

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	
	2020	2019	2020	2019
Belgium	3 417.9	3 170.3	3 622.0	3 502.2
Germany	722.1	715.8	792.2	776.6
Spain	311.0	361.9	336.5	393.2
France	286.5	714.1	871.3	794.0
Austria	159.4	170.0	178.4	193.0
Ireland	-	34.0	-	34.5
Italy	89.2	125.2	95.1	132.8
International organisations	346.9	203.0	379.4	234.2
Netherlands	112.0	119.1	124.1	129.5
Portugal	50.3	50.4	57.9	59.9
Greece	32.7	33.0	35.5	36.2
Finland	213.5	194.2	234.5	210.5
Other	289.4	208.9	298.5	213.4
Total	6 530.9	6 100.0	7 225.4	6 710.5

The net amount of the unrealised gains on fixed-income securities came to € 694.5 million on 31 December 2020 compared to € 610.5 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 2020

Maturity	Book value	Average yield	
		(in %)	
2020	-	204.8	-
2021	-	353.8	-
2022	354.1	355.2	-
2023	507.3	508.8	-
2024	370.8	372.0	-
2025	391.0	389.1	-
2026	577.7	580.1	-
2027	541.5	491.7	-
2028	699.5	695.8	-
2029	437.8	345.9	-
2030	180.4	95.1	-
2031	302.3	296.7	-
2032	128.4	129.7	-
2033	274.5	257.3	-
2034	244.7	246.5	-
2035	366.8	208.0	-
2036	98.5	98.4	-
2037	272.7	266.8	-
2038	263.5	243.0	-
2039	14.5	14.5	-
2040	151.1	21.8	-
Interest income	6 530.9	6 175.1	-
Realised gains/losses	-	111.4	-
Total	6 530.9	6 175.1	111.4

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

	2020		2019	
	Number of shares	In € million	Number of shares	In € million
BIS	50 100	329.6	50 100	329.8
SBI	801	2.0	801	2.0
SWIFT	156	0.4	156	0.4
Total	332.2	332.2	332.2	332.2

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3.1 Annual report

3.1.1 Developments concerning the Bank's results and position

3.1.1.1 Balance sheet

The balance sheet total rose substantially by 64.3 %, or € 116.8 billion to reach € 298.6 billion.

In regard to monetary policy operations, the liquidity in euro provided to credit institutions increased mainly as a result of higher lending (+ € 61.7 billion) and higher purchases of securities (+ € 53.1 billion). The Bank reduced its own portfolio in euro in both MTM and HTM (– € 2.0 billion).

This created surplus liquidity on both current accounts and the deposit facility (+ € 100.2 billion). Similarly, net outgoing payments via the TARGET2 payment system increased slightly (+ € 2.2 billion).

At the end of the year the volume of banknotes placed in circulation by the Bank (+10 %) grew by less than the figure for the Eurosystem (+11 %), so that the claim on the latter increased (+ € 1.2 billion).

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

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

	2020	2019
■ fixed-income securities in foreign currencies ("MTM portfolio")	8.8	9.0
■ fixed-income securities in euro ("MTM portfolio")	0.0	1.2
■ investment funds in euro ("MTM portfolio")	0.5	0.3
■ fixed-income securities in euro held to maturity ("HTM portfolio")	3.5	4.5
■ fixed-income securities in euro of the statutory portfolio	6.5	6.1
Total portfolios on the Bank's own account	19.4	21.1
■ securities held for monetary policy purposes	167.0	113.9
Total portfolios	186.4	135.0

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.

The MTM and HTM portfolios in euro managed for the Bank's account were both down by € 1.0 billion. Securities were not renewed on reaching maturity and MTM fixed-income 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 2019, 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

(€ 0.8 billion). In the Eurosystem, supplementary purchases of securities under the CBPP3, PSPP and CSPP programmes continued at an average of € 20 billion per month. In March 2020, a temporary envelope of € 120 billion for supplementary net asset purchases was added until the end of the year. The Bank participated in the purchases in these portfolios in the sum of € 24 billion. In addition, a new Pandemic Emergency Purchase Programme (PEPP) was launched with a total envelope of € 1 850 billion. The purchases, planned until the end of March 2022, concern all asset categories eligible for the Asset Purchase Programme (APP). For the Bank, the total amount under the new programme is € 30 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	5 095.3	5 591.6	–
United States	5 896.4	5 896.4	186.9
Germany	1 046.9	1 131.9	–
Spain	396.8	426.4	–
France	1 472.5	1 599.2	0.4
Austria	428.2	461.7	–
Italy	114.8	122.3	–
Japan	1 165.5	1 165.5	4.9
International organisations	570.9	603.5	7.1
The Netherlands	439.9	464.4	3.7
Portugal	50.3	57.9	–
Greece	32.7	35.5	–
Switzerland	799.8	799.8	57.2
Finland	411.1	441.9	0.3
United Kingdom	76.3	76.3	3.6
Other	815.4	824.5	14.8
Total fixed-income securities	18 812.8	19 698.8	278.9
Investment funds	539.3	539.3	39.3
Total portfolios	19 352.1	20 238.1	318.2

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 (€ 318.2 million) on the liabilities side of the balance sheet, and (ii) the positive difference between the market value and the book value (€ 886.0 million). Altogether, an additional gain of around € 1 204.2 million would thus have been recorded in the results.

The impairment tests carried out in 2020 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 2020, the net position in dollars and SDRs remained virtually unchanged at \$ 2.2 billion (€ 1.8 billion) and SDR 22.6 million (€ 26.7 million). The net position in Chinese yuan and South Korean won also remained unchanged: CNY 1.5 billion (€ 180.9 million) and KRW 120.1 billion (€ 89.9 million). At the end of the financial year the revaluation accounts on the liabilities side recorded positive exchange differences of € 93.1 million.

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

	NCB balance sheets	NBB key: 3.64 %	NBB balance sheet
Lending to euro area credit institutions related to monetary policy operations denominated in euro	1 793.2	65.3	81.0
Main refinancing operations	0.5	0.0	–
Longer-term refinancing operations	1 792.6	65.3	81.0
Marginal lending facility	0.1	0.0	–
Securities held for monetary policy purposes	883.3	32.2	72.9
SMP	26.3	1.0	0.7
CBPP3	263.5	9.6	8.8
ABSPP	–	–	–
PSPP-Supranational securities	249.3	9.1	–
CSPP	250.4	9.1	54.9
PECBPP	2.8	0.1	–
PEABSPP	–	–	–
PEPSPP-Supranational securities	47.8	1.7	–
PECSPP	43.2	1.6	8.5
Total	2 676.5	97.5	153.9

In order to determine shared risks, account must also be taken of the Bank's share of € 97.5 billion in the monetary policy portfolios and credit operations of the Eurosystem central banks. In addition, securities for which the risks are not shared must be taken into account; their book value amounts to € 94.2 billion and is included in item 7 of the balance sheet (see note 7).

Agreement on Net Financial Assets (ANFA)

At the end of 2020, the Bank's net financial assets totalled € 4.6 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.

3.1.1.2 Result

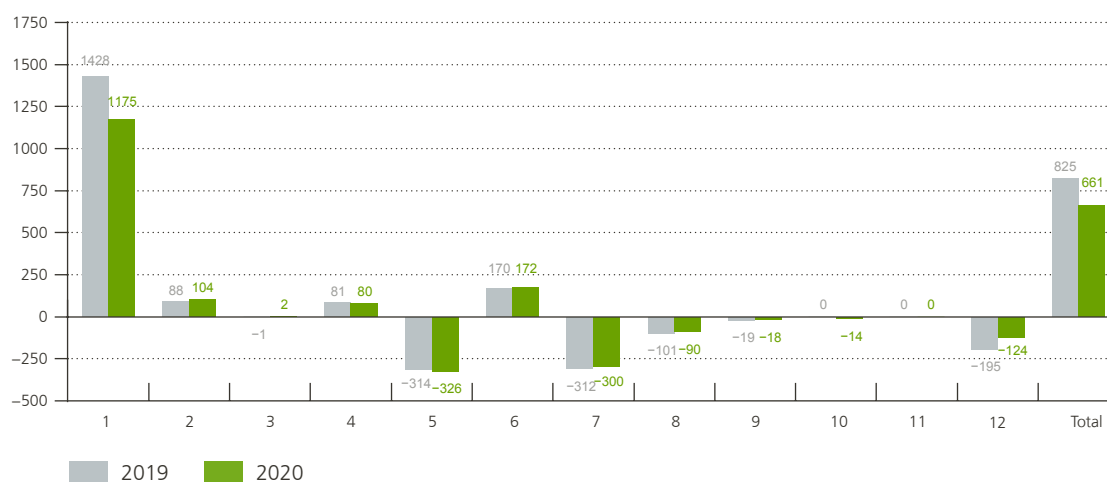
In 2020, the Bank made a lower net profit than in the previous year (– € 164 million). The main factors behind the fall were the reduction in net interest income (– € 253 million) and the increase in the Bank's contribution to monetary income (– € 12 million). However, that effect was partly moderated by the net result of financial operations, which increased by € 16 million.

Net interest income declined by € 253 million, mainly as a result of:

- the increased volume (– € 276 million) and lower interest rates (– € 104 million) in the case of monetary policy credit operations conducted at negative interest rates;
- the increased volumes on current accounts and the deposit facility, likewise subject to negative interest rates, partly offset by the exemption of some of the excess reserves (+ € 16 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
10. Banknote production services
11. Other expenses
12. Corporate tax

- the increased volume of the monetary policy portfolios (+ € 102 million).

The Bank's contribution to the pooling of monetary income was larger than in the previous year (– € 13 million), mainly owing to the increase in the monetary policy portfolios. The provision for monetary policy operations formed in 2018 was used to cover the loss incurred on the sale in 2020 of impaired CSPP securities held by one NCB (€ 2 million). The residual amount of the provision, namely € 1 million, was written back in full at the end of the year. Together, these two factors increased the contribution to the pooling of monetary income by – € 12 million.

The net result of financial operations increased, primarily as a result of the decline in interest rates in dollar (+ € 26 million). Conversely, on the market in euro-denominated securities, capital gains diminished slightly owing to the lower volume of sales following liquidation of the fixed-income securities portfolio (– € 9 million).

In contrast to last year, there are no longer any expenses concerning the establishment of the early retirement plan, and that is the main reason for the decline in staff costs (+ € 12 million).

3.1.1.3 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 2020 resulted in a figure of around € 6.5 billion, compared to € 4.6 billion at the end of 2019.

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 increased volume and the composition of the balance sheet, and particularly the APP and the PEPP, imply a risk of the Bank's results coming under pressure, particularly if interest rates rise. 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 € 330.5 million is allocated to the available reserve. Following the profit distribution, the Bank's buffers total € 6.9 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 € 105.77 per share, down by 13.7 % against the year 2019, the main reason being the absence of any BIS dividend this year.

The balance of the profit for the year is assigned to the State in accordance with the Organic Law. For 2020, this amounts to € 288.2 million.

3.1.2 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 Director in charge of the Financial Markets Department, as regards financial risks (see 3.1.2.1). For non-financial risks (see 3.1.2.2), second line responsibility rests with the Director in charge of the 2nd Line of Defence Department.

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.

3.1.2.1 Financial risk management

3.1.2.1.1 *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), and to operational risks.

