



1. The National Bank, an anchor of stability in uncertain times

This chapter of the Corporate Report should be read in the light of the developments and trends described in the 2021 Report on economic and financial developments and prudential regulation and supervision. Similarly, it may prove useful to refer to the list of abbreviations contained in that Report when reading this chapter.



COVID-19 and Strategy 2025 were still the dominant themes in 2021

COVID-19 remained a recurring topic on the agenda

In 2021, COVID-19 continued to take centre stage. Three waves of infections, hospitalisations and deaths obliged the National Bank to make regular adjustments to its own policy.

There was still no prospect of “freedom” being restored. During March and April, Belgium was hit by a third wave, followed by a fourth in October (the Delta wave), and even a fifth from mid-December (Omicron). Although the vaccines proved highly effective in preventing serious illness and deaths, they could not entirely prevent people catching and transmitting the virus.

The resilience of many businesses was therefore measured and stress tested multiple times. Although some sectors depended for their survival on government aid, our economy proved quite resilient overall. Nonetheless, the persistence of the pandemic plus the frequent changes in the rules clearly taxed the population’s endurance.

The measures that the Bank took to combat COVID-19 and to protect its staff conformed to the

federal government’s “Generic guide for combating the spread of COVID-19 at work”: face masks, social distancing, hygiene, ventilation, etc. Safety in the workplace has always been one of our central concerns. These measures were crucial for staff whose physical presence was necessary, some or all



of the time, for the Bank to function: IT, security and surveillance, mail processing and digitalisation, financial markets, dealing with cash, checking banknotes, counter staff, facilities management, and cleaning. At the Bank, many staff were able to work from home but still had to be present at the Brussels premises from time to time.

The Bank's Museum remained open and, as in previous years, the Bank took part in the Brussels Heritage Days organised by the Brussels-Capital Region.

The Committee for Prevention and Safety at the Workplace proved to be a great asset for the Bank. The nursing staff, the chief medical officer and health & safety advisers were physically present almost all the time. The medical officer made sure that there was effective monitoring of risky contacts in the workplace. The psychosocial counsellors and the social assistant continued to keep an eye on staff at risk – even from a distance.

The Bank has always attached great importance to psychosocial health and – for the return to the office – gave priority to staff for whom remote working was the most difficult, but it also prioritised new recruits so that they could benefit from proper support and guidance.

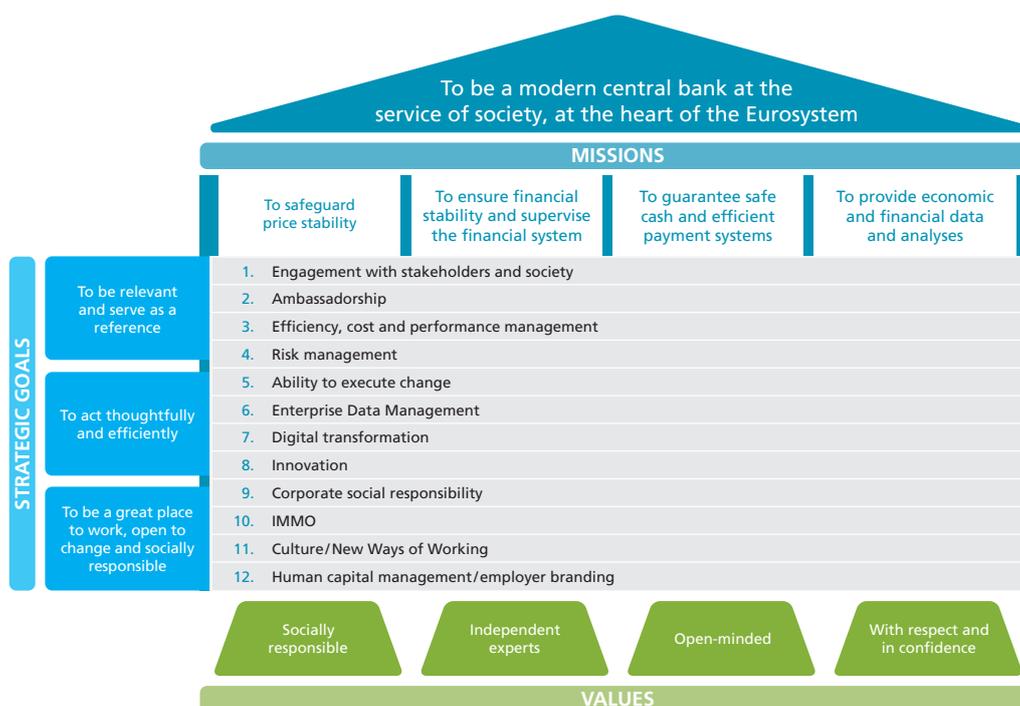
Like everyone else, the Bank was subject to the changing rules and regulations. The return to the Bank (with no more than 50% of the time spent working from home for jobs where remote working is feasible) had been planned for the autumn but had to be postponed once again.

Despite all that, since the beginning of the pandemic, the Bank has seamlessly continued to carry out all its essential tasks.

The strategic exercise and its follow-up

A wide-ranging strategic review was launched in the spring of 2019 to examine how the Bank, as a central bank and supervisory authority, can remain relevant and maintain its position in the future as a central bank and supervisory authority. In the first instance, this exercise resulted in one vision, four missions, three strategic goals and four values.

Transversal working groups then developed the strategic themes in more detail and submitted them as recommendations to the Board of Directors: Outreach, Enterprise Data Management, Provide Economic and Financial Data and Analysis, Innovation, etc.



In 2021, the results and conclusions of these working groups were translated into definite goals, initiatives and action plans, within the scope of the functions of the Bank's various entities. In the first quarter of 2021, the people responsible for each theme (twelve transversal themes and two of the Bank's four missions) and for each entity presented their aims and actions for the next five years to the Board of Directors.

On 29 March 2021, after due consideration, the Board of Directors announced its conclusions and decided on the main approach to be followed, thus completing the outline of the "Strategy 2025" plan. Since then, the Bank has been working on its implementation. Here are some examples:



Regular appraisal of the Bank's strategy, or Strategic Review

To check whether the strategic exercise as a whole is being successfully carried out, the Bank is creating strategic "dashboards" setting out the targets, the main actions, the stakeholders and the budgets earmarked for the purpose.

These dashboards are equivalent to roadmaps which will be presented to the Board of Directors at the annual Strategic Review.

The aim of these strategic appraisal sessions is twofold: to assess the progress of the various initiatives on which the strategy is based, and to enable the Board of Directors to review the priorities and, if need be, suggest a new approach or provide new impetus.

Innovation

After having been in operation for one year, the Innovation Board – a transversal governance body within the Bank – can take pride in its excellent record. All the entities were represented at each of the Innovation Board's four meetings.

Those meetings produced a number of innovative ideas, some of which were actually tested, such as:

- Automation in creation of securities
- Automated breach and outlier detection
- Geolocation in the Batopin project
- Automated credit contract control ; and
- Textual (sentiment) analysis of reports

These initiatives enjoyed the support of the various entities and the Innovation Board. Thus, the idea of automating the creation of securities was implemented in the form of a project, and a new virtual "robot colleague" is now operational.



Ability to execute change

The sphere of operation of the entity in charge of the project portfolio and project management, the TPMO (Transversal Project Management Office), was extended to become the EPMO

(Enterprise Project Management Office). It now includes the supervision of all significant job-related projects, whether or not they have an IT component.



Efficiency, Cost and Performance Management

The Finance and Strategy Department will house an entity responsible for process simplification. Its main objective is to review internal management processes for the purpose of simplification or automation.

To achieve continuous improvements in the performance of its tasks, the Finance and Strategy Department has also developed medium-term budgeting covering the next five years. The aim is to enable the Bank to enhance its visibility and to anticipate future challenges.

Different jobs with the common aim of serving the community

The National Bank supplies more plentiful and consistent statistical information

The Bank's main statistical task consists in compiling macroeconomic statistics to support its own activities and for national and international institutions.

