carried forward (€ 41.5 million) including interest accrued but not yet paid on liabilities and outstanding invoices.

### Sundry

In particular:
- unavailable reserve of capital gains on gold (€ 298.9 million);
- tax debts, debts related to wages and social security contributions (€ 224.2 million);
- proceeds accruing to the State (€ 11.6 million);
- trade debts (€ 7.0 million);
- repurchase agreements under statutory investments (€ 75.4 million).

## NOTE 20. PROVISIONS

In accordance with the reserve and dividend policy established in 2009 (see § 2.2.7.3), and owing to the creation of the available reserve, the Bank does not constitute any general provisions.

### Provision in respect of monetary policy operations

In accordance with Article 32.4 of the ESCB Statutes, any losses incurred on securities purchased under the CSPP Programme are shared between the Eurosystem NCBs in proportion to their shares in the ECB's subscribed capital. Depreciation tests carried out on the CSPP portfolio have revealed that a loss in value persists on securities held by an NCB. The ECB Governing Council therefore considered it advisable to maintain the provision to cover losses on monetary policy operations in 2019, but to reduce the amount of the provision from € 161.1 million to € 89.4 million, or a sum of € 3.1 million for the Bank, corresponding to 3.52003 % of the paid-up capital. € 2.5 million was thus written back on the provision compared to last year.

## NOTE 21. REVALUATION ACCOUNTS

Positive exchange rate and price revaluation differences between, on the one hand, the market value of the net foreign reserve and security positions (other than those valued at amortised cost) and, on the other hand, their average cost value.

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Positive exchange revaluation differences on: | | |
| ▪ gold | 9 583.1 | 7 878.6 |
| ▪ foreign currencies | 294.6 | 278.0 |
| Positive price revaluation differences on: | | |
| ▪ securities in foreign currencies (items 2 and 3 of the assets) | 167.8 | 28.3 |
| ▪ securities in euro (items 4 and 7 of the assets) | 22.5 | 46.6 |
| Total | 10 068.0 | 8 231.5 |

## 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 shareholdings equal to 5 % or more of the voting rights, other than those held by the State.

**Representation of the capital**
(end-of-period data, number of shares)

| | 2019 | 2018 |
|---|---|---|
| Registered shares | 206 158 | 205 855 |
| Dematerialised shares | 193 842 | 194 145 |
| Total | 400 000 | 400 000 |

### Available reserve

An amount of € 372.8 million related to the profit distribution for the previous year was allocated to the available reserve.

**Capital, reserve fund, available reserve and corresponding profit distribution**
(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Capital | 10.0 | 10.0 |
| Reserve fund | 2 668.6 | 2 652.3 |
| Available reserve | 3 834.2 | 3 461.4 |
| Total before profit distribution | 6 512.8 | 6 123.7 |
| Profit distribution | 412.6 | 372.8 |
| Total after profit distribution | 6 925.4 | 6 496.5 |

### Reserve fund

The reserve fund grew by € 16.3 million in 2019 as a result of the increase in the amortisation accounts for tangible and intangible fixed assets.

The tax-exempt part of the extraordinary reserve comes to € 18.5 million.

**Change in the amortisation accounts in 2019**
(in € million)

| | |
|---|---|
| Balance as at 31-12-2018 | 330.0 |
| Recorded | +18.8 |
| Withdrawn of cancelled following sales or disposals | –2.5 |
| Balance as at 31-12-2019 | 346.3 |

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.

### 2.2.7.5 Notes to the profit and loss account

#### NOTE 24. NET INTEREST INCOME

In the current context of negative interest rates, some assets (longer-term refinancing operations, other euro-denominated claims on euro area credit institutions) generate interest expense, and some liabilities (current accounts, deposit facility) generate interest income.

In order to harmonise the presentation of interest income/expenses relating to monetary policy assets and liabilities within the Eurosystem, the interest income and expense are presented as net values under 1.1 "Interest income" or 1.2 "Interest expense" depending on the sign. The interest is calculated per sub-item on the balance sheet. That approach also applies to the other sub-items unrelated to monetary policy.

#### Interest income

(end-of-period data)

| | Income | Average volume | Average rate | Income | Average volume | Average rate |
|---|---|---|---|---|---|---|
| | (in € million) | | (in %) | (in € million) | | (in %) |
| | 2019 | | | 2018 | | |
| Interest income of assets in euro | | | | | | |
| Credit transactions related to monetary policy | 0.0 | 38.3 | 0.0 | 0.0 | 3.8 | 0.0 |
| Securities portfolios in euro held for monetary policy purposes | 904.9 | 112 730.2 | 0.8 | 879.2 | 106 647.9 | 0.8 |
| Other securities portfolios in euro | 138.2 | 7 550.5 | 1.8 | 189.1 | 10 157.0 | 1.9 |
| Claims equivalent to the transfer of foreign currency reserves | 0.0 | 1 465.0 | 0.0 | 0.0 | 1 435.9 | 0.0 |
| Net claims related to the allocation of euro banknotes within the Eurosystem | 0.0 | 7 013.4 | 0.0 | 0.0 | 7 379.0 | 0.0 |
| Statutory investments (bonds, reverse repurchase agreements and repurchase agreements) | 123.0 | 5 795.4 | 2.1 | 129.2 | 5 444.8 | 2.4 |
| Total | 1 166.1 | 134 592.8 | 0.9 | 1 197.5 | 131 068.4 | 0.9 |
| Interest income of external assets | | | | | | |
| Claims related to international cooperation transactions | 63.8 | 6 434.0 | 1.0 | 55.3 | 6 069.3 | 0.9 |
| Investments in gold and in foreign currencies | 155.6 | 8 188.2 | 1.9 | 117.7 | 7 868.0 | 1.5 |
| Total | 219.4 | 14 622.2 | 1.5 | 173.0 | 13 937.3 | 1.2 |
| Interest income of liabilities in euro | | | | | | |
| Monetary reserve accounts. deposit facility and other interest-bearing deposits | 314.9 | 87 632.0 | 0.4 | 412.7 | 107 027.7 | 0.4 |
| Repurchase agreement transactions in euro | 0.2 | 28.7 | 0.6 | 0.5 | 70.0 | 0.8 |
| Total | 315.1 | 87 660.7 | 0.4 | 413.2 | 107 097.7 | 0.4 |
| Total interest income | 1 700.6 | | | 1 783.7 | | |