All financial risk estimates entail the use of methods, particularly quantitative methods, necessitating certain choices in terms of assumptions, parameters and scenarios. Those choices clearly reflect the difficulty of the exercise and the futility of expecting an accurate risk measurement. However, the apparently arbitrary nature of these choices is managed, thus reduced by combining (i) validation at the highest level of the proposals drawn up by the Bank's experts, and (ii) a sensitivity analysis of the results of the choices made.

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 and Pandemic Emergency 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 environmental, social and governance criteria (ESG) in managing its assets.

In order to improve the long-term risk/return ratio, the Bank has allocated a modest amount to acquiring 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. In the context of the 2020 pandemic crisis, central banks were able to establish such an additional framework more speedily. The Bank therefore decided to set up this temporary framework (relating to the pandemic crisis) for authorising non-tradable assets with a lower credit rating. The assets accepted under this framework constitute a risk for the Bank which is not shared with the Eurosystem. However, the acceptance of these assets is accompanied by more severe haircuts in order to cover these additional risks.

3.1.2.1.2 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 counterparty, 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 such as the current accounts of credit institutions and the deposit facility, remunerated at a pre-determined (positive or negative) 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.

3.1.2.2 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 non-financial risk management. That Department develops and maintains the risk management framework for the Bank and supports the first line in the management of all non-financial 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.).

During 2020, the Bank continued developing the various components of its reference framework for the management of non-financial risks in order to meet the expected standards and regulatory requirements on the subject. In that context, the Bank worked with a specialised external consultant to conduct a strategic exercise which included a specific module on non-financial risk management. The aim of that module was to devise an overall plan ensuring continued development in the management of non-financial risks. The conclusions of that exercise led to the listing of priorities and an action plan phased over the next five years. This plan centres mainly on governance, training and raising awareness, and procedures for monitoring and reporting.

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. A protocol defining the basic principles of camera surveillance in places where unprotected banknotes are handled was amended to permit conformity checks by means of video images from 2021 onwards.

On the subject of legal **compliance**, 82 questions of interpretation, 5 requests to authorise financial transactions and 80 benefit statements from staff and management concerning the application of the code of ethics and the General Data Protection Regulation (GDPR) were addressed. To meet the requirements of the GDPR, manuals were produced informing staff members of citizens' rights and the data leaks procedure, and privacy risks were charted for new data processing. In addition, there was an initiative aimed at improving the processing register by asking services for supplementary information using a more detailed model making it possible to check whether processing entails risks. To meet the requirements of the framework law on the processing of personal data, a protocol formalised transfers of personal data to third authorities.

3.1.3 Post-balance-sheet events

On 26 January 2021, under the established sale procedure, the Bank's Board of Directors decided to accept the offer from a potential buyer concerning disposal of the property allocated exclusively to printing works activities (see point 3.2.7.10).

In accordance with Article 32 of the Bank's Organic Law and the reserve and dividend policy adopted by the Council of Regency on 22 July 2009 and adapted on 23 March 2016, for the purposes of the reserve and dividend policy, the whole of the net proceeds from the sale of property is treated as income of the portfolio forming the counterpart to the Bank's reserves.

3.1.4 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. In 2020, the Eurosystem also resumed the monthly net purchases of securities under the APP for an indefinite period and the Governing Council decided to allocate a temporary envelope to additional net asset purchases up to the end of the year. Furthermore, 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.

3.1.5 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.

3.1.6 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.

3.1.7 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 3.1.2.1. for a description of the Bank's financial risk management policy.

3.1.8 Expertise and independence of the Audit Committee

The members of the Audit Committee 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 satisfy the independence criteria mentioned in Article 7:87 (1) of the Companies and Associations Code.

3.1.9 Corporate governance statement

3.1.9.1 Belgian corporate governance code and corporate governance charter

For listed companies in Belgium, the Belgian Corporate Governance Code ("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. It was updated following the abolition of the Board of Censors by the Law of 2 May 2019 on miscellaneous financial provisions.

3.1.9.2 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 3.1.2 of this Report.

The Audit Committee is responsible for monitoring 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.

3.1.9.3 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), 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 3.2.7.3). The dividend is payable on the fourth working day following the General Meeting.

3.1.9.4 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.

Director Vincent Magnée's term of office was renewed with effect from 1 June 2020 by the Royal Decree dated 27 March 2020 and that of Director Tom Dechaene was renewed with effect from 24 December 2020 by the Royal Decree dated 22 December 2020.

Composition of the Board of Directors as at 31 December 2020:

Member	Function
Pierre Wunsch	Governor
Jean Hilgers	Director
Vincent Magnée	Director
Tom Dechaene	Director
Tim Hermans	Director
Steven Vanackere	Director

The function of Treasurer is performed by Director Jean Hilgers and that of Secretary by Director Tim Hermans.

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

The Board of Directors met 48 times in 2020 for central banking matters, 47 times for prudential supervision and 11 times to discuss macroprudential policy matters.

COUNCIL OF REGENCY

Pursuant to Article 20 of the Organic Law as amended by the Law of 2 May 2019 on miscellaneous financial provisions, the Council of Regency is composed of the Governor, the Directors, and fourteen 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 nine 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 five members. The Regent elected to replace a member who has died or resigned completes the term of office of the one whom he replaces. The representative of the Minister of Finance attends, *ex officio*, the meetings of the Council of Regency.

At the General Meeting on 18 May 2020, the term of office as Regent of Mr Yves Prete came to an end and the terms of office as Regents of Messrs Eric Mathay and Danny Van Assche were renewed. Mesdames

Claire Tillekaerts, Mia De Schamphelaere, Géraldine Van der Stichele, Véronique Thirion, Estelle Cantillon and Marjan Maes and Messrs Robert Vertenueil and Christophe Soil were elected as Regents. By Royal Decree dated 20 May 2020, Mrs Claire Tillekaerts was appointed as chairperson of the Council of Regency.

Owing to incompatibility with the duties of a member of the advisory team ["cabinet"] of a federal government official, the term of office as Regent of Messrs Christophe Soil, Robert Vertenueil and Pieter Verhelst ended on 7 October 2020, 12 October 2020 and 1 December 2020 respectively.

Regents as at 31 December 2020:

Mrs Claire Tillekaerts¹, Chair of the Council of Regency
Mr Marc Leemans²
Mr Pieter Timmermans³
Mr Eric Mathay¹
Mr Danny Van Assche³
Mrs Fabienne Bister¹
Mrs Mia De Schamphelaere¹
Mrs Géraldine Van der Stichele¹
Mrs Véronique Thirion¹
Mrs Estelle Cantillon¹
Mrs Marjan Maes¹

The Council of Regency met 16 times in 2020. These meetings focused in particular on the approval of the 2019 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 2021 budget, and, after examination by the Audit Committee, laid down the accounting rules for the financial year 2020. It took note of the report on the activities of the Audit Committee. Finally, it exchanged views on general questions relating to the Bank and to the Belgian, European and global economy.

¹ Regent elected on the proposal of the Minister of Finance.

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

³ 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.

AUDIT COMMITTEE

The Audit Committee advises the Council of Regency on the monitoring of the financial reporting process and advises the Board of Directors on supervision of the effectiveness of the internal audit process, internal control and risk management.

The Audit Committee is composed of three Regents appointed by the Council of Regency. The representative of the Minister of Finance attends, *ex officio*, the meetings of the Audit Committee.

Composition of the Audit Committee as at 31 December 2020:

Chair: Mrs Mia De Schamphelaere, Regent
Mr Eric Mathay, Regent
Mrs Estelle Cantillon, Regent

The Audit Committee met five times in 2020. At these meetings, the Audit Committee examined the annual accounts and the Annual Report for the year 2019. In addition, the Audit Committee took note of the work programme and the work of the Internal Audit Service, and checked the auditor's independence. The Audit Committee also supervised the preparation of the Bank's 2021 budget and handed down a positive opinion on the accounting rules for the financial year 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 and the Regents. It also expresses opinions for the attention of the organs and entities competent to propose candidates for vacancies on the Board of Directors and the Council of Regency, 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 three Regents appointed by the Council of Regency. The representative of the Minister of Finance attends *ex officio* the meetings of the Remuneration

and Appointments Committee, and the Governor attends as an adviser.

Composition of the Remuneration and Appointments Committee as at 31 December 2020:

Chair: Mrs Claire Tillekaerts, Regent
Mr Pieter Timmermans, Regent
Mrs Géraldine Van der Stichele, Regent
Mr Pierre Wunsch, Governor, in an advisory capacity

The Remuneration and Appointments Committee met twice in 2020. 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 3.1.10).

REPRESENTATIVE OF THE MINISTER OF FINANCE

Pursuant to Article 22 of the Organic Law, the Representative of the Minister of Finance attends, *ex officio*, the meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee. Since 1 October 2012, Mr Hans D'Hondt has acted as Representative of the Minister of Finance.

GENERAL MEETING OF SHAREHOLDERS

In view of the COVID-19 pandemic, the Ordinary General Meeting on 18 May 2020 was held in accordance with the government's measures and recommendations and the provisions of Royal Decree n°4 of 9 April 2020 containing miscellaneous provisions concerning co-ownership and the law on companies and associations in the context of combating the COVID-19 pandemic. The shareholders were able to exercise their attendance and voting rights by giving Governor Pierre Wunsch a proxy accompanied by voting instructions. They were able to exercise their right to ask questions by means of written questions. The answers to those questions and the minutes of the meeting were published on the Bank's website.

AUDITOR

The firm Mazars Réviseurs d'entreprises, represented by Mr Dirk Stragier, acts as the Bank's auditor. The General Meeting on 18 May 2020 reappointed Mazars Réviseurs d'entreprises, represented by Mr Dirk Stragier, as the auditor for a three-year term.

3.1.9.5 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 which is responsible for giving opinions on appointments takes the question of diversity into account in its discussions.

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, on the proposal of 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.

In 2020, a Law came into force¹ aimed at improving the gender balance in the Bank's administrative bodies. Under that Law, at least one third of the members of the Council of Regency must be of the opposite sex from the other members. In addition, if the Governor is Dutch-speaking, the Regent appointed by the King to chair the Council of Regency must be French-speaking and vice versa, and must be of the opposite sex from the Governor.

On the basis of that Law, the General Meeting of Shareholders on 18 May 2020 changed the composition of the Council of Regency. Six new female Regents were appointed, so that there are now seven women on the Council of Regency. This therefore satisfies the obligation whereby at least one third of the Council of Regency members must be of the opposite

sex from the other members. Mrs Claire Tillekaerts was appointed as Chair of the Council of Regency.

3.1.10 Remuneration report

3.1.10.1 Competence and decision-making

The Council of Regency is authorised to define the remuneration policy and the remuneration of the members of the Board of Directors and the Council of Regency. Members of the Board of Directors do not take part in the discussions and voting relating to their own remuneration in the Council of Regency.

The Remuneration and Appointments Committee assists the Council of Regency in the exercise of this power. The role, composition and functioning of that Committee are detailed in the Remuneration and Appointments Committee Regulation, which is available on the Bank's website.

The remuneration policy and the remuneration granted are discussed below.

3.1.10.2 Remuneration policy

Governor, Vice-Governor and Directors

The purpose of the remuneration policy is to safeguard the Bank's strategy and long-term interests by offering a remuneration package capable of attracting, retaining and motivating experienced directors.