Much of this information is also made available to policy-makers and opinion-makers in the various sections of society, notably public authorities, businesses, social agencies, citizens, educational institutions, research services, science and the media. These stakeholders can then base their analyses on that information and formulate decisions and comments. The provision of objective, relevant and reliable high-quality information is an important aspect of the Bank's responsibility to society.

The Bank expands its supply of online statistics by presenting institutional, economic and social developments. New indicators concerning interregional transfer mechanisms or the development of statistics on income inequality, consumption and the financial assets of households are some examples.



As in 2020, a special effort was made to ascertain as far as possible the pandemic's impact on statistics, by diversifying the information sources and adapting methods as necessary, in accordance with the EU recommendations.

Various initiatives were launched with a view to enhancing the consistency of the macroeconomic statistics produced. One example is the establishment of a Large Cases Unit, which aims to take more consistent account of multinationals' transactions in the real and financial statistics. The adaptation of the statistical compilation methods and changes in the organisation of the General Statistics Department help to improve

the consistency of the national accounts, the financial accounts and the balance of payments.

In consultation with the ECB, new reports were also devised on the subject of payment systems, containing an abundance of new data. Still on the subject of bank reporting, the ECB decided to implement an integrated reporting system for credit institutions in the medium term.

In 2021, the communication of information was enhanced by the use of clear infographics on the website, helping to get across key messages concerning economic developments.

The new Large Cases Unit is set to improve the statistical monitoring of multinationals

Owing to globalisation, multinational groups are becoming ever more important in our economy. The General Statistics Department has set up a Large Cases Unit (LCU) to enable it to compile good quality statistics on these large, complex groups based in Belgium. In so doing, the Bank is joining in a project by Eurostat, *the statistical office of the European Union*.

The increasing financial interlinking at international level makes it more difficult to measure relationships with other countries. By creating this Unit, the Bank aims to bring together the knowledge and information which will enable it to align the national accounts more effectively with the balance of payments and to improve the quality of the statistics produced.

The Unit will start by keeping a close watch on the seven most relevant groups in Belgium; it

will then systematically increase that number as it acquires the necessary expertise and develops the methodology. The Bank's team works closely with experts at Statbel, the Belgian statistical office.

The multinational groups themselves also gain from this. Having their own account manager at the LCU gives them a single contact point for any statistics-related matters, which will considerably reduce their administrative burden. This creates a relationship of trust, necessary for accessing relevant, reliable information. The Unit respects professional secrecy and uses the data for purely statistical purposes.

The new unit forms part of the Eurostat plan to construct a Europe-wide network of LCUs. Some countries, such as Denmark, Ireland and the Netherlands, have already gone further in this area. They have received a grant from

The Large Cases Unit is part of the Eurostat project to build an LCU network throughout Europe





Yannick Rombauts and his team

Eurostat enabling them to share their knowledge and expertise with other European countries. In March 2020, experts from the *Centraal Bureau voor de Statistiek* (CBS), the Dutch statistical office, came to spend a week in Belgium in order to offer their advice to specialists from the Bank and Statbel.

Creation of an LCU forms part of the Bank's Strategy 2025. The LCU's activities conform to the new Enterprise Data Management programme: once the data have been collected and validated, the LCU processes, analyses and corrects them before making them available to stakeholders at the Bank and elsewhere.

Income and consumption inequalities have been mapped

Taking account of its role in society and the potentially varying impact which monetary policy decisions may have on households, the Bank is also interested in the inequality debate. The Bank actively contributed to the initiatives of international institutions (particularly Eurostat and the OECD) aimed at mapping income and consumption inequalities and producing experimental statistics for Belgium.

The ECB, working closely with the Bank, has also compiled data on the distribution of household wealth. Those data offer a breakdown of the main financial assets and liabilities and the real estate owned by households (according to income, employment status and ownership status).

In connection with these projects, the Bank has begun setting up a vast database on households, with the aim of collecting together both administrative data and data obtained from surveys. Via confidential

processing of that information, this database should result in richer statistics while opening the way to analysis and research.

Innovation is a constant concern for statisticians

The Bank's statisticians are constantly looking for innovative ways of improving the efficiency of the internal procedures for collecting and processing data. The necessary resources are deployed to analyse the existing statistics in greater depth and to expand the supply so as to be able to respond to all the new developments in the economic and financial world, within the framework defined by the Enterprise Data Management programme. In 2021, a text recognition project took place for reading business information contained in the annexes to the *Moniteur belge/Belgisch Staatsblad*. There was also new progress in the field of re-engineering and automation of security-by-security reporting and external statistics. The aim is not only to improve internal efficiency but also to improve the service for users and data providers. The National Bank has reduced the burden of data reporting for banks by dropping some of the tables in the information which they have to submit each month to the National Bank and the FSMA, known as "scheme A".

The economic and financial world is changing: to ensure that no data are lacking and that innovations are charted, the Bank has to constantly update its statistical products. In 2021, it anticipated the entry into force in 2022 of the revised regulations on payment

and fraud statistics. The frequency of the statistics has thus been increased (from annual to quarterly and half-yearly data), while use was made of supplementary data sources concerning new means of payment and fraud cases. In order to keep a closer watch on flows of funds, methods of measuring unlisted shares and non-bank financial intermediation were improved, and the "other financial intermediaries" sector was scrutinised. Extension of the statistics to include data on the cross-border transactions of special purpose entities and the issue of securities by financing conduits also made a contribution here.

The European integrated reporting framework for banks: the IReF

The 2008 economic and financial crisis highlighted the limits of existing bank reporting and has since led to escalating reporting requirements for banks. Although a high degree of conceptual harmonisation applied in Europe, the introduction of the new reporting was often decentralised, implying some overlapping and variations in timing, frequency and aggregation level. This added greatly to the workload of banks and national authorities. The European Parliament has now given the European Banking Authority a mandate to ascertain how this reporting burden might be reduced. The European System of Central Banks is contributing by developing an integrated statistical data reporting framework for banks (Integrated Reporting Framework for banks – IReF). This framework will apply throughout the euro area and can be adopted by the authorities of other EU countries.

IReF consolidates existing ESCB statistical reporting



By using a common data dictionary with all the data definitions ;

By enhancing reusability and interoperability of the data ;

By consolidating all ESCB statistical requirements for banks in a unique legal act applicable accros the euro area (might be adopted by other EU Member States)



The framework is based on three principles: define once (using a common data dictionary with all the data definitions), report once (using a single data model to collect the data) and regulate once (by consolidating all ESCB statistical requirements together in a single law). It is based on data sharing between competent authorities and the use of harmonised reference databases on counterparties and financial instruments.

In 2021, a cost-benefit analysis was carried out among banks, ESCB users and statistics compilers. This analysis shows that, despite the initially high investment, the advantages of the new framework outweigh the disadvantages. Banks' reporting requirements will be reduced; the statistical process will be more efficient for the ECB and the national central banks; the quality of information and services provided for policy-makers will go up, notably thanks to better refinement of data; comparability between countries will be better; and the response time for new requirements will be shorter.

In early 2022, a medium-term implementation programme for the IRef kicked off. To start with, the ECB, together with the national central banks, will design the entire statistical procedure, taking account of the functional and IT requirements, and will also consult the banks. It will also look into the options for working closely between the national central banks. Close cooperation with the other European authorities is envisaged, notably with the European Banking Authority, with a view to the future integration of statistical, prudential and resolution declarations.



“WE AIM TO GET THE GENERAL PUBLIC INTERESTED IN OUR STATISTICS”

MAY BEAUFAYS / Statistical information systems

Mission: To coordinate projects relating to the circulation of the Bank’s statistical products

“I joined the Bank at the end of 2017, so I am not what you might call an ‘old hand’. Nevertheless, I have already had three different jobs. Not because I don’t know what I want to do, but because I was able to seize a number of opportunities which helped me to progress rapidly towards duties that suit me increasingly well.