## Interest expense

(end-of-period data)

| | Expense (in € million) | Average volume | Average rate (in %) | Expense (in € million) | Average volume | Average rate (in %) |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| Interest expense on liabilities in euro | | | | | | |
| Net liabilities to the ECB related to TARGET2 | 0.0 | 27 864.3 | 0.0 | 0.0 | 10 139.6 | 0.0 |
| Total | 0.0 | 27 864.3 | 0.0 | 0.0 | 10 139.6 | 0.0 |
| Interest expense on external liabilities | | | | | | |
| Liabilities in SDR | –53.2 | 5 217.2 | –1.0 | –48.5 | 5 165.0 | –0.9 |
| Repurchase agreement transactions in foreign currencies | –100.0 | 3 419.7 | –2.9 | –78.2 | 3 349.7 | –2.3 |
| Total | –153.2 | 8 636.9 | –1.8 | –126.7 | 8 514.7 | –1.5 |
| Interest expense on assets in euro | | | | | | |
| Longer-term credit operations related to monetary policy | –86.5 | 21 591.8 | –0.4 | –89.3 | 23 754.3 | –0.4 |
| Other claims | –0.4 | 67.1 | –0.6 | –1.2 | 177.8 | –0.6 |
| Total | –86.9 | 21 658.9 | –0.4 | –90.5 | 23 932.1 | –0.4 |
| Proceeds accruing entirely to the State | | | | | | |
| Income resulting from the capital gains on gold recorded in a special unavailable reserve account [1] | –8.5 | | | –9.1 | | |
| Annual sum paid to the State in compensation for the additional expenses due to the conversion of its consolidated debt to the Bank into freely negotiable securities [2] | –24.4 | | | –24.4 | | |
| Total | –32.9 | | | –33.5 | | |
| Total interest expense | –273.0 | | | –250.7 | | |

1 That income is calculated by applying to the average balance of the unavailable reserve account during the year a rate of yield obtained by comparing the net financial income with the difference between the average amount, calculated on an annual basis, of the interest-bearing assets and the interest-bearing liabilities. The counterpart of the capital, reserves and amortisation accounts and the corresponding proceeds are excluded from that calculation. For the year 2019, the average balance on the unavailable reserve account came to € 298.9 million, net financial income came to € 1 177.4 million, the annual average amount of the interest-bearing assets came to € 165.4 billion and the annual average amount of the interest-bearing liabilities came to € 124.2 billion.

2 The extra cost for the State of this conversion, which took place in 1991, amounts to the difference between the 3 % which accrued to the Bank in accordance with the allocation rule prevailing at that time, and the 0.1 % fixed allocation due from the State at that time on its consolidated debt to the Bank. That difference applied to the amount of that debt, namely 34 billion francs, gives a figure of 986 million francs, i.e. € 24.4 million.

## NOTE 25. NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND PROVISIONS

### Realised gains / losses arising from financial operations

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Capital gains / losses (–) | | |
| on statutory investments | 0.0 | 4.6 |
| on investments | | |
| in USD | 28.1 | –17.3 |
| in EUR | 42.4 | 11.6 |
| Foreign exchange gains / losses (–) | | |
| on USD | 21.4 | 21.4 |
| on other currencies | – | – |
| on SDR | –21.4 | –15.5 |
| on gold | – | – |
| Foreign exchange gains (–) / losses (+) accruing to the State (SDR and gold) | 21.4 | 15.5 |
| Total | 91.9 | 20.3 |

### Write-downs on financial assets and positions

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Capital losses on investments | | |
| in USD | –2.9 | –43.7 |
| in EUR | – | – |
| Foreign exchange losses | | |
| on USD | – | – |
| on CNY | – | –1.7 |
| on KRW | –1.2 | – |
| on SDR | – | – |
| on other currencies | – | – |
| Foreign exchange losses charged to the State (SDR) | – | – |
| Total | –4.1 | –45.4 |

### Total realised gains / losses and write-downs

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Realised gains / losses | 91.9 | 20.3 |
| Write-downs | –4.1 | –45.4 |
| Total | 87.8 | –25.1 |

Capital gains on the markets for euro-denominated securities increased sharply as a result of the substantial decline in negative interest rates during the third quarter of the year and the sale of part of the portfolio of securities.

In the case of dollar investments, the lower interest rates led to an increase in the realised capital gains.

Similarly, on the liabilities side of the balance sheet, revaluation gains on dollar-denominated securities increased strongly.

In addition, as a result of the dollar's appreciation the Bank recorded larger revaluation differences than in the previous year.

SDR operations led to realised foreign exchange losses of € 21.4 million, charged to the State.

## 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: € 7.2 million of which € 5.8 million related to collateralisation operations concerning monetary policy. The lion's share of the revenue comes from guarantees managed by the Bank within the framework of the Correspondent Central Banking Model (CCBM). Despite a small rise in the fees received by the Bank, the fees relating to monetary policy remained stable overall in relation to 2018.

### Fees and commissions expense

Commissions paid by the Bank for financial services rendered to the Bank by third parties (€ 7.9 million), including € 5.9 million related to monetary policy.

Despite an increase in total expenses, the commissions paid in relation to monetary policy remained stable compared to 2018, as did the income.

## NOTE 27 INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Dividend on participation in the ECB | 13.5 | 10.1 |
| Income distributed by the ECB | 52.0 | 41.9 |
| Dividends on participations in the statutory investment portfolio | 15.0 | 14.2 |
| Total | 80.5 | 66.2 |

At the end of the previous financial year, an interim dividend of € 41.9 million was paid on the ECB's net profit for 2018. The balance of € 13.5 million corresponding to the dividend on the Bank's participation in the ECB's capital was paid in February 2019.

As last year, the ECB distributed all the income from its allotted share in the issue of euro banknotes and the income generated by the securities which it purchased under the SMP, CBPP3, ABSPP and PSPP programmes, in accordance with the Governing Council decision of 20 January 2020. The balance distributed as an interim dividend payment accruing to the Bank came to € 52.0 million.

For the 2018-2019 financial year, the BIS paid a dividend of SDR 245 per share, or € 15.0 million, compared to € 14.2 million (SDR 235 per share) last year.

## NOTE 28. NET RESULT OF POOLING OF MONETARY INCOME

The monetary income is allocated to the euro area NCBs in accordance with the paid-up capital key (3.63127 % for the Bank since 1 January 2019).

The impact on the net monetary income allocated is due to the balance sheet structure of the NCBs.

The Bank plays a specific role in the CSPP programme and contributes to the purchase of corporate securities in amounts proportionately greater than its share in the ECB's capital. In addition, the yield on securities acquired by the Bank in that portfolio exceeded the average yield on securities acquired by the Eurosystem.

Conversely, the Bank received interest collected on supranational securities held by other NCBs under the PSPP programme.

Belgian credit institutions are still keeping larger volumes on current accounts and the deposit facility, in excess of the key, so that it was necessary to contribute to the allocation of monetary income.

This item also includes the change in the provision for risks on monetary policy operations.