The level of the salaries of the Governor, Vice-Governor and Directors was fixed in 1949 by the former General Council. That was also the period when the ratio between those salaries and the staff salaries was defined.

In 2014, in view of the debate on salaries in the public sector, the Council decided to reduce the salaries of the Governor, Vice-Governor and Directors by more than 12 % across the board. Despite this straight-line reduction, comparison of the level of the Governor's salary showed that it was still high in international terms and that the pay differential between the Governor and the Directors was relatively large. In November 2020 the Council of Regency therefore decided, on the initiative of the Board of

¹ Law of 2 May 2019 on miscellaneous financial provisions. Moniteur belge, 21 May 2019.

Directors and the positive recommendation of the Remuneration and Appointments Committee, to reduce the Governor's gross basic remuneration by a further 10 % with effect from 2021. The gross basic remuneration for the post of Vice-Governor was cut by 5 %.

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

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 remuneration policy does not include any financial performance criteria. By the same token, 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. It does not include any bonuses, shares, share options, or other rights to acquire shares.

The Governor, Vice-Governor and 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 statutory provision whereby the Bank pays the cost of accommodation and furnishings for the Governor is not applied.

The Governor, Vice-Governor and Directors are not paid for their duties on the Council of Regency.

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).

Members of the Board of Directors have a fixed-term mandate. The Governor is appointed for a five-year term while the Directors are appointed for a six-year term. 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. Pursuant to Article 26 of the Organic Law, the Governor, Vice-Governor and Directors may not perform any duties, function or mandate in institutions 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 twelve 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.

Regents

The Regents receive attendance fees. 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, the Audit Committee and the Remuneration and Appointments Committee. If a meeting is organised via the written procedure or by

a voice telecommunication system, the attendance fees are paid to the Regents who actually attend the meeting.

The amount of the attendance fees is index-linked annually in line with the health index.

Regents whose place of work is located outside the Brussels conurbation receive a travel allowance. The method of calculating that allowance is aligned with the rules of tax law (fixed allowance per kilometre). The travel allowance is granted for each journey actually made to the Bank's head office.

3.1.10.3 Remuneration and other benefits granted

Governor and Directors

In the following paragraphs, the total amount received by the Governor and Directors by way of remuneration during the last financial year is broken down by components.

Last year, the gross salaries amounted to € 511 391 for the post of Governor and € 352 683 for the post of Director.

The ratio between the lowest remuneration for staff and a Director's salary is 1 to 8.9. The ratio between the lowest remuneration for staff and the Governor's salary is 1 to 12.9. The salaries of the Governor and Directors are linked to the movement in the health index. Staff remuneration is linked to the health index and to the pay scale system. Consequently, over the past five financial years the annual increase in the average remuneration has been slightly higher for the staff than for members of the Board of Directors.

As stated above, in November 2020, in view of the relatively large pay differential between the Governor and the staff, the Council of Regency decided to reduce the Governor's gross salary by 10 % with effect from 2021. That decision was taken on the initiative of the Board of Directors and the positive recommendation of the Remuneration and Appointments Committee.

The group insurance policy for the pension plan of members of the Board of Directors comprises a retirement pension element and cover in the event of

death. The table below shows the insurance premiums paid during the last financial year for each member of the Board of Directors. The variations in the premiums depend on a number of factors, including basic remuneration, the reserves already built up and the period remaining until retirement age.

(in €)

Member	Group insurance premium
Pierre Wunsch	99 638
Jean Hilgers	79 819
Vincent Magnée	42 072
Tom Dechaene	110 628
Tim Hermans	31 139
Steven Vanackere	94 291

Members of the Board of Directors have a guaranteed income policy covering incapacity for work (for which the premiums paid last year came to € 41 723) and a policy covering occupational and non-occupational accidents (for which the premiums paid last year came to € 3 725). In addition, group health insurance and group directors' liability insurance are also concluded for the Board of Directors. Finally, members of the Board of Directors are provided with a company car. Last year the value of this benefit in kind came to € 3 004 for the Governor and € 19 199 for the other directors jointly.

In accordance with the principles of the Organic Law and the remuneration policy determined by the Council of Regency, no variable remuneration was paid to the Governor and other members of the Board of Directors last year, nor were they granted any shares, share options or other rights to acquire shares. Finally, no severance pay was granted last year.

The remuneration paid last year conformed to the decisions of the General Council and the Council of Regency mentioned in point 3.1.10.2. As explained there, the remuneration policy does not comprise any financial performance criterion.

Regents

Last year the attendance fees paid for attending meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee stood at € 549 gross per meeting attended. That

amount has remained unchanged for the past five years, but it is index-linked so that the figures are as follows: € 517 in 2016, € 523 in 2017, € 533 in 2018, € 545 in 2019 and € 549 in 2020.

In 2020, the following fees were paid for attending the meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee (names in alphabetical order):

In 2020, two meetings of the Board of Censors were held before that organ was abolished with effect from 18 May 2020. The following attendance fees were paid for attending those meetings (names in alphabetical order): Mario Coppens (€ 1 098 for

2 meetings), Mia De Schamphelaere (€ 1 098 for 2 meetings), Jean Eylenbosch (€ 1 098 for 2 meetings)¹, Jean-François Hoffelt (€ 1 098 for 2 meetings), Grégoire Koutentakis (€ 0 for 0 meetings), Dimitri Lhoste (€ 1 098 for 2 meetings), Herman Matthijs (€ 1 098 for 2 meetings), Lionel Rouget (€ 1 098 for 2 meetings), Claire Tillekaerts (€ 1 098 for 2 meetings)², Eddy Vermoesen (€ 1 098 for 2 meetings).

1 Jean Eylenbosch also received a fee for attending one meeting of the Remuneration and Appointments Committee.

2 Claire Tillekaerts also received a fee for attending one meeting of the Remuneration and Appointments Committee.

(number of meetings, unless otherwise stated)

Member	Council of Regency	Audit Committee	Remuneration and Appointments Committee	Total number of meetings	Total remuneration (in €)
Fabienne Bister	15	–	–	15	8 235
Estelle Cantillon ¹	11	2	–	13	7 137
Mia De Schamphelaere ²	11	3	–	14	7 686
Marc Leemans	13	–	–	13	7 137
Marjan Maes ³	10	–	–	10	5 490
Eric Mathay	16	3	–	19	10 431
Yves Prete ⁴	5	–	1 ⁵	6	2 745
Christophe Soil ⁶	7	1	–	8	4 392
Véronique Thirion ⁷	9	–	–	9	0
Claire Tillekaerts ⁸	11	–	1	12	6 588
Pieter Timmermans	16	–	2 ⁹	18	9 333
Danny Van Assche	13	–	–	13	7 137
Géraldine Van der Stichele ¹⁰	10	–	1	11	6 039
Pieter Verhelst ¹¹	13	–	–	13	7 137
Robert Vertenueil ¹²	5	–	–	5	2 745

1 Member of the Council of Regency from 18 May 2020.

2 Member of the Council of Regency from 18 May 2020.

3 Member of the Council of Regency from 18 May 2020.

4 Member of the Council of Regency from 18 May 2020.

5 No attendance fees were paid for this meeting because it followed a meeting of the Council of Regency held on the same day.

6 Member of the Council of Regency from 18 May 2020 to 7 October 2020.

7 Member of the Council of Regency from 18 May 2020. Véronique Thirion is the Auditor General of the Belgian Competition Authority. To avoid any apparent conflict of interests, she waives her attendance fees.

8 Member of the Council of Regency from 18 May 2020.

9 No attendance fees were paid for one meeting because it followed a meeting of the Council of Regency held on the same day.

10 Member of the Council of Regency from 18 May 2020.

11 Member of the Council of Regency until 1 December 2020.

12 Member of the Council of Regency from 18 May 2020 to 12 October 2020.

3.1.11 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 3.1.9.1). 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 3.1.2 for a description of the system and point 3.1.2.2 regarding non-financial risks).

Council of Regency



Claire Tillekaerts
Chair of the Council of
Regency



Marc Leemans
Regent



**Pieter
Timmermans**
Regent



Eric Mathay
Regent



Danny Van Assche
Regent



Fabienne Bister
Regent



**Mia
De Schampelaere**
Regent



**Géraldine
Van der Stichele**
Regent



Véronique Thirion
Regent



Estelle Cantillon
Regent



Marjan Maes
Regent



Pierre Wunsch
Governor



Jean Hilgers
Director
Treasurer



Vincent Magnée
Director



Tom Dechaene
Director



Tim Hermans
Director
Secretary



Steven Vanackere
Director



Hans D'Hondt
Representative of the
Minister of Finance

3.2 Annual accounts

3.2.1 Balance Sheet

(before profit distribution)

Assets

(end-of-period data, in € thousand)

	See note below	2020	2019
1. Gold and gold receivables	1	11 287 575	9 900 064
2. Claims on non-euro area residents denominated in foreign currency	2	15 822 963	15 872 290
2.1 Receivables from the IMF		6 950 671	6 595 494
2.2 Balances with banks and security investments, external loans and other external assets		8 872 292	9 276 796
3. Claims on euro area residents denominated in foreign currency	3	400 034	474 210
4. Claims on non-euro area residents denominated in euro	4	138 376	169 538
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	81 017 880	19 279 480
5.1 Main refinancing operations		–	423 000
5.2 Longer-term refinancing operations		81 017 880	18 856 480
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	909 600	65 646
7. Securities of euro area residents denominated in euro	7	171 031 799	119 704 133
7.1 Securities held for monetary policy purposes		167 023 248	113 918 412
7.2 Other securities		4 008 551	5 785 721
8. Intra-Eurosystem claims	8	9 121 199	7 939 450
8.1 Participating interest in ECB capital		336 097	328 735
8.2 Claims equivalent to the transfer of foreign currency reserves		1 469 828	1 465 002
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem		7 315 274	6 145 713
8.4 Other claims within the Eurosystem (net)		–	–
9. Other assets	9	8 864 955	8 384 276
9.1 Coins of euro area		8 009	8 453
9.2 Tangible and intangible fixed assets		412 926	436 525
9.3 Other financial assets		6 988 312	6 507 559
9.4 Off-balance-sheet instruments revaluation differences		90 592	57 050
9.5 Accruals and prepaid expenditure		1 360 459	1 358 129
9.6 Sundry		4 657	16 560
Total assets		298 594 381	181 789 087

Liabilities

(end-of-period data, in € thousand)