I started my career at NBB in the IT Department. As a database administrator, I managed databases, helped to install and maintain the software, and provided support for developers, etc.”

Sharing in a success story

“In 2020, at the height of the lockdown, I joined the Central Credit Register Service as an “IT developer”, a function at the interface between IT and business. Among other things, I was involved in the development

Interview

of BECRIS, an ambitious programme which brings all the credit agreements of firms and individuals together in a single, extremely detailed central register, in order to meet the ECB's statistical requirements. The Bank is a frontrunner here, because we are one of the few central credit offices in the European System of Central Banks (ESCB) to achieve that level of data integration, placing us in the forefront of expertise on the subject. A success story which is primarily due to teamwork!"

Scope for initiative

"Finally, on 1 December 2021, I started a new job in the Statistical Information Systems Service, which is responsible for publishing the Bank's statistical products, including those intended for international institutions: the ECB, the IMF, Eurostat, etc. This is also the Service that produces the charts for the Annual Report, the Financial Stability Report, the Economic Review, etc.

But far from confining ourselves to our own specialist sphere, we also try to get the general public interested in our statistics, for instance via infographics, which are a quick and concise way of presenting developments in our economy.

My role in this ocean of figures? My CV says that I am a project coordinator. What does that entail? Obviously, it means coordinating projects for the Statistics Department! But in reality, it is a totally new job which will take shape in the coming months and which will probably allow me plenty of scope for initiative in liaison with my manager."



"In a changing world like ours, having a range of profiles is beneficial for businesses"

Opportunities for those who want to get ahead

"Does that seem a lot to have achieved in a short time? Obviously, not everyone at the Bank gets on so quickly. It is just that the opportunities are there for anyone who wants to get ahead. My four years at the Bank are a continuation of my previous career. I was a team leader and project manager in "street marketing" companies, working for NGOs. I have a diploma in accounting, marketing, B2B, B2C. After that I took a course in computer programming and analysis. So, I am a real all-rounder! My motto is: adapt and reinvent yourself. In a changing world like ours, I think that having a range of profiles is beneficial for businesses, including the Bank. An atypical career path is equally a form of diversity, alongside gender, origin or neuro-diversity (high potentials, Asperger's, etc.), to give just a few examples."

Working from home

"For the second time, I am taking on a new job during a lockdown. Is that a disadvantage? Yes and no. The tools available to us make it easy for us to communicate with one another. We talk to each other by video link. We can share screens. We work on the same documents. I also know that I can count on my colleagues being there to explain things to me, to think about a solution together, or to help me find my way around.

In the end, remote working is not really a problem for me. Although I only met some of my colleagues online for many months, after spending a few days in the office in 2021, I had met most of them in person. I am sure that, once we are able to come in more often, I shall have the chance to get to know the ones that I have not yet seen!"

A start on extending the regional statistics, including a study on transfers

In its Strategy 2025, the Bank identified the development of regional statistics as a priority objective. In an institutional context in which the Regions are steadily gaining importance, the Bank aims to support the regional debate and economic policy decisions by expanding its range of indicators and analyses, enabling decision-makers to make a correct assessment of the economic fundamentals and the operation of the Regions.

An action plan for 2025 was defined for the General Statistics Department, comprising three elements: the first concerns speeding up the availability of the regional accounts by closer alignment with the schedule for producing the national accounts; the second aims to expand the statistics on public finances for the Communities and Regions so as to achieve the same level of detail as in the federal statistics; finally, the third aims to develop new indicators to give a better idea of flows between the Regions, and more generally, the sustainability of the regional economies.

A first stage of this action plan has already taken place in 2021: the General Statistics Department and the Economics and Research Department worked together, and actively considered the question of

redistribution between the Regions. In September, this research led to publication of a study on interregional transfers. That study analyses the arrangements for redistribution between the Regions, which operate via the federal budget, by means of fiscal and parafiscal revenues, social benefits and grants to the federated entities. The study adopted a specific conceptual approach, and the General Statistics Department then compiled indicators on the basis of the allocation formulas derived from the regional accounts.

Initiatives for estimating quality data, including in the time of COVID-19

The crisis caused by the COVID-19 pandemic continued to have a major impact on the production of statistics in 2021. While there were no particular problems concerning coverage or punctuality of the sources used in 2021 – whereas that had been the case in 2020 – the statistical work did not get any easier. The traditional statistical models were still of limited use, as the economic variables continued to fluctuate wildly; correctly extrapolating the missing data in the absence of any analytical benchmark during this totally unprecedented crisis remains a problem.

Firms' annual accounts were among the information sources which received special statistical treatment in 2021 owing to the pandemic. They are the main



source for compiling the national and regional accounts. Since the financial year does not always correspond to the calendar year in terms of dates and duration, a pro-rata calculation method is applied to the annual accounts. The traditional method which allocates the aggregates according to the number of working days is inappropriate for dealing with reality in the time of COVID-19 since it assigns the same weight to each working day, both during the pandemic and at other times. A new pro-rata method for the annual accounts was therefore devised: it is based on the collection of more frequent administrative data, such as turnover, VAT, and wages reported to the NSSO. The new method will be applied structurally in the future because it is proving more accurate than the traditional method.

It was also necessary to take account of new behaviour patterns and new types of expenditure associated

with the pandemic, which had a major impact on the government accounts and labour market statistics. In particular, new expenditure directly linked to the pandemic – be it medical equipment or support measures for the various economic sectors – was subject to close statistical monitoring. In regard to the labour market, and more particularly the wage bill, additional information sources were used, notably in the case of supplementary temporary unemployment benefits or the specific grants to certain sectors. Eurostat also continued to issue specific guidance to ensure harmonised treatment of the pandemic's effects by the Member States, and those recommendations were applied wherever possible in the macroeconomic statistics.

The Belgian pharmaceuticals sector, which is very active in the production of vaccines against COVID-19 via certain multinationals based in Belgium, was also subject to special statistical monitoring in 2021.

Infographics make statistics more accessible

In order to illustrate Belgian economic developments in a quick, concise and user-friendly way, the Bank has enhanced its statistical communication by publishing infographics on its website, supplementing the existing publications.

With its infographics the Bank aims to make it easier to consult statistics by summing up the key message in an image and providing a direct link to the underlying figures. A simple title and an image should get the message across instantly, including for non-specialists.