## Net result of pooling of monetary income
(end-of-period data, in € million)

| | Income (+) / Expense (–) | | |
|---|---|---|---|
| | Result | Pooling of monetary income | Real result |
| | (1) | (2) | (3) = (1) + (2) |
| | | 2019 | |
| Monetary income pooled by the Bank within the Eurosystem | | –725.8 | |
| Monetary income allocated to the Bank by the Eurosystem | | 409.8 | |
| | | –316.0 | |
| Items taken into account in monetary income | | | |
| Credit operations related to monetary policy | –86.5 | –8.9 | –95.4 |
| Securities portfolios in euro held for monetary policy purposes | 904.9 | –268.3 | 636.6 |
| Claims equivalent to the transfer of foreign currency reserves | – | – | – |
| Net claims related to the allocation of euro banknotes within the Eurosystem | – | – | – |
| Net liability towards the ECB in respect of TARGET2 | – | – | – |
| Monetary reserve account and deposit facility | 295.0 | –35.7 | 259.3 |
| Non-earmarkable assets | – | – | – |
| Items not taken into account in monetary income | | | |
| Net investments in gold and in foreign currencies | 55.6 | | 55.6 |
| Net claims relating to international cooperation transactions | 10.7 | | 10.7 |
| Securities portfolios and repurchase agreements in euro | 138.2 | | 138.2 |
| Statutory investment portfolio | 123.0 | | 123.0 |
| Other claims | –0.4 | | –0.4 |
| Interest-bearing deposits not related to monetary policy | 20.0 | | 20.0 |
| Proceeds accruing entirely to the State | –32.9 | | –32.9 |
| Net interest income (item 1) | 1 427.6 | –312.9 | 1 114.7 |
| Net result of financial operations (item 2) | | –2.5 | |
| Revision of previous years | | –0.6 | |
| | | –316.0 | |
| Provision in respect of monetary policy operations | | 2.5 | |
| | | –313.5 | |

## NOTE 29. OTHER INCOME

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Amounts recovered from third parties | 169.1 | 163.7 |
| Other | 0.7 | 9.8 |
| Total | 169.8 | 173.5 |

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, the Central Corporate Credit Register and the Central Contact Point (€ 40.8 million);
- prudential supervision (€ 102.0 million);
- work done by the Printing Works (€ 0.5 million);
- payment systems such as TARGET2 (€ 1.4 million);
- the securities settlement system (€ 12.5 million);
- the internationalisation of IT applications (€ 8.0 million).

In accordance with Article 12*bis* of the Organic Law, the Bank's operating costs related to the prudential supervision of financial institutions are borne by the institutions concerned.

In addition, on the basis of Article 12*ter* of the Organic Law, the Bank performs tasks as the resolution authority, and the corresponding operating costs are also borne by the institutions concerned.

The operating costs are calculated annually and imputed to the financial institutions in accordance with the Royal Decree of 17 July 2012 as amended by the Royal Decrees of 1 October 2012, 21 December 2013 and 5 July 2015.

For the year 2019, the costs came to € 64.5 million for banks and investment firms, and € 36.9 million for insurance and reinsurance companies.

Other institutions subject to supervision, such as clearing and settlement institutions, mutual guarantee schemes and payment companies, pay a flat charge which totalled € 0.6 million for the year 2019.

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

## NOTE 30. STAFF COSTS

These costs comprise the remuneration and social costs of the staff and the Board of Directors, and the attendance fees of the Regents and Censors. In 2019, this item included a sum of € 7.4 million for the early retirement scheme.

## NOTE 31. ADMINISTRATIVE EXPENSES

This item comprises in particular administrative and IT expenses (€ 24.7 million), those related to the repair and maintenance of premises (€ 13.2 million), printing work (€ 7.1 million), and work done and services rendered by third parties (€ 23.1 million). The withholding tax on income from immovable property, non-deductible VAT and the regional, provincial and municipal taxes are also included here (€ 5.6 million).

## NOTE 32. DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

The depreciation covers the following investments:

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Renovation of premises | 8.4 | 6.6 |
| Hardware and software | 4.7 | 3.1 |
| Equipment for the Printing Works | 1.5 | 1.5 |
| Other equipment and furniture | 4.2 | 3.6 |
| Total | 18.8 | 14.8 |

## NOTE 34. OTHER EXPENSES

This item records the tax-exempt amount included under the extraordinary reserve (see note 22) of the increased deduction concerning expenses relating to the use of vehicles generating zero CO2 emissions per kilometre, in accordance with Article 190*bis* and Article 198*bis*, §1, 1° of the Income Tax Code 1992.

## NOTE 35. CORPORATE TAX

### Tax due

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Tax on the profit for the year | 193.1 | 187.1 |
| Tax on the profit for previous years | 1.5 | –0.3 |
| Total (1) | 194.6 | 186.8 |

### Main differences

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Profit before tax | 1 019.9 | 932.3 |
| Tax-free profit allocated to the State | –363.6 | –317.4 |
| Profit subject to tax (2) | 656.3 | 614.9 |
| | | |
| Differences | | |
| Social commitments | –9.2 | 13.5 |
| Risk capital deduction | –2.3 | –2.2 |
| Depreciation surplus | –1.5 | –4.2 |
| Other | 9.6 | 10.6 |
| Taxable profit | 652.9 | 632.6 |
| | | |
| Average tax rate (in %) (1) ÷ (2) | 29.7 | 30.4 |

## 2.2.7.6 Notes on the profit distribution for the financial year (Note 36)

An estimate of the quantifiable risks forms the basis for determining the minimum amount of the Bank's reserves. For the calculation of all the financial risks, the Bank applies either the value-at-risk/expected shortfall methodology for which it uses very cautious parameters in terms of probabilities and time horizons, or long-term scenarios.

The estimate of the minimum level of risks at the end of 2019 resulted in a figure of around € 4.6 billion, against € 5.4 billion at the end of 2018.

This amount comprises the financial risks on:

- the Bank's own securities portfolios in euros and in foreign currency;
- the monetary policy portfolios shown on the Bank's balance sheet on which the Bank alone bears the risks;
- the monetary policy credit operations and securities portfolios shown on the balance sheet of all NCBs in the Eurosystem, on which the risk is shared among the NCBs (see notes 5 and 7).