	See note below	2020	2019
1. Banknotes in circulation	10	48 084 842	43 190 510
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	145 672 939	45 443 128
2.1 Current accounts (covering the minimum reserve system)		97 076 814	36 466 154
2.2 Deposit facility		48 596 125	8 976 974
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	1 479 685	301 391
4. Liabilities to other euro area residents denominated in euro	13	1 914 597	612 745
4.1 General government		1 304 531	80 616
4.2 Other liabilities		610 066	532 129
5. Liabilities to non-euro area residents denominated in euro	14	6 864 942	857 264
6. Liabilities to euro area residents denominated in foreign currency	15	2 320 512	3 350 988
7. Liabilities to non-euro area residents denominated in foreign currency	16	1 346 671	654 709
8. Counterpart of special drawing rights allocated by the IMF	17	5 095 493	5 334 574
9. Intra-Eurosystem liabilities	18	66 198 276	63 974 101
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)		66 198 276	63 974 101
10. Other liabilities	19	665 831	660 484
10.1 Off-balance-sheet instruments revaluation differences		–	–
10.2 Accruals and income collected in advance		15 396	41 546
10.3 Sundry		650 435	618 938
11. Provisions	20	–	3 146
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
12. Revaluation accounts	21	11 381 836	10 068 000
13. Capital, reserve fund and available reserve	22	6 907 813	6 512 795
13.1 Capital		10 000	10 000
13.2 Reserve fund:			
Statutory reserve		1 168 694	1 168 694
Extraordinary reserve		1 153 603	1 153 603
Amortisation accounts in respect of tangible and intangible fixed assets		328 680	346 288
13.3 Available reserve		4 246 836	3 834 210
14. Profit for the year	23	660 944	825 252
Total liabilities		298 594 381	181 789 087

3.2.2 Profit and loss account

(end-of-period data, in € thousand)

	See note below	2020	2019
1. Net interest income	24	1 174 757	1 427 590
1.1 Interest income ¹		1 714 322	1 700 539
1.2 Interest expense ^{1,2}		-539 565	-272 949
2. Net result of financial operations, write-downs and provisions	25	103 866	87 790
2.1 Realised gains/losses arising from financial operations ^{1,2}		111 813	91 854
2.2 Write-downs on financial assets and positions ²		-7 947	-4 064
2.3 Transfer to/from provisions		-	-
3. Net income/expense from fees and commissions	26	2 446	-661
3.1 Fees and commissions income		10 713	7 217
3.2 Fees and commissions expense		-8 267	-7 878
4. Income from equity shares and participating interests¹	27	79 958	80 530
5. Net result of pooling of monetary income	28	-325 693	-313 502
6. Other income¹	29	171 805	169 788
7. Staff costs	30	-300 155	-311 572
8. Administrative expenses¹	31	-90 194	-101 332
9. Depreciation of tangible and intangible fixed assets	32	-18 004	-18 755
10. Banknote production services	33	-13 563	n.
11. Other expenses	34	-	-3
12. Corporate tax	35	-124 279	-194 621
Profit for the year		660 944	825 252

1	Of which proceeds from statutory investments and similar:		
1.1	Interest income	111 362	122 991
1.2	Interest expense	-	-
2.1	Realised gains/losses arising from financial operations	-	-63
4.	Income from equity shares and participating interests	-	15 052
6.	Other income: Proceeds from sale of real estate	-	-
8.	Administrative expenses: Costs related to the sale of real estate	-	-
	Total	111 362	137 980

2	Of which due to (-) / by (+) the State:		
1.2	Interest expense	-30 809	-32 991
2.1	Realised gains/losses arising from financial operations	14 922	21 351
2.2	Write-downs on financial assets and positions	-	-
	Total	-15 887	-11 640

3.2.3 Profit distribution

(in € thousand)

	See note below	2020	2019
Profit for the year	36	660 944	825 252
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		330 472	412 626
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		41 708	48 428
4. The balance shall be allocated to the State; it shall be exempted from corporate tax		288 164	363 598

3.2.4 Dividend per share

(in €)

	2020	2019
Gross dividend	105.77	122.57
Withholding tax	31.73	36.77
Net dividend	74.04	85.80

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

3.2.5 Off-Balance-Sheet Items

(end-of-period data, in € thousand)

	See note below	2020	2019
Forward transactions in foreign currencies and in euro	37		
Forward claims		6 225 103	5 763 549
Forward liabilities		6 144 334	5 725 449
Forward transactions on interest rate and fixed-income securities	38	1 571 999	319 388
Liabilities which could lead to a credit risk	39		
Commitments towards international institutions		15 935 247	16 214 199
Commitments towards other institutions		1 443 539	2 917 467
Valuables and claims entrusted to the institution	40		
For encashment		–	–
Assets managed on behalf of the Treasury		174 183	184 830
Assets managed on behalf of the ECB		1 781 402	1 927 284
Custody deposits		914 609 774	771 295 183
Capital to be paid up on participations	41	265 884	231 819

3.2.6 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	1 789.70	1 238.40	551.30
Part-time	454.40	126.80	327.60
Total in full-time equivalents (FTE)	2 114.96	1 332.20	782.76
b. Number of hours actually worked			
Full-time	2 435 766.30	1 705 456.40	730 309.90
Part-time	416 459.90	123 469.30	292 990.60
Total	2 852 226.20	1 828 925.70	1 023 300.50
c. Staff costs (in €)			
Full-time	244 978 161.20	178 971 889.05	66 006 272.15
Part-time	36 396 193.46	10 734 899.38	25 661 294.08
Total	281 374 354.66	189 706 788.43	91 667 566.23
d. Amount of benefits additional to wages	3 129 089.50	2 109 632.14	1 019 457.36
2. During the previous financial year			
Average number of workers in FTEs	2 164.73	1 380.50	784.23
Number of hours actually worked	2 879 310.65	1 875 444.20	1 003 866.45
Staff costs (in €)	294 095 847.00	200 867 463.50	93 228 383.50
Amount of benefits additional to wages (in €)	3 129 959.63	2 137 762.43	992 197.20
	Full-time	Part-time	Total in full-time equivalents
3. On the balance sheet date			
a. Number of workers	1 778	426	2 085.86
b. By type of employment contract			
Permanent contract	1 702	422	2 007.26
Fixed-term contract	76	4	78.60
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By gender and level of education			
Men	1 220	115	1 305.60
Elementary	83	18	95.70
Secondary	293	45	326.60
Higher non-university	318	29	340.80
University	526	23	542.50
Women	558	311	780.26
Elementary	52	53	89.46
Secondary	122	128	211.20
Higher non-university	151	79	209.00
University	233	51	270.60
d. By occupational category			
Management staff	20	0	20.00
Clerical workers	1 758	426	2 065.86
Manual workers	–	–	–
Other	–	–	–

B. Agency staff and persons on secondment

	Agency staff	Persons on secondment
During the financial year		
Average number of persons employed	0.25	–
Number of hours actually worked	392.38	–
Costs to the enterprise (in €)	30 965.00	–

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	114	5	117.70
b. By type of employment contract			
Permanent contract	69	3	71.40
Fixed-term contract	45	2	46.30
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	159	59	200.70
b. By type of employment contract			
Permanent contract	82	57	122.60
Fixed-term contract	77	2	78.10
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By reason for termination of contract			
Retirement	67	54	106.10
Unemployment with company supplement	–	–	–
Redundancy	9	0	9.00
Other reason	83	5	85.60
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	1 016	617
Number of hours of training completed	17 904	14 496
Net cost to the enterprise (in €)	3 568 906	2 889 590
of which:		
Gross cost directly relating to training	3 568 906	2 889 590
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	1 195	713
Number of hours of training completed	24 217	13 366
Net cost to the enterprise (in €)	2 388 965	1 318 543
3. Basic vocational training at the employer's expense		
Number of workers concerned	–	–
Number of hours of training completed	–	–
Net cost to the enterprise	–	–

3.2.7 Notes to the annual accounts

3.2.7.1 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 16 December 2020. The accounting rules were amended in 2020 following modification of the basis for calculating monetary income (see point 3.2.7.2.1.6.4).

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

3.2.7.2 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 criteria¹, 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 banknotes². 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 Eurosystem" under item 8.3 of the assets or 9.2 of the liabilities.

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 9 February 2011), as amended by the Decision of 27 November 2014 (ECB/2014/49, OJ L50 of 21 February 2015) and by the Decision of 22 January 2020 (ECB/2020/7, OJ L27 of 1 February 2020).

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 is included in the basis for calculating 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;
- accrued interest on impaired securities held for monetary policy purposes;
- claims on non-Eurosystem central banks and relating to liquidity providing operations.

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 Eurosystem¹.

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), as amended by the Decision of 12 November 2020 (ECB/2020/55, OJ L390 of 20 November 2020).

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, PSPP and PEPP) 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 risks¹.

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) and by the Decision of 12 November 2020 (ECB/2020/56, OJ L390 of 20 November 2020).

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 cancelled¹. 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.

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.

The remaining four-fifths shall be distributed among all the shareholders².

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

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).

transactions which the Bank carries out on behalf of the State or with its express approval are guaranteed by the State. Foreign exchange gains and losses realised on these operations accrue 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	Nominal value/cost, currencies converted at the market exchange rate
	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

3.2.7.3 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 3.2.7.2.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.

3.2.7.4 Notes to the balance sheet

NOTE 1. GOLD AND GOLD RECEIVABLES

Gold stock

(end-of-period data)

	2020	2019
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)	11 287.6	9 900.1

On 31 December 2020, 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 for International Settlements and at the Bank of Canada. 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 €)

	2020	2019
Ounce of fine gold	1 543.88	1 354.10
Kg of fine gold	49 637.02	43 535.45

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

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

	2020	2019
SDR	0.8485	0.8104
USD	1.2271	1.1234
JPY	126.4900	121.9400
CNY	8.0225	7.8205
KRW	1 336.0000	1 296.2800

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	5 897.3	6 950.7
Liabilities	-4 323.3	-5 095.5
Pro rata interest	0.1	0.1
Off balance sheet		
Net liabilities	-1 551.5	-1 828.6
Net position	22.6	26.7

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 22.6 million.

Net position in USD (million)

	in USD	in €
Balance sheet		
Claims	9 440.2	7 693.1
Liabilities	-4 500.0	-3 667.2
Pro rata interest	43.0	35.0
Off balance sheet		
Claims	1 237.8	1 008.7
Liabilities	-3 993.5	-3 254.4
Pro rata interest	-1.8	-1.4
Net position	2 225.7	1 813.8

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)

	2020	2019
Special Drawing Rights	4 597.4	4 811.1
Participation in the IMF	1 772.6	1 098.0
Loans to the IMF	218.3	253.9
Loans to the PRGT	362.4	432.5
Total	6 950.7	6 595.5

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 2020, the holding recorded on the Special Drawing Rights account stood at SDR 3 900.7 million, against SDR 3 899.1 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 422.6 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 1 504.0 million, against SDR 889.9 million a year earlier. This increase is due to net borrowing by Fund member countries.

Loans to the IMF

These receivables represent the countervalue 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 2020, the Bank's claims in respect of new loan agreements came to SDR 185.2 million, against SDR 205.8 million a year earlier, as a result of the partial repayment by various Fund member countries.