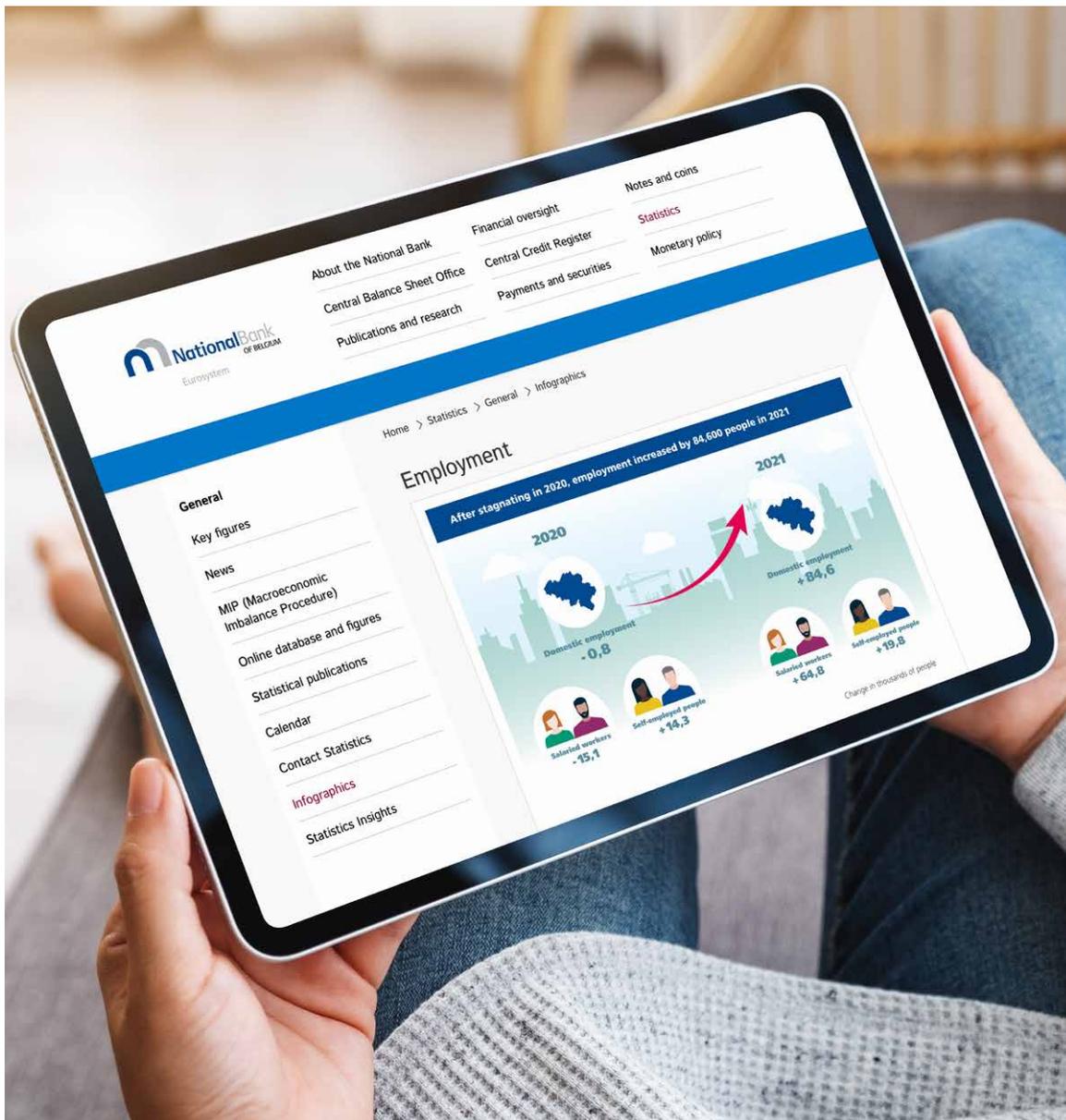
Every publication is accompanied by infographics produced by the Bank's graphics designers.

*The Bank wants
to make consultation
of statistics easier*

The infographics are available on the Bank's website at the same time as the publication. They are regularly updated (according to the schedule of publications). The old infographic is then replaced by a new one showing the latest developments on the subject in question.

The infographics are subdivided into nine headings, covering the main aspects of the economy: financial markets and institutions, employment, gross domestic product, business barometer, consumer confidence, external statistics, saving and investment, sectoral accounts and general government accounts.





Example of an infographic

These headings are displayed in the form of images, making them more accessible and easier to see.

Particular attention was also devoted to improving communication for statistics users, the aim being to provide them with better information on the purpose of the statistics and, above all, to enhance their understanding of how the statistics

are produced. For instance, in the case of the national accounts, a voluminous document was updated: the "Survey of gross national income". Subjects covered by this document include the structure of the macroeconomic aggregates, the methods used and the nature of the basic data. The new ways of approaching the estimation method owing to the COVID-19 pandemic also received detailed coverage in the publications.

Microdata and data policy

In the Microdata Management Department, the year 2021 was dominated by consolidation of the changes in terms of organisation and procedures associated with the implementation of the Bank's Strategy 2025 and finalisation of the development and testing of the three new or modified IT applications which are to come into use at the beginning of 2022.

As regards the Central Point of Contact (CPC), the register containing the bank account numbers and types of contracts held with financial institutions in Belgium, from January 2022 we will be supplementing the registration of the bank account data and certain types of insurance contract with the periodic recording of their value or balance with effect from 31 December 2020.

The Central Corporate Credit Register was replaced on 1 January 2022 by the Corporate Credit Register.

This Register is part of the BECRIS (Belgian Extended Credit Risk Information System) application, which can be used both to collect supplementary data on credit granted to businesses and to unify that collection with the existing one set up for the European Central Bank, making this data collection process more efficient.

The Central Balance Sheet Office is proceeding with its technological changes and, from the second quarter of 2022, it will offer new interfaces for filing and consulting annual accounts.

With the creation of a Data Governance Office and the arrival of a Chief Data Officer at the beginning of 2021, in accordance with the strategic plan, the development, structuring and documentation of more efficient transversal management of the vast quantity of data held by the Bank is really gaining momentum.



A new, consistent data policy is a vital step in the Bank's strategic change process

Like many other enterprises and public authorities, the National Bank has included a new, consistent data policy in its strategic change process as one of its main initiatives.

Technological developments in recent years have led to extensive digitalisation, with data accorded a central position. Data form the essential raw material for generating information and knowledge on social phenomena. Nowadays, advanced algorithms are able to produce reliable predictions of the behaviour of individuals, population groups and businesses, as well as social developments.

At the same time, a high degree of standardisation is needed to compile accurate, comparable official statistics and to use a common system of classifying national and international data.

The National Bank increasingly aims to present itself as a data-driven enterprise, but to do that it will need to make some changes. In order to pursue a consistent data policy, the Bank has introduced

The National Bank increasingly aims to present itself as a data-driven enterprise, but that entails some changes

Enterprise Data Management (EDM) as a transversal, strategic programme, under the aegis of a Chief Data Officer (CDO).

During the first phase of this multiannual programme, the data processing procedures of a number of the Bank's specialist operational entities are being revised. It is a question of going through the various stages of the data processing procedure, from the collection of crude data to the publication of the research and analysis results. Centralisation and standardisation of

the data collection and validation procedures at the bank will reduce the administrative hassle for businesses and financial institutions. This new approach requires an advanced data

policy, set up and managed by the CDO's team.

Enterprise Data Management should also enable the Bank to enhance the data literacy and maturity of staff members. The new centre of expertise set up in the Data Office will support initiatives relating to artificial intelligence, the development of algorithms and the automation of business procedures. Under the direction of the CDO, a Data Academy will be established in collaboration with the IT and Human Resources Departments. Programmes for cooperating with other institutions and with universities are also on the agenda.

Enterprise Data Management (EDM)

Enterprise Data Management (EDM) brings together all the activities, processes and practices intended for the careful, logical, professional and responsible organisation of data in order to ensure the accuracy, quality, security, availability and relevance of the data for the end user.

Marc Peelman is Chief Data Officer of the National Bank





“AN EMPLOYER WHO CARES ABOUT STAFF EMPLOYABILITY”

RKIA EL KHABCHI / Data Validation Unit

Job: managing the quality of the data collected by the Central Balance Sheet Office

“I started my career at the Bank in 2017, with a temporary job in the Accounts Service. At the beginning of 2019 I obtained a permanent job in the Data Validation Unit. My work involves checking the quality of the accounting data in the annual accounts that companies submit to the Central Balance Sheet Office. That quality control entails subjecting the accounts to a number of tests in order to detect any errors or inconsistencies (incorrect reporting, wrong classification, etc.). If necessary, in the most complicated cases we make corrections after contacting the declarants. The aim is to supply reliable data for our customers both within the Bank – Research, Statistics – and outside, knowing that everyone can consult the annual accounts of firms (easily and free of charge) on the Bank’s website. Quality is our motto!”