**The profits for the year are allocated as follows in accordance with Article 32 of the Organic Law (in € million):**

| | |
|---|---|
| 1. a first dividend of 6 % of the capital is assigned to the shareholders | 0.6 |
| 2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, is allocated to the reserve fund or to the available reserve. For 2019, the Council of Regency decided to allocate 50 % of the profit for distribution to the available reserves, namely | 412.6 |
| 3. from the second excess, a second dividend established by the Council of Regency is allocated to the shareholders, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and the available reserve | |

- Gross proceeds from statutory investments and similar

| | Income | Average volume | Yield (in %) |
|---|---|---|---|
| | (in € million) | | |
| Bonds | 123.0 | 5 795.4 | 2.1 |
| Participating interests | 15.0 | 332.2 | 4.5 |
| Total | 138.0 | 6 127.6 | 2.3 |

- Share of the income generated by the capital in the total proceeds from the statutory investments:
  10 × 138.0 ÷ 6 127.6 = 0.2
- Average tax rate: 29.7 % (see note 35)
- Calculation of the second dividend:
  [(138.0 – 0.2) × (1 – 0.297) × 0.5] 48.4

4. the balance is allocated to the State: it is exempt from corporate tax 363.6

| | |
|---|---|
| Profit for the year | 825.3 |

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

### NOTE 37. FORWARD TRANSACTIONS IN FOREIGN CURRENCIES AND IN EURO

(end-of-period data, in € million)

| | 2019 | 2018 |
|---|---|---|
| Forward claims | | |
| EUR | 4 663.5 | 4 289.5 |
| USD | 1 031.4 | 900.0 |
| SDR | 68.7 | 1.8 |
| Forward liabilities | | |
| EUR | 69.0 | 1.8 |
| USD | 3 333.2 | 3 181.2 |
| JPY | 1 021.0 | 914.6 |
| SDR | 1 302.3 | 1 125.0 |

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.

Forward transactions are intended to limit the net foreign currency position.

### NOTE 38. FORWARD TRANSACTIONS ON INTEREST RATE AND FIXED-INCOME SECURITIES

At the end of the financial year the Bank has a net long position in futures on dollar-denominated securities of € 319.4 million. These transactions relate to the active management of the portfolios.

### NOTE 39. LIABILITIES WHICH COULD LEAD TO A CREDIT RISK

Liabilities towards international institutions include the commitment signed by the Bank to lend to the IMF SDR 1 050 million (€ 1 295.6 million) via the PRGT.

At the end of 2016, to ensure that the IMF has sufficient resources the IMF Executive Board approved the renewal of the new borrowing agreements (multilateral loan) for the period November 2017-November 2022 for a total of SDR 182.4 billion. Belgium's share in that total is SDR 3 994.3 million (€ 4 928.6 million).

In 2016 the IMF Executive Board also approved a new framework for bilateral loans. In that connection, forty IMF member countries decided to provide bilateral finance amounting to around SDR 318 billion (to replace the loans concluded in 2013). The Belgian share in that total is € 9 990 million in the form of a loan by the Bank to the IMF.

At the end of 2019, the available amount (PRGT, new loan agreements and bilateral loan) comes to € 15 096.5 million. These loans are guaranteed by the Belgian State.

Liabilities towards other bodies comprise the guarantees which the Bank gives in connection with clearing operations for credit institutions established in Belgium. In return, the Bank itself received guarantees from those same institutions.

At the end of 2019, the outstanding amount came to € 2 917.5 million.

### NOTE 40. 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 rise in custody deposits is due to the growth in securities issued by enterprises and recorded in the securities settlement system, and the increase in guarantees received for the account of other central banks.

### NOTE 41. CAPITAL TO BE PAID UP ON PARTICIPATIONS

The BIS shares held by the Bank are paid up to the extent of 25 %. The amount shown under this item represents the uncalled capital, totalling SDR 187.9 million (€ 231.8 million).

## 2.2.7.8 Auditor's remuneration

The total remuneration paid to Mazars Bedrijfsrevisoren came to € 79 985. That remuneration comprises:

- a sum of € 60 000 for the statutory audit assignment, including the statutory audit of the annual accounts and a limited audit of the interim accounts;
- a sum of € 19 985 for a special assignment within the statutory category of other audit assignments, in connection with certification of the method of calculating prudential expenses and their allocation to the various sectors. That certification was conducted in accordance with the ISA805 standard.

The auditor did not receive any further remuneration for other assignments carried out for the Bank.

## 2.2.7.9 Legal proceedings

On 3 January 2014, a shareholder brought an action against the Bank before the Brussels Commercial Court. That shareholder claims that the Bank's annual accounts do not conform to the regulations applicable, and demands the correction of the annual accounts on three points. The Commercial Court handed down its ruling on 22 May 2015. It rejected all the requests and confirmed that the Bank had drawn up its accounts in line with the applicable rules.

On 15 July 2015, the applicant shareholder lodged an appeal against this ruling. On 28 October 2019, the Brussels Court of Appeal passed judgment. The Court declared that the shareholder's appeal was unfounded and confirmed the ruling of the court of first instance, namely that the Bank has drawn up its accounts correctly in accordance with the accounting rules applicable to it. On 10 March 2020 the shareholder in question lodged an appeal in cassation against that judgment. Since the Bank considers that its annual accounts were drawn up in accordance with the regulations and the Court of Appeal's judgment is correct, it has not formed any provision for these legal proceedings.

There are two other ongoing actions brought by the same shareholder in 2019. In the first case it is claimed that the Bank's Council of Regency is not composed in accordance with the rules and the Brussels Business Court is asked to declare that the Council of Regency's decisions approving the 2016 and 2017 accounts are null and void. The second case concerns an appeal lodged before the Council of State against the Council of Regency's decision adopting the 2018 accounts and in particular the profit distribution for that financial year. In these proceedings it is alleged that the Council of Regency's decision on the profit distribution does not accord with the principles of good governance (more particularly the obligation to state reasons and the proportionality principle).

The Bank considers that its Council of Regency is lawfully composed and that the decisions of that body concerning the approval of the accounts and the profit distribution conform fully to the applicable rules. It therefore considers the aforesaid claims unfounded. Moreover, the Bank considers that these claims are inadmissible for various reasons. Finally, these two cases have no (quantifiable) impact on the Bank's assets, financial position or results. The Bank has therefore not made any provision for these disputes.

There are no other ongoing disputes which are so critical or material as to oblige the Bank to form a provision or to make more detailed comments under this heading.

### 2.2.7.10 Post balance sheet events

#### BREXIT

As a result of the United Kingdom's withdrawal from the European Union and the resulting departure of the Bank of England from the European System of Central Banks (ESCB), the shares of the remaining NCBs in the key for subscription to the ECB's capital were adjusted as follows on 1 February 2020.