Loans to the PRGT

The amount shown under this item is the countervalue 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 2012, 2017 and 2020 lending agreements, the PRGT has a credit line with the Bank totalling SDR 1 050 million. On 31 December 2020, the Bank's claims under this heading amounted SDR 307.5 million, against SDR 350.5 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)

	2020	2019
Sight deposits	8.9	130.5
Time deposits	89.6	336.9
Reverse repurchase agreements	123.8	138.4
Fixed-income securities	8 650.0	8 671.0
Total	8 872.3	9 276.8

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

	2020	2019
USD	7 542.6	7 952.2
JPY	1 028.9	1 022.5
CNY	203.0	203.3
KRW	97.2	98.1
Other	0.6	0.7
Total	8 872.3	9 276.8

Breakdown of fixed-income foreign currency securities by their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	3 123.1	2 732.7
> 1 year and ≤ 5 years	4 185.0	4 551.1
> 5 years	1 341.9	1 387.2
Total	8 650.0	8 671.0

Breakdown of fixed-income foreign currency securities by their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	47.2	195.5
> 1 year and ≤ 5 years	68.5	134.1
> 5 years	16.9	20.8
Total	132.6	350.4

Value of fixed-income foreign currency securities by issuer country

(end-of-period data, in € million)

	Book value = Market value	
	2020	2019
United States	5 896.5	5 962.8
Japan	1 165.5	1 174.4
International organisations	194.0	165.3
United Kingdom	76.3	94.3
Switzerland	799.8	705.5
Other	517.9	568.7
Total	8 650.0	8 671.0

Value of fixed-income foreign currency securities by issuer country

(end-of-period data, in € million)

	Book value = Market value	
	2020	2019
Germany	9.5	81.0
France	9.4	94.7
Austria	–	19.9
The Netherlands	98.6	123.0
Finland	7.0	31.8
Other	8.1	–
Total	132.6	350.4

On the balance sheet date, the unrealised gains and losses on securities at market prices came to € 274.4 million and € 1.8 million respectively.

On the balance sheet date, the unrealised gains on securities at market prices came to € 4.4 million.

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

Breakdown by type of investment (USD)

(end-of-period data, in € million)

	2020	2019
Time deposits	110.9	123.8
Reverse repurchase agreements	156.5	–
Fixed-income securities	132.6	350.4
Total	400.0	474.2

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

Breakdown by type of investment

(end-of-period data, in € million)

	2020	2019
Sight deposits	–	–
Reverse repurchase agreements	108.4	11.8
Fixed-income securities	30.0	157.7
Total	138.4	169.5

Breakdown of fixed-income securities by their residual term

(end-of-period data, in € million)

	MTM		HTM	
	2020	2019	2020	2019
≤ 1 year	–	10.0	30.0	30.1
> 1 year and ≤ 5 years	–	79.7	–	30.2
> 5 years	–	7.7	–	–
Total	–	97.4	30.0	60.3

Value of fixed-income securities by issuer country

(in € million)

	MTM		HTM	
	Book value	Market value	Book value	Market value
International organisations	–	–	30.0	30.1
Total	–	–	30.0	30.1

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

This item comes to € 1 793.2 billion for the Eurosystem as a whole, of which € 81.0 billion is 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 in principle 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 € 468 million, against € 7.9 billion at the end of 2019 for the euro area as a whole, no amount being attributed to credit institutions in Belgium. In 2019, the latter had requested a sum of € 423 million. The interest rate on TLTRO-III and PELTRO operations is significantly more favourable than the rate on one-week operations, which explains the preference for longer-term operations.

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 increased from € 616.2 billion in 2019 to € 1 792.6 billion in 2020, essentially as a result of subscription to the TLTRO-III amounting to € 1 648.3 billion and to the PELTRO for € 26.6 billion. The balance not repaid on the TLTRO-II represents only € 15.7 billion, and € 0.9 billion on the 3-month operations.

At the end of 2020 the longer-term refinancing operations of Belgian banks amounted to € 81.0 billion: € 79.6 billion in TLTRO and € 1.4 billion in PELTRO, against € 18.9 billion at the end of 2019.

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)

	2020	2019
Current accounts	0.1	0.5
Reverse repurchase agreements	909.5	65.1
Total	909.6	65.6

NOTE 7. SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

Securities held for monetary policy purposes

In 2020, the Eurosystem continued the bond purchases 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).

In addition to reinvestment of securities reaching maturity, the net monthly asset purchases at Eurosystem level under the APP continued at an average of € 20 billion per month. In March 2020 a temporary envelope amounting to € 120 billion of supplementary net asset purchases was added until the end

of the year. In addition, a new Pandemic Emergency Purchase Programme (PEPP) was launched with a total envelope of € 1 850 billion. Purchases planned until the end of March 2022 concern all asset categories eligible under the Asset Purchase Programme (APP). Until the end of 2023, securities reaching maturity will be reinvested.

Composition of the monetary policy portfolios held by the Bank

(end-of-period data, in € million)

	Book value	Market value	Book value	Market value
	2020		2019	
CBPP1	10.0	10.5	10.0	10.9
CBPP2	12.1	12.9	12.1	13.3
CBPP3	8 763.6	9 005.0	8 041.1	8 243.4
SMP	693.3	726.1	1 444.4	1 533.5
PSPP	72 749.8	78 898.7	63 302.5	67 241.2
CSPP	54 893.5	57 836.1	41 108.3	42 716.0
PECBPP	42.7	43.2	–	–
PEPSPP	21 385.2	21 627.2	–	–
PECSPP	8 473.0	8 883.6	–	–
Total	167 023.2	177 043.3	113 918.4	119 758.3

In accordance with Article 32.4 of the ESCB/ECB Statute, the whole of any loss incurred by NCBs on CBPP3, PECBPP and SMP securities, on securities of international or supranational organisations in the PSPP and PEPSPP portfolios and on CSPP and PECSPP securities, once realised, is shared between the Eurosystem NCBs in proportion to their shares in the ECB's capital key. On the balance sheet date the Bank held securities in these portfolios for a total of € 72 866.1 million.

Conversely, the Bank bears the risks on the CBPP1, CBPP2, PSPP and PEPSPP portfolios included in the balance sheet. On 31 December 2020, the Bank held securities in these portfolios totalling € 94 157.1 million.

CBPP1 - First covered bonds 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 2020.

Breakdown of first programme covered bonds, according to their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	–	–
> 1 year and ≤ 5 years	10.0	10.0
> 5 years	–	–
Total	10.0	10.0

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 2020, 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)

	2020	2019
≤ 1 year	–	–
> 1 year and ≤ 5 years	12.1	12.1
> 5 years	–	–
Total	12.1	12.1

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 2020, the Bank held covered bonds amounting to € 8 763.6 million under this programme.

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

	2020	2019
≤ 1 year	2 099.5	925.0
> 1 year and ≤ 5 years	4 614.8	4 765.3
> 5 years	2 049.3	2 350.8
Total	8 763.6	8 041.1

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 2020, the Bank held SMP securities totalling € 693.3 million under this programme.

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

	2020	2019
≤ 1 year	591.4	758.6
> 1 year and ≤ 5 years	93.2	667.8
> 5 years	8.7	18.0
Total	693.3	1 444.4

PSPP – Public sector purchase programme

Purchases made on the secondary market under this programme started on 9 March 2015. On 31 December 2020, the Bank held PSPP securities issued by Belgian public authorities totalling € 72 749.8 million.

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

	2020	2019
≤ 1 year	2 762.0	2 246.7
> 1 year and ≤ 5 years	20 514.2	19 056.0
> 5 years	49 473.6	41 999.8
Total	72 749.8	63 302.5

CSPP – Corporate sector purchase programme

Purchases under this programme began on 8 June 2016. On 31 December 2020, the Bank held CSPP securities of issuers located in various European countries (BE, LU, NL, PT and SK) totalling € 54 893.5 million.

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

	2020	2019
≤ 1 year	2 142.7	2 783.0
> 1 year and ≤ 5 years	21 299.3	15 397.9
> 5 years	31 451.5	22 927.4
Total	54 893.5	41 108.3

PECBPP – Pandemic emergency covered bonds purchase programme

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2020, the Bank held PECBPP securities amounting to € 42.7 million.

Breakdown of covered bonds acquired under the pandemic emergency purchase programme, according to their residual term
(end-of-period data, in € million)

	2020	2019
≤ 1 year	–	–
> 1 year and ≤ 5 years	38.3	–
> 5 years	4.4	–
Total	42.7	–

PEPSPP – Pandemic emergency public sector purchase programme

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2020, the Bank held PEPSPP securities amounting to € 21 385.2 million.

Breakdown of public sector securities acquired under the pandemic emergency purchase programme, according to their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	3 618.9	–
> 1 year and ≤ 5 years	4 590.3	–
> 5 years	13 176.0	–
Total	21 385.2	–

PECSPP – Pandemic emergency corporate sector purchase programme

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2020, the Bank held PECSPP securities amounting € 8 473.0 million.

Breakdown of corporate sector securities acquired under the pandemic emergency programme, according to their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	1 716.2	–
> 1 year and ≤ 5 years	1 707.9	–
> 5 years	5 048.9	–
Total	8 473.0	–

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	
	2020	2019	2020	2019
Fixed-income securities	–	1 107.6	3 469.2	4 424.8
Investment funds	539.3	253.4	–	–
Total	539.3	1 361.0	3 469.2	4 424.8

Breakdown of fixed-income securities, according to their residual term

(end-of-period data, in € million)

	MTM		HTM	
	2020	2019	2020	2019
≤ 1 year	–	309.6	951.2	941.6
> 1 year and ≤ 5 years	–	706.0	2 518.0	2 949.2
> 5 years	–	92.0	–	534.0
Total	–	1 107.6	3 469.2	4 424.8

Value of fixed-income securities, by issuer country

(in € million)

	MTM		HTM	
	Book value	Market value	Book value	Market value
Belgium	–	–	1 677.4	1 769.6
Germany	–	–	315.3	330.2
Spain	–	–	85.8	89.9
France	–	–	676.5	718.5
Austria	–	–	268.8	283.2
Italy	–	–	25.5	27.2
The Netherlands	–	–	229.4	241.7
Finland	–	–	190.5	200.4
Total	–	–	3 469.2	3 660.7

On the balance sheet date, the unrealised gains on securities valued at their market price came to € 39.3 million.

NOTE 8. INTRA-EUROSISTEM CLAIMS

Participating interest in ECB capital

Since 1 July 2013, the subscribed capital of the ECB has amounted to € 10 825 million. Since 1 February 2020, the Bank's share in that capital has risen from 2.5280 % to 2.9630 % following the withdrawal of the Bank of England from the ESCB, increasing its share by € 47.1 million. An initial payment of € 2.6 million in respect of that amount was made in 2020, and two further payments of the same amount will be made in 2021 and 2022 to cover the residual amount to be paid up. At the end of 2020 the Bank's share came to € 276.3 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 € 336.1 million.

Claims on the ECB equivalent to the transfer of foreign currency reserves

The euro-denominated claim on the ECB increased by € 4.8 million as a result of the Bank of England's withdrawal from the ESCB. It thus amounts to € 1 469.8 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.

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

	2020	2019
Banknotes in circulation	48 084.8	43 190.5
Banknotes placed in circulation by the Bank	-40 769.5	-37 044.8
Total	7 315.3	6 145.7

The increase in the amount of banknotes issued by the Bank was smaller than that in the Eurosystem, so that the claim on the Eurosystem has increased.

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 10 December 2019 on the approval of the volume of coin issuance (ECB/2019/40), the maximum amount of the euro coins to issue in 2020 was € 59.0 million for Belgium. Since the net amount issued in 2019 was € 1 468.1 million, the total authorised amount for 2020 was € 1 527.1 million. On 31 December 2020, the amount actually issued came to € 1 459.5 million.

Tangible and intangible fixed assets

In 2020, the Bank's investments in tangible and intangible fixed assets totalled € 12.9 million. The sum of € 36.5 million corresponding to the acquisition price of the printing works assets sold or taken out of use was deducted from the "Tangible and intangible fixed assets" account.

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). Some of the securities acquired in 2020 have a negative yield.