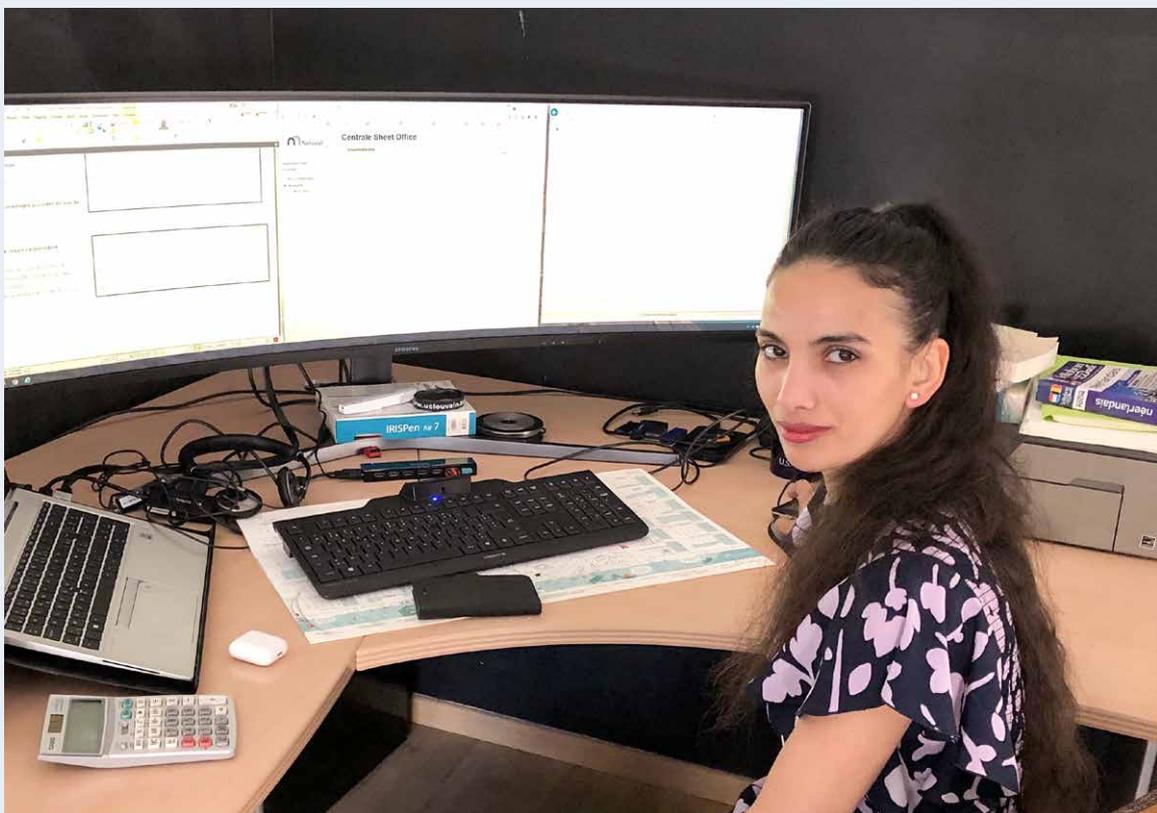
Working and studying

“When I arrived at the Bank, I was just completing a Bachelor’s degree in accounting and tax affairs at evening school. I immediately went on to do a Master’s degree in management, again at evening school, at the Mons campus of the Louvain School of Management. My employer was very supportive, providing me with study leave and a contribution to the course registration fees, etc. Better still: when the pandemic was making it hard for me to find a traineeship related to my thesis on the subject of corporate risks, it was ultimately the Bank that secured me one. My line manager came to an arrangement with our Internal Audit Service, which took me on and provided me with excellent support. For three months I divided my time between the two entities, pausing my ordinary duties – working from home – to attend audit assignments or Service meetings via video conference, or to consult my mentor. It was a very busy time, but I gained a wealth of experience both as regards the knowledge acquired and in dealing with people. I am very grateful to the Bank for offering me these facilities. Having known other employers previously, I can say that it is not the same everywhere.”

“To keep up, we need to continue learning and develop new skills”

Ensuring employability

“I am glad that I work for an employer who cares about the employability of its staff. Be it via support for university studies – as in my case – or through an extensive range of in-house training schemes, the Bank enables everyone to devise their own personal development plan. We are living in an era of rapid change, in terms of technology, legislation, organisation and other things. Jobs are changing too. I am sure that, to keep up, we need to continue learning and develop new skills. That is exactly what I aim to do. Today, I am looking for an opportunity that will enable me to make use of the degree that I have just gained. I would prefer to do that at the Bank. It would be a way of giving back what the Bank invested in my training.”



Research, a central task of the National Bank

The Bank contributed to the ECB's strategy review

In January 2020, the European Central Bank announced that it was going to conduct a new strategy review, as the economy had changed radically since the previous exercise in 2003. The decline in growth and the aftermath of the financial crisis led to a steady fall in interest rates, while various trends such as globalisation, digitalisation, population ageing and climate change presented new challenges for the economy. After a slight delay due to the coronavirus crisis, the review culminated in the Governing Council's adoption of a new monetary policy strategy in July 2021.

This exercise involved many staff from various NBB entities: Research, Financial Markets, General Statistics, Legal Service, International and Eurosystem Coordination, and Communication. In collaboration with experts from the ECB and the other national central banks, they prepared the topics discussed at Governing Council seminars, such as the inflation target and climate change. They also ensured that the January 2021 event "The NBB listens" was a success. This event aimed to ascertain the opinion of the general public and civil society on monetary policy, following the consultation launched by the ECB. The event, organised online, enabled dozens of interest groups in Belgium to express their opinion on the ECB's interest rate policy.





The Governor, Pierre Wunsch, and his counterpart at the *Nederlandsche Bank*, Klaas Knot, listened to the participants and held a dialogue with them.

This gave Governor Wunsch the information he needed for discussions with his colleagues on the Governing Council, both during their online meetings and during their retreat in Germany in June 2021. The conclusions of this “conclave” were drawn up on 7 July following final discussions on points where a consensus was initially lacking. The ECB President, Christine Lagarde, and the Vice-President, Luis de Guindos, presented these conclusions the next day.

The new strategy states that the best way to maintain price stability is to set an inflation target of 2% in the medium term. That target is symmetrical, i.e. negative and positive deviations are both considered equally undesirable. This clarifies the price

stability target and anchors inflation expectations more effectively.

A multiannual plan was also drawn up to take better account of owner-occupied housing costs in measuring inflation. The Governing Council stressed that the key interest rate would remain its main tool, but that – in a low interest rate environment – the

ECB would continue to use other instruments where necessary. The analytical framework was also modified. Monetary policy decisions will thus be based on both economic analysis and monetary and financial

analysis. In addition, an action plan was drawn up whereby monetary policy will take account of the impact of climate change. Finally, the ECB promised to make its communication with the general public more accessible.

From now on, the strategy review will take place regularly, the next one being scheduled for 2025.

*The new inflation target is 2%.
Positive and negative deviations
from the target are both
equally undesirable.*

New research topics

The Economics and Research Department's programme of economic analysis and research was designed to take account of the new topics defined in the Bank's Strategy 2025. They include climate change and the energy transition, the implications of inequality between individuals, firms and sectors, the new economy and digitalisation, and finally the availability of the regional accounts and statistics.

Various research and analysis projects were drawn up and implemented on each of these topics. These new priorities are already clearly reflected in the list of publications in the Bank's Economic Review and the Working Papers. For instance, there are three articles on the implications of climate change and the transition to a low-carbon economy, six articles on the distributive aspects of policies and on economic trends in household income, consumption, saving and employment, two articles on the importance of the new economic sectors and digitalisation, and one article on interregional transfers.



After the Bank's 2020 international conference on the economic implications of climate change, a start was made on preparations for the next biennial conference, on the subject of "Household heterogeneity and policy relevance". Following the Bank's call for proposals, ten research projects were selected. These studies will be conducted jointly with teams from the Belgian academic world and colleagues from other Eurosystem central banks. The results will be presented at the biennial conference in October 2022.

A new programme of research fellowships was developed, enabling NBB staff and researchers to work with prominent university research fellows. Many staff have also contributed to the new Climate Hub, which combines the expertise of various departments on climate change and its implications for areas monitored by the Bank. Finally, the Economics and Research Department invested in knowledge of the climate issue by recruiting the climate economist, Thomas Stoerk.