**Key for subscription to the ECB's capital**
(in %)

| National central banks of | from 1 January 2019 | from 1 February 2020 |
|---|---|---|
| Belgium | 2.5280 | 2.9630 |
| Germany | 18.3670 | 21.4394 |
| Estonia | 0.1968 | 0.2291 |
| Ireland | 1.1754 | 1.3772 |
| Greece | 1.7292 | 2.0117 |
| Spain | 8.3391 | 9.6981 |
| France | 14.2061 | 16.6108 |
| Italy | 11.8023 | 13.8165 |
| Cyprus | 0.1503 | 0.1750 |
| Latvia | 0.2731 | 0.3169 |
| Lithuania | 0.4059 | 0.4707 |
| Luxembourg | 0.2270 | 0.2679 |
| Malta | 0.0732 | 0.0853 |
| The Netherlands | 4.0677 | 4.7662 |
| Austria | 2.0325 | 2.3804 |
| Portugal | 1.6367 | 1.9035 |
| Slovenia | 0.3361 | 0.3916 |
| Slovakia | 0.8004 | 0.9314 |
| Finland | 1.2708 | 1.4939 |
| Sub-total euro area NCBs | 69.6176 | 81.3286 |
| Bulgaria | 0.8511 | 0.9832 |
| Czech Republic | 1.6172 | 1.8794 |
| Denmark | 1.4986 | 1.7591 |
| Croatia | 0.5673 | 0.6595 |
| Hungary | 1.3348 | 1.5488 |
| Poland | 5.2068 | 6.0335 |
| Romania | 2.4470 | 2.8289 |
| Sweden | 2.5222 | 2.9790 |
| United Kingdom | 14.3374 | – |
| Sub-total non-euro area NCBs | 30.3824 | 18.6714 |
| Total | 100.0000 | 100.0000 |

#### Impact on the NBB's share in the ECB's capital

The subscribed capital of the ECB is unchanged at € 10 825 million following the Bank of England's departure from the ESCB. The Bank of England's share in the ECB's capital, amounting to 14.3 %, was reallocated among the euro area NCBs and the remaining NCBs from outside the euro area. Consequently, the National Bank of Belgium's share in the subscribed capital of the ECB increased by 0.435 %. The ECB's paid-up capital will remain unchanged during the year in which the United Kingdom leaves the EU (i.e. 2020), since the remaining NCBs will cover the Bank of England's paid-up capital of € 58.2 million.

The euro area NCBs will then pay their increased subscriptions in full by making two additional annual payments. Consequently, the National Bank of Belgium will transfer a sum of € 2.6 million to the ECB in 2020 and a sum of € 22.2 million in both 2021 and 2022.

#### Impact on the NCBs' claims in respect of the transfer of foreign currency reserves

In accordance with Article 30.2 of the Statute of the ESCB, the NCBs' contribution to the transfer of foreign currency reserves to the ECB is determined in proportion to their share in the subscribed capital of the ECB.

As a result of :

- the increase in the share of euro area NCBs in the subscribed capital of the ECB following the Bank of England's departure from the ESCB ;
- a Governing Council decision to reduce the share of the euro area NCBs' contribution so that the total foreign currency reserves already transferred by those NCBs remain at their current level,

there is a slight adjustment to the claims in respect of that transfer.

As a result, the claims of the National Bank of Belgium increased by € 4.8 million in February 2020.

### COVID-19

After the balance sheet date, Belgium like the rest of the euro area was confronted by the global crisis caused by the COVID-19 pandemic.

The Bank is not one of the sectors primarily affected: it remains operational by maximising home working and is thus ensuring the continuity of its essential activities.

In view of the particularly fast-changing situation, it is impossible to produce reliable estimates of the financial impact of the COVID-19 crisis on the Bank.

However, the Bank would draw attention to the ECB Governing Council's decision on 18 March 2020, launching a new, temporary purchase programme (Pandemic Emergency Purchase Programme, PEPP) whereby the purchases under the existing programmes (Asset Purchase Programme, APP) are extended until the end of 2020 with an overall envelope of € 750 billion. As a national central bank of the Eurosystem, the Bank will be involved in implementing this programme, which will affect its balance sheet total and the risks to which it is exposed.

This highlights once again the appropriateness of the reserve policy established by the Council of Regency, setting aside 50 % of the profit for the year for so long as the period of non-standard monetary measures continues.

## 2.2.8 Comparison over five years

### 2.2.8.1 Balance sheet

**Assets**
(in € thousand)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| 1. Gold and gold receivables | 9 900 064 | 8 195 519 | 7 909 800 | 8 027 984 | 7 115 399 |
| 2. Claims on non-euro area residents denominated in foreign currency | 15 872 290 | 15 288 762 | 13 885 370 | 14 410 997 | 15 049 662 |
| 2.1 Receivables from the IMF | 6 595 494 | 6 402 443 | 5 951 516 | 6 428 948 | 7 255 519 |
| 2.2 Balances with banks and security investments, external loans and other external assets | 9 276 796 | 8 886 319 | 7 933 854 | 7 982 049 | 7 794 143 |
| 3. Claims on euro area residents denominated in foreign currency | 474 210 | 405 191 | 328 489 | 395 750 | 348 782 |
| 4. Claims on non-euro area residents denominated in euro | 169 538 | 1 666 137 | 848 633 | 804 648 | 419 254 |
| 5. Lending to euro area credit institutions related to monetary policy operations denominated in euro | 19 279 480 | 22 690 200 | 24 383 650 | 14 322 090 | 7 738 400 |
| 5.1 Main refinancing operations | 423 000 | – | 40 000 | 200 000 | 100 000 |
| 5.2 Longer-term refinancing operations | 18 856 480 | 22 690 200 | 24 343 650 | 14 122 090 | 7 638 400 |
| 5.3 Fine-tuning reverse operations | – | – | – | – | – |
| 5.4 Structural reverse operations | – | – | – | – | – |
| 5.5 Marginal lending facility | – | – | – | – | – |
| 5.6 Credits related to margin calls | – | – | – | – | – |
| 6. Other claims on euro area credit institutions denominated in euro | 65 646 | 17 543 | 227 673 | 1 863 078 | 174 230 |
| 7. Securities of euro area residents denominated in euro | 119 704 133 | 122 199 708 | 107 720 140 | 72 988 859 | 38 211 811 |
| 7.1 Securities held for monetary policy purposes | 113 918 412 | 113 574 838 | 96 877 893 | 59 066 568 | 23 652 470 |
| 7.2 Other securities | 5 785 721 | 8 624 870 | 10 842 247 | 13 922 291 | 14 559 341 |
| 8. Intra-Eurosystem claims | 7 939 450 | 8 199 806 | 9 648 703 | 11 380 427 | 13 569 945 |
| 8.1 Participating interest in ECB capital | 328 735 | 287 101 | 287 101 | 287 101 | 287 101 |
| 8.2 Claims equivalent to the transfer of foreign currency reserves | 1 465 002 | 1 435 911 | 1 435 911 | 1 435 911 | 1 435 911 |
| 8.3 Net claims related to the allocation of euro banknotes within the Eurosystem | 6 145 713 | 6 476 794 | 7 925 691 | 9 657 415 | 11 846 933 |
| 8.4 Other claims within the Eurosystem (net) | – | – | – | – | – |
| 9. Other assets | 8 384 276 | 7 876 801 | 7 723 922 | 6 986 218 | 6 338 919 |
| 9.1 Coins of euro area | 8 453 | 8 849 | 9 112 | 9 472 | 10 081 |
| 9.2 Tangible and intangible fixed assets | 436 525 | 416 899 | 410 473 | 393 138 | 395 766 |
| 9.3 Other financial assets | 6 507 559 | 6 041 445 | 5 846 341 | 5 450 528 | 5 177 950 |
| 9.4 Off-balance-sheet instruments revaluation differences | 57 050 | – | 47 699 | – | – |
| 9.5 Accruals and prepaid expenditure | 1 358 129 | 1 399 710 | 1 400 374 | 1 118 351 | 745 644 |
| 9.6 Sundry | 16 560 | 9 898 | 9 923 | 14 729 | 9 478 |
| Total assets | 181 789 087 | 186 539 667 | 172 676 380 | 131 180 051 | 88 966 402 |