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

	2020	2019
Fixed-income securities	6 530.9	6 100.0
Participating interests	332.2	332.2
Reverse repurchase agreements	125.2	75.4
Total	6 988.3	6 507.6

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

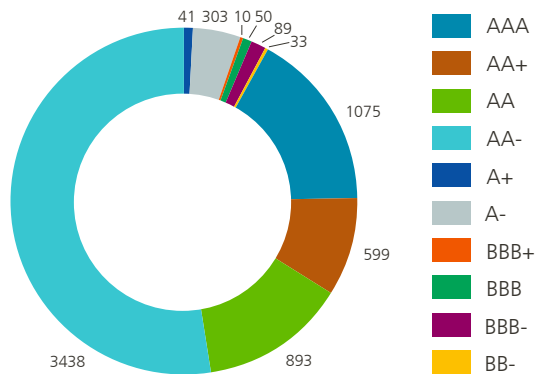
(end-of-period data, in € million)

	Book value		Market value	
	2020	2019	2020	2019
Belgium	3 417.9	3 170.4	3 822.0	3 502.2
Germany	722.1	715.8	792.2	776.6
Spain	311.0	361.9	336.5	393.2
France	786.5	714.1	871.3	794.0
Austria	159.4	170.0	178.4	193.0
Ireland	–	34.0	–	34.5
Italy	89.2	125.2	95.1	132.8
International organisations	346.9	203.0	379.4	234.2
The Netherlands	112.0	119.1	124.1	129.5
Portugal	50.3	50.4	57.9	59.9
Greece	32.7	33.0	35.5	36.7
Finland	213.5	194.2	234.5	210.5
Other	289.4	208.9	298.5	213.4
Total	6 530.9	6 100.0	7 225.4	6 710.5

The net amount of the unrealised gains on fixed-income securities came to € 694.5 million on 31 December 2020 compared to € 610.5 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 2020

Maturity	Book value	Average volume	Income	Yield
	(in € million)			(in %)
2020	–	204.8	7.1	3.5
2021	353.8	353.9	13.5	3.8
2022	354.1	355.2	13.1	3.7
2023	507.3	508.8	13.2	2.6
2024	370.8	372.0	9.1	2.5
2025	391.0	389.1	6.2	1.6
2026	577.7	580.1	14.4	2.5
2027	541.5	491.7	5.7	1.2
2028	699.5	695.8	10.6	1.5
2029	437.8	345.9	1.2	0.3
2030	180.4	95.1	0.2	0.3
2031	302.3	296.7	2.6	0.9
2032	128.4	129.7	1.3	1.0
2033	274.5	257.3	1.8	0.7
2034	244.7	246.5	2.3	0.9
2035	366.8	208.0	2.8	1.4
2036	98.5	98.4	1.1	1.1
2037	272.7	266.8	2.6	1.0
2038	263.5	243.0	2.4	1.0
2039	14.5	14.5	0.1	0.4
2040	151.1	21.8	0.1	0.3
Interest income	6 530.9	6 175.1	111.4	1.8
Realised gains/losses			0.0	
Total	6 530.9	6 175.1	111.4	1.8

Breakdown of participating interests

(end-of-period data)

	Number of shares	In € million	Number of shares	In € million
	2020		2019	
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 (€ 90.6 million).

Accruals and prepaid expenditure

These are sub-divided into:

- Expenses carried forward (€ 8.4 million);
- Income acquired (€ 1 352.1 million), essentially interest accrued but not received on securities and other assets.

Sundry

Principally:

- Reclaimable taxes (€ 1.9 million);
- Trade receivables (€ 2.1 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 € 1 267.8 billion in 2020 to € 2 805.5 billion on the balance sheet date.

In September 2019 the Governing Council had 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 multiplier remained unchanged during the year under review.

The asset purchase programmes approved by the Eurosystem and the longer-term refinancing operations 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 current accounts increased from € 36.5 billion to € 97.1 billion.

Deposit facility

Standing facility allowing credit institutions to make 24-hour deposits with the Bank at a pre-specified interest rate. That rate has been -0.50 % since September 2019.

Credit institutions in Belgium greatly increased their deposits, which rose from € 9.0 billion in 2019 to € 48.6 billion in 2020. The amounts held in the deposit facility are not eligible for the exemption approved in September 2019. In principle, credit institutions therefore prefer to place the maximum amount of their excess liquidity on current account in the form of excess reserves up to the exemption limit. However, the increase in excess liquidity far exceeded that figure so that the lower remuneration on the deposit facility is no longer disadvantageous beyond six times the amount of the reserve requirement. Credit institutions therefore made more use of the deposit facility than last year. At the level of the Eurosystem, use of the deposit facility increased from € 275.7 billion to € 683.9 billion for the same reasons.

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 € 1.3 billion.

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-EUROSISTEM LIABILITIES

Other liabilities within the Eurosystem (net)

The Bank's net liabilities 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 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 on the ECB 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 (€ 65 915.4 million);
2. the intra-Eurosystem liability of € 328.8 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 € 46.0 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 (€ 15.4 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);
- taxes, wages and social contributions (€ 201.4 million);
- proceeds accruing to the State (€ 15.9 million);
- trade debts (€ 7.6 million);
- repurchase agreements under statutory investments (€ 125.2 million).

NOTE 20. PROVISIONS

In accordance with the reserve and dividend policy established in 2009 (see § 3.2.7.3), 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. In the case of the provision formed by the NCBs in 2018 and adjusted in 2019 in relation to the credit risks on monetary policy operations, a sum of € 63.6 million was used to cover the loss realised on the sale in 2020 of impaired CSPP securities held by one NCB. € 2.2 million of that figure was covered by the provision formed by the Bank, i.e. 3.52003 % corresponding to its share in the ECB's subscribed capital. The residual amount of the provision formed by the NCBs totalled € 25.8 million, or € 0.9 million for the Bank. That balance was written back in full at the end of the 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)

	2020	2019
Positive exchange revaluation differences on:		
■ gold	10 970.6	9 583.1
■ foreign currencies	93.1	294.6
Positive price revaluation differences on:		
■ securities in foreign currencies (items 2 and 3 of the assets)	278.8	167.8
■ securities in euro (items 4 and 7 of the assets)	39.3	22.5
Total	11 381.8	10 068.0

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)

	2020	2019
Registered shares	206 361	206 158
Dematerialised shares	193 639	193 842
Total	400 000	400 000

Reserve fund

The reserve fund declined by € 17.6 million in 2020 as a result of a decrease 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 2020
(in € million)

Balance as at 31-12-2019	346.3
Recorded	+19.7
Withdrawn of cancelled following sales or disposals	-37.3
Balance as at 31-12-2020	328.7

Available reserve

An amount of € 412.6 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)

	2020	2019
Capital	10.0	10.0
Reserve fund	2 651.0	2 668.6
Available reserve	4 246.8	3 834.2
Total before profit distribution	6 907.8	6 512.8
Profit distribution	330.5	412.6
Total after profit distribution	7 238.3	6 925.4

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

3.2.7.5 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 %)
	2020			2019		
Interest income of assets in euro						
Credit transactions related to monetary policy	0.0	3.8	0.0	0.0	38.3	0.0
Securities portfolios in euro held for monetary policy purposes	984.8	142 882.0	0.7	904.9	112 730.2	0.8
Other securities portfolios in euro	102.7	4 353.1	2.4	138.2	7 550.5	1.8
Claims equivalent to the transfer of foreign currency reserves	0.0	1 469.4	0.0	0.0	1 465.0	0.0
Net claims related to the allocation of euro banknotes within the Eurosystem	0.0	6 890.9	0.0	0.0	7 013.4	0.0
Statutory investments (bonds, reverse repurchase agreements and repurchase agreements)	111.4	6 175.1	1.8	123.0	5 795.4	2.1
Total	1 198.9	161 774.3	0.7	1 166.1	134 592.8	0.9
Interest income of external assets						
Claims related to international cooperation transactions	13.9	6 748.6	0.2	63.8	6 434.0	1.0
Investments in gold and in foreign currencies	138.1	10 045.8	1.4	155.6	8 188.2	1.9
Total	152.0	16 794.4	0.9	219.4	14 622.2	1.5
Interest income of liabilities in euro						
Monetary reserve accounts, deposit facility and other interest-bearing deposits	363.4	122 909.5	0.3	314.9	87 632.0	0.4
Repurchase agreement transactions in euro	0.0	0.7	0.0	0.2	28.7	0.6
Total	363.4	122 910.2	0.3	315.1	87 660.7	0.4
Total interest income	1 714.3			1 700.6		

Interest expense

(end-of-period data)

	Expense	Average volume	Average rate	Expense	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
	2020			2019		
Interest expense on liabilities in euro						
Net liabilities to the ECB related to TARGET2	0.0	49 602.2	0.0	0.0	27 864.3	0.0
Total	0.0	49 602.2	0.0	0.0	27 864.3	0.0
Interest expense on external liabilities						
Liabilities in SDR	-10.8	5 244.3	-0.2	-53.2	5 217.2	-1.0
Repurchase agreement transactions in foreign currencies	-31.5	3 479.4	-0.9	-100.0	3 419.7	-2.9
Total	-42.3	8 723.7	-0.5	-153.2	8 636.9	-1.8
Interest expense on assets in euro						
Longer-term credit operations related to monetary policy	-466.5	52 933.8	-0.9	-86.5	21 591.8	-0.4
Other claims	0.0	0.0	0.0	-0.4	67.1	-0.6
Total	-466.5	52 933.8	-0.9	-86.9	21 658.9	-0.4
Proceeds accruing entirely to the State						
Income resulting from the capital gains on gold recorded in a special unavailable reserve account ¹	-6.4			-8.5		
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	-30.8			-32.9		
Total interest expense	-539.6			-273.0		

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 2020, the average balance on the unavailable reserve account came to € 298.9 million, net financial income came to € 952.3 million, the annual average amount of the interest-bearing assets came to € 226.0 billion and the annual average amount of the interest-bearing liabilities came to € 181.2 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)

	2020	2019
Capital gains/losses (–)		
on statutory investments	–	–
on investments		
in USD	52.5	28.1
in EUR	33.8	42.4
Foreign exchange gains/losses (–)		
on USD	25.5	21.4
on other currencies	–	–
on SDR	–14.1	–21.4
on gold	–	–
Foreign exchange gains (–) / losses (+) accruing to the State (SDR and gold)	14.1	21.4
Total	111.8	91.9

Write-downs on financial assets and positions

(end-of-period data, in € million)

	2020	2019
Capital losses on investments		
in USD	–1.8	–2.9
in EUR	–	–
Foreign exchange losses		
on USD	–	–
on CNY	–3.4	–
on KRW	–2.7	–1.2
on SDR	–0.8	–
on other currencies	–	–
Foreign exchange losses charged to the State (SDR)	0.8	–
Total	–7.9	–4.1

Total realised gains/losses and write-downs

(end-of-period data, in € million)

	2020	2019
Realised gains/losses	111.8	91.9
Write-downs	–7.9	–4.1
Total	103.9	87.8

Capital gains on the markets for euro-denominated securities diminished slightly owing to a fall in the volume of sales following liquidation of the fixed-income securities portfolio.