Research fellowships

Under its research fellowship programme, the Bank works (temporarily) with professionals from universities and research institutes on the subjects which it wishes to examine in depth. For the first edition of the programme in 2021, two research fellows were selected:

- **Mirabelle Muûls** (Imperial College London) for research on "Economic aspects of climate change"; and
- **Gert Peersman** (UGent) for research on "The economic aspects of the heterogeneity of economic agents".



Research fellowship on
“Economic aspects of climate change”



Mirabelle Muûls (Imperial College London) will concentrate on developing a cost-benefit analysis of climate policies on the basis of micro-economic research projects at firm level.

She will first devise a useful data infrastructure for measuring emissions at firm level by using sets of microdata available at the Bank. These should push the boundaries of economic analysis in a number of directions and permit a cross-sectoral comparison over time of the breakdown of carbon dioxide emissions per job.

More particularly, she will analyse the repercussions of carbon emission costs on production prices, the effect on productivity and profit margins, how these effects are transmitted to the production network and the pattern of international trade, and the links between these issues and the debate on carbon adjustment mechanisms at frontiers.

Finally, she will examine the implications of the transition to a low-carbon economy for the banking sector and how they can be taken into account in the climate stress tests which measure banks' vulnerability to the repercussions of climate change. Various specific channels will be examined: on the one hand, the substantial losses that extreme climate events may cause for insurance companies, and on the other hand the negative impact of climate policies and changes in demand on highly energy-intensive sectors or those using fossil fuels.



Research fellowship on
“The economic aspects of the heterogeneity of economic agents”



Gert Peersman (UGent) will study the distributive aspects of macroeconomic shocks and the role of the heterogeneity of economic agents in the mechanism that propagates those shocks. On the basis of the existing literature and his previous research, he will start by focusing on monetary and fiscal policy shocks but will also analyse the repercussions and the propagation of shocks affecting energy prices, food prices and the climate.

In that context, he proposes three research projects based on new sets of data collected for current projects.

The first, to be based on the household budget surveys of various euro area countries, will describe the heterogeneity of the transmission of monetary policy to consumption and consumer prices for various households. This question is important in a monetary union featuring major divergences, e.g. as regards housing markets and mortgage markets.

By using a new digital platform which gathers high-frequency data on the behaviour of individual players in Belgium, he plans to study agent heterogeneity and the distributive aspects of financial and economic developments and policies: the repercussions of the coronavirus crisis, the effects of the fiscal policy measures, monetary policy measures, shocks affecting energy prices, etc.

Finally, on the basis of the European Commission’s monthly household survey, he intends to study heterogeneity in the formation of different households’ expectations.



A MODELLER WHO MAKES AN IMPACT

ANSGAR RANNENBERG / Research

Ansgar Rannenberg has a PhD in macroeconomics and worked for the central banks of Germany and Ireland before joining the NBB's Economics and Research Department in 2018.

"Seven years previously, I had already had a temporary job at the National Bank", he says, "but for various reasons, I was unable to get a permanent contract at that time. I have always found the NBB environment to be intellectually stimulating, so I was delighted when I finally obtained a permanent position in research."

Recognition

In late 2021, Ansgar was gratified to hear that his study on "Income inequality in the United States between 1981 and 2016" is to be published next

Interview

year in the prestigious International Journal of Central Banking. The study builds on NBB Working Paper n° 375 in which Ansgar fed the empirically observed rise in the income share of wealthy households into a macroeconomic model which he himself had devised. The analysis revealed that wealthy households save part of their increased income, driving down interest rates and fuelling the debt levels of less well-off households. House prices also went up in relation to GDP, as the lower interest rates boosted demand for housing.

Ansgar is currently conducting a similar study for the euro area. The increased income inequality seems to help explain why Germany's trade balance has improved compared to the rest of the euro area. The results of this European study will be presented at the next NBB symposium in October 2022.

Making an impact

"Everyone likes their work to be useful", acknowledges Ansgar. At a central bank, macroeconomists can pursue theoretical research as well as conducting studies to support policy. A central bank is synonymous with monetary policy. For instance, Ansgar and

"We encourage one another to achieve ever better results in a very collegial way"

his colleagues provide input for briefing the Governor when topics in their field of research are discussed by the Governing Council of the European Central Bank.

Ansgar and his colleagues also contributed to the strategic review of the European System of Central Banks which last year led to revision of the ECB's monetary policy strategy and inflation target. "We took part in the workstream on the price stability mandate, studying how forward guidance influences economic activity and inflation. Forward guidance indicates the likely decisions on interest rates and is a technique that the ECB uses to stimulate household and business demand when it is not really possible to cut interest rates further as they are already low or even negative."

Ansgar's research field is not confined to monetary policy. For example, central banks do not conduct fiscal policy as that is reserved for the political authorities, but they still want to know the implications of particular measures. "I estimated the change in GDP triggered by increased public expenditure, and I studied the factors that determine GDP growth in an economic boom or in a recession. And I calculated how long that higher expenditure is expected to continue."

Job satisfaction

Ansgar clearly enjoys his job: "I have been here for four years now and get a lot of satisfaction from the combination of theoretical and applied research. The support of the Bank and my colleagues is also very helpful: we all produce high-quality research and encourage one another to achieve ever better results in a very collegial way. There are still many areas to explore, so there will be no shortage of challenges in the years ahead!"



The availability of cash remains a concern for the Bank

Despite the declining number of cash transactions, cash is still an important means of payment. According to a study by the ECB, cash still accounted for over 58% of payments made in Belgium before the coronavirus pandemic. In the future, everyone must be able to continue using their preferred means of payment. In other words, banknotes and coins must remain available, including for people who have no access to digital banking services or electronic means of payment.

The ECB asked the national central banks to examine access to cash. In Belgium, the NBB is responsible for that task.

Two banking initiatives

As a result of the success of digitalisation, the number of bank branches is declining, as is the number of

cash dispensers (ATMs). That situation is affecting the accessibility of cash, but the ECB and the European Commission want to guarantee that access.

In these circumstances, the four largest Belgian banks plan to separate their network of ATMs from their branch network. In September, they inaugurated their first six joint ATMs.

Batopin (Belgian ATm OPTimalisation INitiative) is a project launched by the four big banks to create a joint network of ATMs. The aim is to install “cash points” in strategic locations, such as stations or shopping streets which no longer have a bank branch. These ATMs will no longer be attached to any particular bank. Bpost and other smaller banks will also join forces in order to acquire, manage and maintain their ATMs jointly and more cheaply. That project is known as “Jofico” (Joint Financial Company).



The National Bank has developed a model

The National Bank attaches importance to the availability of cash and is keeping a close eye on these new developments in the ATM network.

It has set up a model which enables it to assess the current situation and expected developments on the basis of objective criteria for the market as a whole. It takes account of criteria such as population density and the presence of ATMs within a five-kilometre radius. Knowing that people's expectations may vary depending on whether home is the centre of a large town or a remote village, the model took account of the degree of urbanisation, enabling the Bank to map and assess with great clarity the Batopin and Jofico projects in regard to the location and installation of cash dispensers.

National Retail Payments Committee (NRPC)

An efficient retail payments market can make a positive contribution for all economic players. In that context, the National Bank decided to set up a committee specifically to examine issues relating to retail payments: the National Retail Payments Committee (NRPC).

The purpose of this Committee, chaired by Director Tim Hermans, is to facilitate discussion between the parties concerned with retail payments in Belgium in order to identify new trends and developments in this field which could benefit the operation of the country's economy.

Subjects addressed by the NRPC include:

- the efficiency and security of national and cross-border payment services and instruments;
- cash availability and accessibility;
- cash acceptance;
- transparency and awareness of the use of means of payment;
- monitoring of technological developments (e.g. stablecoins, contactless payments, etc.);
- monitoring of legislative changes.