## Liabilities

(in € thousand)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| 1. Banknotes in circulation | 43 190 510 | 39 870 275 | 37 913 638 | 36 472 505 | 35 086 848 |
| 2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro | 45 443 128 | 59 408 947 | 64 957 740 | 50 686 181 | 25 223 615 |
| 2.1 Current accounts (covering the minimum reserve system) | 36 466 154 | 23 669 646 | 15 710 572 | 11 606 041 | 9 997 347 |
| 2.2 Deposit facility | 8 976 974 | 35 739 301 | 49 247 168 | 39 080 140 | 15 226 268 |
| 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 | 301 391 | 543 628 | 838 406 | 138 657 | 173 264 |
| 4. Liabilities to other euro area residents denominated in euro | 612 745 | 379 465 | 293 207 | 327 939 | 243 885 |
| 4.1 General government | 80 616 | 11 355 | 25 605 | 35 223 | 37 992 |
| 4.2 Other liabilities | 532 129 | 368 110 | 267 602 | 292 716 | 205 893 |
| 5. Liabilities to non-euro area residents denominated in euro | 857 264 | 8 147 501 | 8 413 888 | 2 096 115 | 1 037 116 |
| 6. Liabilities to euro area residents denominated in foreign currency | 3 350 988 | 710 480 | 236 388 | – | – |
| 7. Liabilities to non-euro area residents denominated in foreign currency | 654 709 | 3 219 651 | 3 515 801 | 2 057 538 | 142 158 |
| 8. Counterpart of special drawing rights allocated by the IMF | 5 334 574 | 5 254 592 | 5 134 403 | 5 510 534 | 5 502 747 |
| 9. Intra-Eurosystem liabilities | 63 974 101 | 53 192 130 | 36 296 706 | 18 589 435 | 7 726 295 |
| 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) | 63 974 101 | 53 192 130 | 36 296 706 | 18 589 435 | 7 726 295 |
| 10. Other liabilities | 660 484 | 706 583 | 727 179 | 808 010 | 622 576 |
| 10.1 Off-balance-sheet instruments revaluation differences | – | 8 994 | – | 17 359 | 49 323 |
| 10.2 Accruals and income collected in advance | 41 546 | 44 542 | 30 569 | 18 587 | 13 790 |
| 10.3 Sundry | 618 938 | 653 047 | 696 610 | 772 064 | 559 463 |
| 11. Provisions | 3 146 | 5 670 | 2 424 | – | – |
| 11.1 For future exchange losses | – | – | – | – | – |
| 11.2 For new premises | – | – | – | – | – |
| 11.3 For contingencies | – | – | – | – | – |
| 11.4 In respect of monetary policy operations | 3 146 | 5 670 | 2 424 | – | – |
| 12. Revaluation accounts | 10 068 000 | 8 231 503 | 7 898 906 | 8 369 524 | 7 441 017 |
| 13. Capital, reserve fund and available reserve | 6 512 795 | 6 123 680 | 5 815 009 | 5 485 429 | 5 216 685 |
| 13.1 Capital | 10 000 | 10 000 | 10 000 | 10 000 | 10 000 |
| 13.2 Reserve fund: | | | | | |
| Statutory reserve | 1 168 694 | 1 168 694 | 1 168 694 | 1 168 694 | 1 168 694 |
| Extraordinary reserve | 1 153 603 | 1 153 600 | 1 152 963 | 1 152 963 | 1 152 963 |
| Amortisation accounts in respect of tangible and intangible fixed assets | 346 288 | 329 958 | 338 266 | 327 778 | 334 132 |
| 13.3 Available reserve | 3 834 210 | 3 461 428 | 3 145 086 | 2 825 994 | 2 550 896 |
| 14. Profit for the year | 825 252 | 745 562 | 632 685 | 638 184 | 550 196 |
| Total liabilities | 181 789 087 | 186 539 667 | 172 676 380 | 131 180 051 | 88 966 402 |

## 2.2.8.2 Profit and loss account

(in € thousand)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| 1. Net interest income | 1 427 590 | 1 532 936 | 1 284 936 | 994 699 | 899 682 |
| 1.1 Interest income | 1 700 539 | 1 783 670 | 1 476 176 | 1 066 323 | 939 671 |
| 1.2 Interest expense | –272 949 | –250 734 | –191 240 | –71 624 | –39 989 |
| 2. Net result of financial operations, write-downs and provisions | 87 790 | –25 090 | 4 674 | 36 515 | 30 208 |
| 2.1 Realised gains/losses arising from financial operations | 91 854 | 20 331 | 53 408 | 62 820 | 41 873 |
| 2.2 Write-downs on financial assets and positions | –4 064 | –45 421 | –48 734 | –26 305 | –11 665 |
| 2.3 Transfer to/from provisions | – | – | – | – | – |
| 3. Net income/expense from fees and commissions | –661 | –264 | 627 | 1 036 | 1 310 |
| 3.1 Fees and commissions income | 7 217 | 6 859 | 7 452 | 7 025 | 6 719 |
| 3.2 Fees and commissions expense | –7 878 | –7 123 | –6 825 | –5 989 | –5 409 |
| 4. Income from equity shares and participating interests | 80 530 | 66 271 | 61 190 | 57 078 | 48 001 |
| 5. Net result of pooling of monetary income | –313 502 | –367 648 | –248 906 | –40 482 | –6 564 |
| 6. Other income | 169 788 | 173 484 | 161 556 | 154 697 | 149 104 |
| 7. Staff costs | –311 572 | –326 889 | –336 948 | –313 548 | –310 076 |
| 8. Administrative expenses | –101 332 | –105 028 | –90 469 | –88 546 | –93 170 |
| 9. Depreciation of tangible and intangible fixed assets | –18 755 | –14 791 | –13 015 | –11 299 | –10 233 |
| 10. Banknote production services | n. | n. | n. | n. | n. |
| 11. Other expenses | –3 | –637 | – | – | – |
| 12. Corporate tax | –194 621 | –186 782 | –190 960 | –151 966 | –158 066 |
| Profit for the year | 825 252 | 745 562 | 632 685 | 638 184 | 550 196 |