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

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

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

SDR operations led to realised and unrealised foreign exchange losses of € 14.9 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 (€ 10.7 million), of which € 8.8 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). The sharp rise in commissions received by the Bank compared to 2019 is related to monetary policy.

Fees and commissions expense

Commissions paid by the Bank for financial services rendered to the Bank by third parties (€ 8.3 million), including € 7.0 million related to monetary policy.

As in the case of income, the commissions paid in relation to monetary policy increased significantly in 2020.

NOTE 27. INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

(end-of-period data, in € million)

	2020	2019
Dividend on participation in the ECB	33.9	13.5
Income distributed by the ECB	46.0	52.0
Dividends on participations in the statutory investment portfolio	–	15.0
Dividends on investment funds	0.1	–
Total	80.0	80.5

At the end of the previous financial year, an interim dividend of € 52.0 million had been paid on the ECB's net profit for 2019. The balance of € 33.9 million corresponding to the dividend on the Bank's participation in the ECB's capital was paid in February 2020.

After allocation to its general risk provision, the ECB distributed 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, PSPP and PEPP programmes, in accordance with the Governing Council decision of 18 January 2021. The balance distributed as an interim dividend payment accruing to the Bank came to € 46.0 million.

For the 2019-2020 financial year the BIS did not pay any dividend; last year it had paid out € 15.0 million (SDR 245 per share).

NOTE 28. NET RESULT OF POOLING OF MONETARY INCOME

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)
	2020		
Monetary income pooled by the Bank within the Eurosystem		–484.1	
Monetary income allocated to the Bank by the Eurosystem		155.3	
		–328.8	
Items taken into account in monetary income			
Credit operations related to monetary policy	–466.5	91.9	–374.6
Securities portfolios in euro held for monetary policy purposes	984.8	–397.6	587.2
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	316.2	–7.8	308.4
Non-earmarkable assets	–	–	–
	834.5	–313.5	521.0
Items not taken into account in monetary income			
Net investments in gold and in foreign currencies	106.6		106.6
Net claims relating to international cooperation transactions	3.1		3.1
Securities portfolios and repurchase agreements in euro	102.7		102.7
Statutory investment portfolio	111.4		111.4
Other claims	0.0		0.0
Interest-bearing deposits not related to monetary policy	47.2		47.2
Proceeds accruing entirely to the State	–30.8		–30.8
	340.2		340.2
Net interest income (item 1)	1 174.7	–313.5	861.2
Net result of financial operations (item 2)		–13.1	
Revision of previous years		–2.2	
		–328.8	
Provision in respect of monetary policy operations		3.1	
		–325.7	

The monetary income is allocated to the euro area NCBs in accordance with the paid-up capital key (3.64324 % for the Bank since 1 February 2020).

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 and PECSPP programmes 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 these portfolios 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 and PEPSP programmes.

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.

NOTE 29. OTHER INCOME

(end-of-period data, in € million)

	2020	2019
Amounts recovered from third parties	171.1	169.1
Other	0.7	0.7
Total	171.8	169.8

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 (€ 43.4 million);
- prudential supervision (€ 101.0 million);
- work done by the printing works (€ 0.5 million);
- the TARGET2 payment system (€ 1.4 million);
- the securities settlement system (€ 12.2 million);
- the internationalisation of IT applications (€ 9.1 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 2020, the costs came to € 64.1 million for banks and stock-broking companies, and € 36.2 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 € 0.7 million for the year 2020.

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 contrast to last year, there are no longer any expenses relating to the establishment of the early retirement plan; that is the main reason for the reduction in staff costs (+ € 12 million).

NOTE 31. ADMINISTRATIVE EXPENSES

This item comprises in particular administrative and IT expenses (€ 28.5 million), those related to the repair and maintenance of premises (€ 11.9 million), and work done and services rendered by third parties (€ 24.1 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)

	2020	2019
Renovation of premises	8.3	8.4
Hardware and software	4.7	4.7
Equipment for the Printing Works	1.0	1.5
Other equipment and furniture	4.0	4.2
Total	18.0	18.8

NOTE 33. BANKNOTE PRODUCTION SERVICES

This item records the cost of services by external companies producing banknotes on behalf of the Bank.

NOTE 34. OTHER EXPENSES

This item records the tax-exempt amount, if any, included under the extraordinary reserve (see note 22) in accordance with the tax laws.

NOTE 35. CORPORATE TAX

Tax due

(end-of-period data, in € million)

	2020	2019
Tax on the profit for the year	124.1	193.1
Tax on the profit for previous years	0.2	1.5
Total (1)	124.3	194.6

Main differences

(end-of-period data, in € million)

	2020	2019
Profit before tax	785.2	1 019.9
Tax-free profit allocated to the State	-288.2	-363.6
Profit subject to tax (2)	497.0	656.3
Differences		
Social commitments	-9.3	-9.2
Risk capital deduction	0.0	-2.3
Depreciation surplus	-1.5	-1.5
Other	10.0	9.6
Taxable profit	496.2	652.9
Average tax rate (in %) (1) ÷ (2)	25.0	29.7

3.2.7.6 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 2020 resulted in a figure of around € 6.5 billion, against € 4.6 billion at the end of 2019.

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 2020, the Council of Regency decided to allocate 50 % of the profit for distribution to the available reserves, namely 330.5
 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 € million)		(in %)
Bonds	111.4	6 175.1	1.8
Participating interests	–	332.2	–
Total	111.4	6 507.3	1.7

- Share of the income generated by the capital in the total proceeds from the statutory investments: $10 \times 111.4 : 6\,507.3 = 0.2$
 - Average tax rate: 25.0 % (see note 35)
 - Calculation of the second dividend $[(111.4 - 0.2) \times (1 - 0.25) \times 0.5]$ 41.7
4. the balance is allocated to the State; it is exempt from corporate tax 288.2

Profit for the year 660.9

3.2.7.7 Notes to the off-balance-sheet items

NOTE 37. FORWARD TRANSACTIONS IN FOREIGN CURRENCIES AND IN EURO

(end-of-period data, in € million)

	2020	2019
Forward claims		
EUR	5 199.9	4 663.5
USD	1 008.7	1 031.4
SDR	16.5	68.7
Forward liabilities		
EUR	16.6	69.0
USD	3 254.4	3 333.2
JPY	1 027.7	1 021.0
SDR	1 845.6	1 302.3

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 had a net long position in futures on dollar-denominated securities of € 57.9 million and a net short position in US money market securities of € 1.6 billion. 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 (€ 1 237.5 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 (€ 4 707.7 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, maturing on 31 December 2020.

At the end of 2020, the available amount (PRGT, new loan agreements and bilateral loan) comes to € 15 304.5 million. These loans are guaranteed by the Belgian State.

In 2020, the IMF decided to double the size of the new loan agreements and reduce the bilateral loans by a similar amount. The aim of this operation is to consolidate the IMF's resources at a level close to their current level for the coming years and to spread the contribution effort more evenly among the various IMF member countries. In that context, the Bank signed a loan contract for SDR 7.99 billion in respect of new borrowing agreements for the period 2021-2025 and a contract for € 4.3 billion in respect of the bilateral loans. These loans replace the previous ones and slightly reduce Belgium's exposure to the IMF. They are guaranteed by the Belgian State and came into force on 1 January 2021.

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 2020, the outstanding amount came to € 1 443.5 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 mainly 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 (€ 221.4 million).

This heading also includes the residual amount to be paid up on the Bank's increased share in the ECB's capital following the withdrawal of the Bank of England from the ESCB (€ 44.5 million).

3.2.7.8 Auditor's remuneration

The remuneration paid to Mazars Réviseurs d'entreprises came to € 80 500 for the statutory audit assignment, i.e. the certification of the annual accounts, the limited audit of the interim accounts and the certification of the method of calculating the prudential expenses.

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

3.2.7.9 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. On 19 October 2020 the Court of Cassation dismissed the appeal. This dispute has therefore been finally resolved.

Two other actions brought by the same shareholder were also resolved in 2020.

In the first case it was claimed that the Bank's Council of Regency is not composed in accordance with the rules, and the Brussels Business Court was asked to declare that the Council of Regency's decisions approving the 2016 and 2017 accounts are null and void. On 25 June 2020 the Brussels Business Court ruled that, as the Bank had argued, this claim was inadmissible. The applicant shareholder accepted that ruling.

The second case concerned an application for interim measures brought before the president of the Brussels Business Court. The shareholder concerned maintained that the Bank had infringed his right to raise questions at the Bank's general meeting of shareholders on 18 May 2020. He therefore asked the court to suspend the decisions of the general meeting and to order the Bank to organise a new general meeting. In an order dated 20 July 2020, the president of the Brussels Business Court totally rejected these requests. The court confirmed that the National Bank had properly informed its shareholders, and it expressly found that the Bank's answers given at the general meeting were adequate and sufficiently clear and precise. The court then added that the fact that a shareholder does not agree with the answers given does not mean that his right to ask questions has been infringed.

There are two other ongoing applications for annulment before the Council of State, brought by the same shareholder against the Council of Regency's decisions adopting the 2018 and 2019 accounts, and in particular the profit distribution for those financial years. In these proceedings it is alleged that the Council of Regency's decisions on the profit distribution do not accord with the principles of good governance (more particularly the obligation to state reasons and the proportionality principle).

The Bank considers that the Council of Regency's decisions concerning the approval of the annual 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.

3.2.7.10 Post-balance-sheet

Sale of the printing works building

On 26 January 2021, under the established sale procedure, the Bank's Board of Directors decided to accept the offer from a potential buyer concerning disposal of the property allocated exclusively to printing works activities.

This asset was sold for a price of € 19 750 000.

In accordance with Article 32 of the Bank's Organic Law and the reserve and dividend policy adopted by the Council of Regency on 22 July 2009 and adapted on 23 March 2016, for the purposes of the reserve and dividend policy the whole of the net proceeds from the sale of property is treated as income of the portfolio forming the counterpart to the Bank's reserves. Net proceeds means the proceeds from the sale following deduction of all costs including taxes and any replacement investments in real estate. In view of the termination of the printing works activities, no replacement investment in real estate is foreseen.

The impact of the sale of the building in question on the gross dividend per share for 2021 (payable in 2022) is around € 17. However, this is only an estimate since the final tax implications and the costs associated with the sale cannot be determined until later. Moreover, as the income from the other components of the statutory portfolio is still unknown at this stage, it is not currently possible to offer a reliable estimate of the total dividend to be paid to shareholders in 2022 for the 2021 financial year.