The NRPC comprises members active in various sectors directly concerned with retail payments. They include:

- the National Bank of Belgium, which chairs the committee;
- public institutions active in the field of finance, consumer protection, economics, administrative simplification and cash management;
- associations representing businesses and the retail trade;
- consumer associations;
- representatives of the financial sector;
- financial market infrastructures (FMIs), payment systems and systemic operators in the payments field;
- the cash transport sector (Cash-in-Transit – CIT).

The Committee's operating principles are defined in a charter which participants must respect.

The first meeting of the NRPC took place on 1 March 2021.



Four thematic sub-groups

The Committee sets up *ad-hoc* sub-groups on specific themes which require examination in greater depth. At the first plenary meeting the following four sub-groups were established:



Instant Payments

Instant payments make up only a minor percentage of transfers in Belgium (17 % of traditional SEPA transfers by volume at the end of 2020). However, the European Commission and the Eurosystem want these payments to become the new normal. In order to gain a better understanding of the reasons for this low penetration of the payments market in Belgium and offer effective support for the efforts to roll out this new instrument, the National Bank – which chairs this sub-group – intends to draw up a strategy with the participants. The aim is to define areas of work with achievable, non-binding targets (such as the collection of information on the various impediments to the adoption of instant payments, or the conduct of research). For this purpose, a schedule will be drawn up which will set the priorities for the subjects to be discussed.

Commission's Euro Legal Tender Expert Group (ELTEG) and assess the implications of decisions taken at national level. The ELTEG experts are to advise the Commission on cash availability and acceptance and on euro banknotes and coins as legal tender.

The sub-group will also assess cash accessibility in Belgium, using a model developed by the National Bank. It will take account of both the current situation and the expected developments.



Coins

In recent years, particularly during the current COVID-19 pandemic, payment habits in Belgium have changed significantly, with a notable rise in electronic payments. The government must ensure that these changes are reflected as far as possible in national payment systems, but without undermining the right to pay in cash.

In this working group, and in cooperation with the participants, the General Administration of the Treasury (FPS Finance), which is responsible for issuing and financing coins, intends to examine how it can continue to perform this coordination role as effectively as possible in the sphere of cash payments.

The quantity of coins needed in Belgium, ways of optimising the use of the volume currently in circulation, estimating the future pattern of cash needs and assessing the mandatory rounding off applicable to 1 and 2 cent coins are all key aspects of the discussions and information sharing which will take place in this working group.



Central Bank Digital Currencies (CBDC)

In October 2020, the Eurosystem identified various future scenarios in which it would be necessary or advisable to issue a digital euro, i.e. an electronic form of central bank money (central bank digital currency – CBDC). The CBDC sub-group aims to inform and consult the various stakeholders and, if the Eurosystem decides to analyse the digital euro in more detail and/or develop prototypes, to involve the stakeholders in analysing the needs.



Cash

The Cash sub-group will focus mainly on two themes: legal tender and cash accessibility.

One aim of the Cash sub-group is to define – with all parties involved – a consensus on the use and acceptance of cash in Belgium. In that context, the sub-group will also monitor the work of the European

Towards a digital euro

Although it is not really apparent in everyday life, the money held on bank accounts is different from cash (banknotes and coins). Banknotes are issued by central banks which guarantee their value. In accounting terms, they form part of the central bank's liabilities and are the counterpart to some of its assets. Similarly, coins are generally issued by government treasuries, so that cash is totally secure and reliable. In contrast, money in bank accounts represents a claim on a commercial bank. Such assets are considered secure since banks are subject to strict supervision and are partly covered by the deposit guarantee system. Citizens expect to be able to convert their bank assets into cash readily at any time.



Axel Van Genechten is working closely with the ECB on the CBDC

Electronic payments are gaining ground throughout the world, but "central bank money" cannot be used for that purpose as yet. Central banks worldwide are therefore examining ways of creating a central bank digital currency (CBDC).

The European Central Bank is likewise examining whether it can introduce a digital currency which would be just as reliable and stable as cash, since it would be guaranteed by the central banks of the Eurosystem. The debate on the introduction of a "European" CBDC is ongoing, but no-one has yet defined how such a digital currency could be placed in circulation and used.

The digital euro should cost citizens very little – if anything – and its use should not require any expensive equipment. It should also be available to persons who currently have no access to a bank account. Conversely, it will not be possible, in principle, to effect savings or investment in digital euros.

Privacy protection is a key aspect of the project. In recent years, the European Union has introduced stricter rules on data protection (e.g. the GDPR), a move welcomed by many citizens. Since the Eurosystem central banks are totally independent and have no commercial interests, they can take account of this point in the underlying technical (IT) architecture. There is also no question of facilitating tighter government control: use of the latest techniques can ensure better privacy protection without a resulting risk of money laundering or terrorist financing.

In issuing a digital euro, the ECB does not intend to compete with the commercial banks. On the contrary, it hopes to create a thriving digital euro ecosystem by involving the private sector. According to the initial, provisional conclusions of the working group on the introduction of a





European CBDC, digital euros could probably be deposited on accounts with commercial banks or payment institutions, just as equities or even government bonds can be held with a bank even though they are issued by other firms or institutions. All parties can thus benefit from network effects and continue to offer their services, or even develop new, innovative products based on the technical possibilities that this solution offers. That would also avoid a “winner takes all” situation in which a market player – based either in the EU or elsewhere – could acquire a virtual monopoly.

Up to now, particular attention has been paid to consulting all interested parties, from citizens to businesses. Public consultations and focus groups have been organised throughout the euro area to find out what the population expects. The banking and payments sector has been involved in the

project via advisory committees and dialogues with their supervisory authorities.

At this stage there are still many unknowns, but one thing is certain: the digital euro will not only need to be entirely compatible with the existing payment services but must also correspond to society’s payment needs and preferences. It is therefore necessary to find a balanced solution to these complex issues. The ECB’s first decisions on whether or not to introduce a digital euro and on the form that it might take are expected within the next two years.

Prudential supervision and resolution

The National Bank has adapted in line with changes in the insurance company sector

Operational supervision, which was reorganised in 2020, now links the first-line supervision of all firms with more detailed analyses of individual firms according to their risk category. This new approach proved its worth in 2021, as the coronavirus crisis heightened the need to target the allocation of limited available resources. Combined with the low interest rate environment, this crisis put pressure on the life insurance business in 2021, obliging the Bank once again to impose special measures on a number of firms.

New players on the Belgian market

The operational supervision of insurers was still geared to dealing with the applications received by the Bank as a result of Brexit. With the arrival of new players in the market in that context, the Bank was represented on more colleges of supervisors than previously. All meetings were held online, facilitating continuation of the necessary cooperation between the supervisory authorities concerned and guaranteeing the risk profile monitoring.

In 2021, the Bank approved a new player in the international enterprise sector. This undertaking's business model involves the use of Managing General Agents (authorised underwriters) to conclude contracts in other countries. The supervision of these international operators implies specific supervisory priorities, including checking the arrangements for monitoring outsourcing, keeping an eye on activities in other countries, and ensuring a minimum presence in Belgium.

The expectation is that more firms will want to become established in Belgium in the near future. In 2021, the Bank was repeatedly contacted by firms considering starting up a business in Belgium.

Some specific points for attention

In 2021, the Bank continued to devote considerable resources to its recurrent work concerning the adequacy of the technical provisions in both life and non-life insurance.

During 2021, the Bank organised a virtual workshop for everyone in charge of actuarial functions on the Belgian market. The theme of the workshop was the transversal supervision work relating to the level of non-life insurance technical provisions. This workshop offered the opportunity to explain to the sector how the data submitted in prudential reporting are used for supervision purposes.

Regarding the supervision of provisions in the "life" branch, targeted analyses were conducted to identify atypical firms, resulting in supplementary actions and measures in certain cases.

More specifically in regard to class 23, the Bank found that contracts relating to the life insurance business – unit-linked & index-linked contracts – had their own characteristics in terms of modelling the best estimate and calculating the solvency capital requirements. A transversal analysis is in progress. The conclusions of that study are expected in 2022.