### 2.2.8.3 Dividend per share

(in €)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Gross dividend | 122.57 | 138.47 | 127.63 | 140.79 | 135.41 |
| Withholding tax | 36.77 | 41.54 | 38.29 | 42.24 | 36.56 |
| Net dividend | 85.80 | 96.93 | 89.34 | 98.55 | 98.85 |

# 2.3 Auditor's report to the Council of Regency

MAZARS

Company number: BE 0203.201.340

## AUDITOR'S REPORT TO THE COUNCIL OF REGENCY OF THE NATIONAL BANK OF BELGIUM FOR THE YEAR ENDED 31 DECEMBER 2019

In accordance with Protocol No. 4 of the Statutes of the European System of Central Banks and of the European Central Bank, we were firstly appointed by the General Meeting of Shareholders of 15 May 2017 – for an initial period of 3 years – as the auditor responsible for preparing a report to the Council of Regency on the audit of the financial statements of the National Bank of Belgium (the "**Bank**"). The scope of this mandate is defined in the relevant contractual documents.

This mandate was entrusted to us as the auditor on the proposal of the Bank's Audit Committee and confirmed by the Council of the European Union on the recommendation of the Governing Council of the European Central Bank.

In the context of that mandate, we have the honour to submit our report on the audit of the Bank's financial statements, drawn up in accordance with the sui generis accounting standards applicable to the Bank - including the presentation rules and principles and the explanations provided -, as defined by the Council of Regency, and on the other provisions contractually agreed with the Bank.

### *Unqualified opinion*

We have conducted the contractual audit of the Bank's financial statements - which show a balance sheet total of € 181.8 billion and a profit for the year of € 825.3 million – and the annexes, as mentioned in the Corporate Report, Report 2019, Chapter 2 'Annual accounts and reports on the financial year' ("**financial statements**").

In our opinion, these financial statements give a true and fair view of the Bank's net equity and financial position as at 31 December 2019, and its results for the financial year ending on that date, drawn up in accordance with the sui generis accounting standards applicable to the Bank – including the presentation rules and principles and the explanations provided – as defined by the Council of Regency.

### *Basis of the unqualified opinion*

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are described in more detail in the section of this report on "Responsibilities of the auditor concerning the audit of the financial statements". We complied with all the ethical requirements applicable to the audit of financial statements in Belgium, including the independency requirements.

We obtained from the Board of Directors and the Bank's officials the explanations and information necessary for our assignment.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

The key audit matters are the matters which, in our professional judgment, were the most significant in the audit of the financial statements for the current period. We dealt with those matters in the context of our audit of the financial statements and in forming our opinion on those statements. We do not express any separate opinion on these matters.

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**Company number: BE 0203.201.340**

The report below takes the duty of confidentiality, applicable to the Bank in regard to a number of subjects, in consideration. This implies that some key audit matters may not/not be completely reported.

| Key audit matter | Audit approach |
|---|---|
| **KEY AUDIT MATTER 1 : CREDIT RISK**<br><br>Given its activities, the Bank incurs a credit risk. To determine the total risk exposure, related to fixed- income securities, both the portfolio managed by the Bank itself and the monetary policy portfolio registered on the Bank's balance sheet, as well as the Bank's share in the monetary policy portfolio of the Eurosystem are to be taken into account.<br><br>However, communication concerning the monetary policy portfolios is the responsibility of the ECB.<br><br>The Asset Purchase Programme implies increased risks which could have a negative influence on the Bank's results. To mitigate that risk, the Bank creates an available reserve in accordance with its profit-distribution policy.<br><br>Upon the decision of the ECB Governing Council, the Bank forms a specific provision to cover losses related to the monetary policy operations.<br><br>In view of the potentially significant impact on the profit and loss account, we consider the identification and assessment of the credit risk to be a key audit matter.<br><br><u>References to the Corporate Report – Chapter 2.</u><br><br>2.1.2.1.1. Management of the gold and foreign currency reserves, portfolios of securities in euro and monetary policy operations<br>2.1.1.3. Profit distribution<br>2.1.2.1. Financial risk management<br>Note 20 : Provisions | ▪ Obtaining of an understanding and assessment of the procedures and processes for the acceptance of counterparties (ratings of various rating agencies, implied ratings, financial ratios and any financial analyses, determination and treatment of limits).<br>▪ Regarding the portfolio for implementation of the Eurosystem's monetary policy, a check was conducted related to compliance with the eligibility criteria – the "Single List" of marketable and non-marketable assets (bank loans).<br>▪ Review of the defined control measures concerning the monitoring of the set limits in relation to the risk incurred and compliance with those limits, except for exposures to Belgian public authorities.<br>▪ Review and assessment of the work carried out by the Bank's Internal Audit, related to both procedures and the year-end closing.<br>▪ At reporting date, review of controls in place regarding risk identification and assessment of effectiveness of these procedures.<br>▪ Understanding of the calculation method related to the provisions accounted for.<br>▪ Evaluation of the information reported in the financial statements in the light of the Bank's practices and the sui generis reference framework.<br>▪ Confirmation by the Directors concerning information obtained from the ECB |