3.2.8 Comparison over five years

3.2.8.1 Balance sheet

Assets

(in € thousand)

	2020	2019	2018	2017	2016
1. Gold and gold receivables	11 287 575	9 900 064	8 195 519	7 909 800	8 027 984
2. Claims on non-euro area residents denominated in foreign currency	15 822 963	15 872 290	15 288 762	13 885 370	14 410 997
2.1 Receivables from the IMF	6 950 671	6 595 494	6 402 443	5 951 516	6 428 948
2.2 Balances with banks and security investments, external loans and other external assets	8 872 292	9 276 796	8 886 319	7 933 854	7 982 049
3. Claims on euro area residents denominated in foreign currency	400 034	474 210	405 191	328 489	395 750
4. Claims on non-euro area residents denominated in euro	138 376	169 538	1 666 137	848 633	804 648
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	81 017 880	19 279 480	22 690 200	24 383 650	14 322 090
5.1 Main refinancing operations	–	423 000	–	40 000	200 000
5.2 Longer-term refinancing operations	81 017 880	18 856 480	22 690 200	24 343 650	14 122 090
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	909 600	65 646	17 543	227 673	1 863 078
7. Securities of euro area residents denominated in euro	171 031 799	119 704 133	122 199 708	107 720 140	72 988 859
7.1 Securities held for monetary policy purposes	167 023 248	113 918 412	113 574 838	96 877 893	59 066 568
7.2 Other securities	4 008 551	5 785 721	8 624 870	10 842 247	13 922 291
8. Intra-Eurosystem claims	9 121 199	7 939 450	8 199 806	9 648 703	11 380 427
8.1 Participating interest in ECB capital	336 097	328 735	287 101	287 101	287 101
8.2 Claims equivalent to the transfer of foreign currency reserves	1 469 828	1 465 002	1 435 911	1 435 911	1 435 911
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem	7 315 274	6 145 713	6 476 794	7 925 691	9 657 415
8.4 Other claims within the Eurosystem (net)	–	–	–	–	–
9. Other assets	8 864 955	8 384 276	7 876 801	7 723 922	6 986 218
9.1 Coins of euro area	8 009	8 453	8 849	9 112	9 472
9.2 Tangible and intangible fixed assets	412 926	436 525	416 899	410 473	393 138
9.3 Other financial assets	6 988 312	6 507 559	6 041 445	5 846 341	5 450 528
9.4 Off-balance-sheet instruments revaluation differences	90 592	57 050	–	47 699	–
9.5 Accruals and prepaid expenditure	1 360 459	1 358 129	1 399 710	1 400 374	1 118 351
9.6 Sundry	4 657	16 560	9 898	9 923	14 729
Total assets	298 594 381	181 789 087	186 539 667	172 676 380	131 180 051

Liabilities

(in € thousand)

	2020	2019	2018	2017	2016
1. Banknotes in circulation	48 084 842	43 190 510	39 870 275	37 913 638	36 472 505
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	145 672 939	45 443 128	59 408 947	64 957 740	50 686 181
2.1 Current accounts (covering the minimum reserve system)	97 076 814	36 466 154	23 669 646	15 710 572	11 606 041
2.2 Deposit facility	48 596 125	8 976 974	35 739 301	49 247 168	39 080 140
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	1 479 685	301 391	543 628	838 406	138 657
4. Liabilities to other euro area residents denominated in euro	1 914 597	612 745	379 465	293 207	327 939
4.1 General government	1 304 531	80 616	11 355	25 605	35 223
4.2 Other liabilities	610 066	532 129	368 110	267 602	292 716
5. Liabilities to non-euro area residents denominated in euro	6 864 942	857 264	8 147 501	8 413 888	2 096 115
6. Liabilities to euro area residents denominated in foreign currency	2 320 512	3 350 988	710 480	236 388	–
7. Liabilities to non-euro area residents denominated in foreign currency	1 346 671	654 709	3 219 651	3 515 801	2 057 538
8. Counterpart of special drawing rights allocated by the IMF	5 095 493	5 334 574	5 254 592	5 134 403	5 510 534
9. Intra-Eurosystem liabilities	66 198 276	63 974 101	53 192 130	36 296 706	18 589 435
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)	66 198 276	63 974 101	53 192 130	36 296 706	18 589 435
10. Other liabilities	665 831	660 484	706 583	727 179	808 010
10.1 Off-balance-sheet instruments revaluation differences	–	–	8 994	–	17 359
10.2 Accruals and income collected in advance	15 396	41 546	44 542	30 569	18 587
10.3 Sundry	650 435	618 938	653 047	696 610	772 064
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	11 381 836	10 068 000	8 231 503	7 898 906	8 369 524
13. Capital, reserve fund and available reserve	6 907 813	6 512 795	6 123 680	5 815 009	5 485 429
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	1 153 603	1 153 600	1 152 963	1 152 963
Amortisation accounts in respect of tangible and intangible fixed assets	328 680	346 288	329 958	338 266	327 778
13.3 Available reserve	4 246 836	3 834 210	3 461 428	3 145 086	2 825 994
14. Profit for the year	660 944	825 252	745 562	632 685	638 184
Total liabilities	298 594 381	181 789 087	186 539 667	172 676 380	131 180 051

3.2.8.2 Profit and loss account

(in € thousand)

	2020	2019	2018	2017	2016
1. Net interest income	1 174 757	1 427 590	1 532 936	1 284 936	994 699
1.1 Interest income	1 714 322	1 700 539	1 783 670	1 476 176	1 066 323
1.2 Interest expense	-539 565	-272 949	-250 734	-191 240	-71 624
2. Net result of financial operations, write-downs and provisions	103 866	87 790	-25 090	4 674	36 515
2.1 Realised gains/losses arising from financial operations	111 813	91 854	20 331	53 408	62 820
2.2 Write-downs on financial assets and positions	-7 947	-4 064	-45 421	-48 734	-26 305
2.3 Transfer to/from provisions	-	-	-	-	-
3. Net income/expense from fees and commissions	2 446	-661	-264	627	1 036
3.1 Fees and commissions income	10 713	7 217	6 859	7 452	7 025
3.2 Fees and commissions expense	-8 267	-7 878	-7 123	-6 825	-5 989
4. Income from equity shares and participating interests	79 958	80 530	66 271	61 190	57 078
5. Net result of pooling of monetary income	-325 693	-313 502	-367 648	-248 906	-40 482
6. Other income	171 805	169 788	173 484	161 556	154 697
7. Staff costs	-300 155	-311 572	-326 889	-336 948	-313 548
8. Administrative expenses	-90 194	-101 332	-105 028	-90 469	-88 546
9. Depreciation of tangible and intangible fixed assets	-18 004	-18 755	-14 791	-13 015	-11 299
10. Banknote production services	-13 563	n.	n.	n.	n.
11. Other expenses	-	-3	-637	-	-
12. Corporate tax	-124 279	-194 621	-186 782	-190 960	-151 966
Profit for the year	660 944	825 252	745 562	632 685	638 184

3.2.8.3 Dividend per share

(in €)

	2020	2019	2018	2017	2016
Gross dividend	105.77	122.57	138.47	127.63	140.79
Withholding tax	31.73	36.77	41.54	38.29	42.24
Net dividend	74.04	85.80	96.93	89.34	98.55

3.3 Auditor's report to the Council of Regency



NATIONAL BANK OF BELGIUM

Société Anonyme

boulevard de Berlaimont 14

Enterprise Number : BE 0203.201.340

AUDITOR'S REPORT

In accordance with Protocol No. 4 of the Statutes of the European System of Central Banks and of the European Central Bank, we were appointed by the General Meeting of Shareholders of 18 May 2020 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. We have performed the audit of the Bank during 4 consecutive years.

This mandate as auditor was entrusted to us on the proposal of the Bank's Audit Committee and, ab initio, 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 € 298,6 billion and a profit for the year of € 660,9 million – and the annexes, as mentioned in the Corporate Report, Report 2020, Chapter 3 '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 2020, 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.

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
<p>KEY AUDIT MATTER 1 : CREDIT RISK</p> <p>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.</p> <p>However, communication concerning the monetary policy portfolios is the responsibility of the ECB.</p>	<ul style="list-style-type: none"> ▪ 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). ▪ 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). ▪ 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. ▪ Review and assessment of the work carried out by the Bank's Internal Audit, related to both procedures and the year-end closing. ▪ At reporting date, review of controls in place regarding risk identification and assessment of effectiveness of these procedures.

Key audit matter	Audit approach
<p>The Asset Purchase Programme implies increased risks which could have a negative influence on the Bank's results, especially since, in the light of the global SARS-Cov-2 pandemic, the purchase programmes were supplemented by the Pandemic Emergency Purchase Programme. To mitigate that risk, the Bank replenished an available reserve in accordance with its profit-distribution policy.</p> <p>Upon the decision of the ECB Governing Council, the Bank sets up, where appropriate, a specific provision to cover losses related to the monetary policy operations.</p> <p>In view of the potentially significant impact on the profit and loss account and/or the importance for the assessment of the size of the available reserves, we consider the identification and assessment of the credit risk to be a key audit matter.</p> <p><u>References to the Corporate Report – Chapter 3.</u></p> <p>3.1.1.1 Balance sheet 3.1.1.3 Profit distribution 3.1.2.1. Financial risk management</p> <p>Note 36 : Disclosures related to the result appropriation</p>	<ul style="list-style-type: none"> ■ Understanding of the calculation method related to the provisions accounted for. ■ Evaluation of the information reported in the financial statements in the light of the Bank's practices and the sui generis reference framework. ■ Confirmation by the Directors concerning information obtained from the ECB

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 2 : MARKET RISK</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p><u>References to the Corporate Report – Chapter 3.</u></p> <p>3.1.1.3. Profit distribution 3.1.2.1. Financial risk management Note 36 : Disclosures related to the result appropriation</p>	<ul style="list-style-type: none"> ▪ Evaluation of the procedures and processes for assessing market risk. ▪ Assessment of the market data, assumptions and estimates used by the Bank. ▪ Discussion of the outcome of the analysis performed by the Bank with department heads. ▪ Review of the consistency of the report to the Board of Directors. ▪ Taking note of the discussions in the Board of Directors. ▪ Assessment of the information contained in the financial statements in the light of the Bank's practices and the sui generis reference system. ▪ ECB confirmation of the monetary policy results and the reconciliation with profit & loss statements.

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 3 : COMPLIANCE RISK</p> <p>Taking the Bank's hybrid sui generis regulatory framework into account, the following compliance risks were identified:</p> <ul style="list-style-type: none"> ▪ Procurement policy - regulations regarding public contracts ▪ Money laundering regulations ▪ ECB rules and related regulations ▪ GDPR <p>The above regulations may have a significant impact on the interaction with other institutions and/or the Bank's reputation.</p> <p><u>References to the Corporate Report – Chapter 3</u></p> <p>3.1.2.2. Non-financial risk management</p>	<ul style="list-style-type: none"> ▪ Taking note of the design of the processes and procedures for the Bank's procurements. ▪ Review and assessment of the work done by the Bank's Internal Audit. ▪ Discussion of compliance risks with the Bank's Legal Compliance Officer. ▪ Discussion of different risks related to the management of data with the Data Protection Officer. ▪ Conduct of various tests on a sample basis related to certain fundamental aspects of the ECB rules and related regulations.

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 4 : GENERAL DATA SYSTEM CONTROLS</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p><u>References to the Corporate Report – Chapter 3</u></p> <p>3.1.2.2. Non-financial risk management</p>	<ul style="list-style-type: none"> ▪ 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. ▪ 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. ▪ Evaluation of the design – for some of the most important applications - and, if relevant, the operational effectiveness of certain key controls. ▪ Evaluation of the checks and audits carried out by the Internal Audit service.

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.

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 3 "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 and Associations' Code (as considered applicable by the bank) which we were contracted to examine.



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, 25 March 2021

MAZARS RÉVISEURS D'ENTREPRISES

Auditor

Represented by

Digitally signed by

STRAGIER DIRK

PIERRE E

Date: 25/03/2021

23:35:05

Dirk STRAGIER

Auditor

Auditor's Report
31.12.2020

3.4 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 2020 on 31 March 2021 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.