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MAZARS

Company number: BE 0203.201.340

| Key audit matter | Audit approach |
|---|---|
| **KEY AUDIT MATTER 2 : MARKET RISK**<br><br>In connection with the monetary policy and its own investment policy, the Bank invests funds to acquire securities which are recorded either at fair value or at what is termed the amortised acquisition cost.<br><br>The Bank incurs a market risk on the portfolio measured at fair value. In a first instance, negative revaluation differences are deducted from the corresponding revaluation account, recorded as a liability. Any remaining balance is recorded in the profit & loss statement. Regarding the portfolios measured at amortised cost, the Bank incurs an indirect risk that is to be assessed in the light of the general market risk incurred by the Bank.<br><br>In order to determine the total risk exposure of the fixed-income securities, the Bank's share in the monetary policy portfolios of the Eurosystem is taken into consideration. However, communication on that subject is the responsibility of the ECB.<br><br>In view of the potentially significant impact on the profit and loss account and the importance for assessing the level of the available reserves, we consider the identification and assessment of the market risk as a key point of our assignment.<br><br>References to the Corporate Report – Chapter 2.<br><br>2.1.2.1.2. Interest rate risk and risks associated with the volume of interest-bearing assets<br>2.1.1.3. Profit distribution<br>2.1.2.1. Financial risk management<br>Note 20 : Provisions | ▪ Evaluation of the procedures and processes for assessing market risk.<br>▪ Assessment of the market data, assumptions and estimates used by the Bank.<br>▪ Discussion of the outcome of the analysis performed by the Bank with department heads.<br>▪ Review of the consistency of the report to the Board of Directors.<br>▪ Taking note of the discussions in the Board of Directors.<br>▪ Assessment of the information contained in the financial statements in the light of the Bank's practices and the sui generis reference system.<br>▪ ECB confirmation of the monetary policy results and the reconciliation with profit & loss statements. |

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| Key audit matter | Audit approach |
|---|---|
| **KEY AUDIT MATTER 3 : COMPLIANCE RISK** | |
| Taking the Bank's hybrid sui generis regulatory framework into account, the following compliance risks were identified:<br>▪ Procurement policy - regulations regarding public contracts<br>▪ Money laundering regulations<br>▪ ECB rules and related regulations<br>▪ GDPR<br>The above regulations may have a significant impact on the interaction with other institutions and/or the Bank's reputation.<br><br><u>References to the Corporate Report – Chapter 2</u><br><br>2.1.2.2. Non-financial risk management | ▪ Taking note of the design of the processes and procedures for the Bank's procurements.<br>▪ Review and assessment of the work done by the Bank's Internal Audit.<br>▪ Discussion of compliance risks with the Bank's Legal Compliance Officer.<br>▪ Discussion of different risks related to the management of data with the Data Protection Officer.<br>▪ Conduct of various tests on a sample basis related to certain fundamental aspects of the ECB rules and related regulations. |
| **KEY AUDIT MATTER 4 : GENERAL DATA SYSTEM CONTROLS** | |
| The Bank is dependent to a significant extent on the reliability and protection of its IT platforms and applications, both for its operational activities and for its accounting activities.<br><br>In view of the its very diverse activities - including the systems for monitoring and assessing the risks incurred - the proper operation of the IT platforms and applications is essential for the Bank.<br><br>As a central point for data collection as well as responsible for the processing of certain data (central credit registry, central balance sheet office, central securities depository/securities settlement system, payments, monetary policy, statistics, prudential supervision etc.), the management of this risk is not negligible for the Bank.<br><br>In view of our specific assignment, we only reviewed certain specific key points of the general IT system controls directly relevant to the Bank's financial statements.<br><br><u>References to the Corporate Report – Chapter 2</u><br><br>2.1.2.2. Non-financial risk management | ▪ Establishing, with the aid of the Internal Audit service, of a cartography of the various IT systems and platforms important for the accounting registrations of the Bank.<br>▪ Taking note of the main incidents related to IT systems and platforms with attention to incidents which affected the accounting data and assessment of the measures taken.<br>▪ Evaluation of the design – for some of the most important applications - and, if relevant, the operational effectiveness of certain key controls.<br>▪ Evaluation of the checks and audits carried out by the Internal Audit service. |

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### *Responsibilities of the Board of Directors in regard to the financial statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the sui generis accounting reference framework, as identified in the introduction, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements free of material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern and using the going concern basis of accounting.

### *Responsibilities of the auditor in regard to the audit of the financial statements*

In accordance with the contractual provisions, we aim to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report to the Council of Regency that includes our opinion.

Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with the ISA's will always detect material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be to influence the economic decisions which users may take on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise a professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of the accounting estimates made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, up to the date of Report to the Council of Regency;
- Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, taking into account the sui generis legal framework - including the measurement and reporting principles and the usual explanation provided - applicable to the Bank.

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Our audit procedures, however, do not provide any assurance regarding the future viability of the Bank, nor regarding the efficiency or effectiveness with which the governing body has taken or will undertake the operations of the Bank.

We communicate, in accordance with ISA 260 and 265, with the Audit Committee regarding, amongst others, the planned scope and timing of the audit procedures, of any significant audit findings, including any significant deficiencies in internal control, and regarding the key audit matters.

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## REPORT ABOUT SOME LEGAL AND REGULATORY OBLIGATIONS

### *Responsibilities of the Board of Directors*

The Board of Directors is responsible for the preparation and content of the corporate report, and in particular Chapter 2 "Annual accounts and reports on the financial year", compliance with the legal and regulatory requirements regarding bookkeeping, and compliance with the Organic Law and the other legal and regulatory dispositions, and the Bank's By-Laws.

### *Responsibilities of the auditor*

In the context of our mandate for the Council of Regency as determined in the contract documents, it is our responsibility to report, in all material aspects, specifically adapted if necessary to the Bank's hybrid character and its sui generis legal framework, on compliance with certain provisions of Article 3:75 of the Companies' and Associations' Code.

### *Other comments*

In our opinion, and having performed specific procedures in relation to the reporting on the financial statements, this report is consistent with the annual accounts for the same financial year, and was prepared in accordance with Articles 3:5 and 3:6 of the Companies' and Associations' Code. We do not express any form of assurance whatsoever on the report.

Without prejudice to formal aspects of minor importance, with due regard for the Bank's practices, the accounting records were maintained in accordance with the sui generis accounting reference framework - including the presentation rules and principles and the usual provided explanation provided - applicable to the Bank, as interpreted and laid down by the Council of Regency.

The appropriation of the results proposed to the Council of Regency complies with the legal and statutory requirements.

The social balance sheet deals with both the form and the content of the disclosures required by the Company Code and, to our knowledge, does not contain any significant inconsistencies in relation to the information available to us for the purposes of our contractual assignment.

We are not aware of any transactions undertaken or decisions taken in breach of the Organic Law, the By-Laws, or the applicable provisions of the Company Code or as from 1 January 2020, the Companies' and Associations' Code (as considered applicable by the bank) which we were contracted to examine.

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No additional assignment was conducted which is incompatible with our contractual mandate. Our firm of auditors, and if appropriate our network, remained independent of the Bank during our mandate.

Brussels, 19 March 2020

MAZARS RÉVISEURS D'ENTREPRISES
Auditor
Represented by

Dirk STRAGIER
Auditor



MAZARS

## 2.4 Approval by the Council of Regency

Having taken note of the examination by the Audit Committee, the Council of Regency approved the annual accounts and the report on the company's activities in the year 2019 on 25 March 2020 and determined the final 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 members of the Board of Directors.