The profitability of life insurance business was also analysed. To deal with the declining yield from fixed-income investments, guaranteed rates on life insurance are being steadily reduced. These two adjustments must take place in parallel to ensure the viability of life insurance. An initial transversal analysis showed that this was indeed the case: the gap between financial yields and the average interest rate guarantees on life insurance has not narrowed systematically over time.

In reinsurance, the Bank notes the emergence of innovative practices in the life insurance portfolio segment. Reinsurance is used as a tool to attenuate market risks, particularly the interest rate risk. The work done led the Bank to define a set of internal guidelines and

develop supervision tools to ensure compliance with the regulatory solvency requirements.

For some years now, insurers and reinsurers have increasingly resorted to outsourcing, for various reasons. The steadily advancing digitalisation of operational processes and interfaces, which accelerated recently as a result of the COVID-19 pandemic, further intensified that trend in 2021. Thus, in 2021, the Bank received considerably more notifications of critical or significant outsourcing than in previous years. These cases mainly concerned: (i) IT infrastructure; (ii) document storage, very often in the cloud; and (iii) underwriting activities (change due to the recent presence on the Belgian market of international insurance undertakings with a business model based on the use of Managing General Agents). Work on these cases is almost entirely confined to the legal sphere and means a heavy workload for the Bank's legal experts.

During the period under review, outsourcing was central theme of the inspections conducted in insurance and reinsurance undertakings. During these inspections, there was particular emphasis on assessing how the outsourcing was organised in the pre-contract, contract and post-contract phases. Special attention focused on the adequacy of the

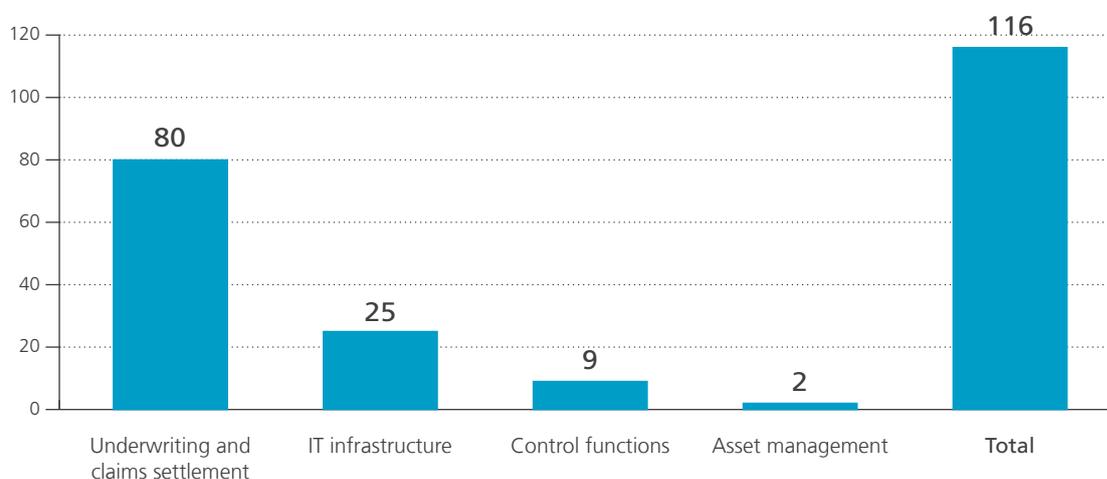
internal control system, and particularly the methods of selecting and assessing the subcontractors and the involvement of independent audit functions.

In order to maintain permanent monitoring of the exchange of information between the approved auditors appointed and the Bank, as part of the prudential supervision of insurers and reinsurers, workshops were arranged on a number of specific topics. During the year under review, the emphasis was on checking the valuation of investments, and more particularly on calculating the capital requirement for market risk. This provided an insight into the various auditing activities of the approved auditors and improved the coordination and alignment of the Bank's work with those activities.

The pandemic has further reinforced the outsourcing trend in the insurance sector

Outsourcing 2021

(outsourcing by insurers – nature of the cases examined)







“AT THE MOMENT, WE ARE FOCUSING MAINLY ON THE TRANSITION RISK ASSOCIATED WITH REAL ESTATE EXPOSURES”

BRENDA VAN TENDELOO / Prudential supervision and financial stability

Why must the financial sector and central banks pay attention to climate-related risks?

“Climate change can produce various adverse effects, such as prolonged droughts, intense rainfall and flooding, and rising sea levels. The repercussions of such events on firms and households naturally mean that financial institutions also face higher risks. For example, just think of the impact on insurance or the value of housing in an area prone to flooding. But the measures required for the transition to a more sustainable economy may also lead to structural changes in the economy, and hence in the financial system. For instance, stricter insulation standards may affect house prices. We refer to this as transition risks. Both types of climate-related risks are important.”

How long has the Bank been interested in this issue ?

“The Bank first drew attention to the potential financial risk of these climate-related risks in its 2017 Annual Report. The first articles that it published on this subject in the 2018 and 2019 Financial Stability Reviews therefore aimed primarily to raise awareness of the potential dangers for the financial system. At first, the main focus was on the possible macroprudential implications, i.e. the impact on the financial sector as a whole, but we are now also thinking about the changes to be made to microprudential policy to take account of these risks.”

Does the National Bank have sufficient influence ?

“Obviously we are not alone here. We are working with other European and international supervisory authorities, for instance to collect the necessary data and find out what information is needed, but also to examine how to adapt the risk management of financial institutions and the regulatory and prudential frameworks in order to take account of these risks, which are creating great uncertainty: there are multiple transmission channels and the effects are both direct and indirect. That is why scenario analyses and stress tests are essential to assess the risks.

The microprudential stress test and risk assessment to be carried out by the ECB in 2022, involving all the “significant” Belgian institutions, will be a crucial exercise.

I am also a member of the European Commission working group which is to contribute to a range of

Commission legislative initiatives on sustainable finance. In that group we present the Belgian position which is defined beforehand by the Belgian task force on this subject.”

What aspects does Belgium focus on ?

“In Belgium, we have so far focused mainly on the transition risk relating to real estate exposures. There are two reasons for that. We consider that supplementary legislation aimed at boosting the energy efficiency of buildings and thus reducing emissions has extensive repercussions and is therefore a substantial risk factor for these exposures. Also, Belgian financial institutions have relatively large exposures to real estate. Our role as the supervisory authority is therefore to gather information on the energy efficiency of real estate exposures and to ask financial institutions to take that into account in their risk analyses.”

What is your exact role ?

“I am a member of international working groups in which we design the regulatory supervision framework. I help to develop the Belgian legislation in this sphere and I analyse these risks within the Belgian financial sector. I also give regular presentations at congresses or conferences on the latest developments in the supervision of climate-related risks. Finally, I often provide input for presentations by members of the Board of Directors, and I formulate answers to questions from journalists or parliamentary staff. It is a very varied and fascinating job, because climate change is a matter close to my heart. The workload has increased exponentially, but fortunately we recently received reinforcements in our team, because there are many challenges ahead.”

Are other NBB Departments concerned with this new issue ?

“Apart from the entities responsible for prudential supervision, some other departments are increasingly concerned with this subject: Research, General Statistics and Financial Markets. That is why the Bank has set up a transversal platform (“Climate Hub”), which I co-chair. It brings together representatives of various departments to improve the coordination of the miscellaneous activities on this subject.”



Capital requirements for banks: Basel I, II, III, etc.

The National Bank plays an active role in a large number of international forums, such as the Basel Committee on Banking Supervision (BCBS). The BCBS is the main international body drafting standards for banking regulation and is an international forum for regular cooperation in the field of banking supervision. The Committee has its headquarters at the Bank for International Settlements (BIS) in Basel, and has 45 members, including central banks and banking supervisors from 28 different countries. Since the

BCBS was set up in 1975, the Bank has played an active part in it and in its various sub-structures.

The BCBS is known for the important agreements on banks' capital requirements: Basel I, Basel II and Basel III. This last agreement responds to the challenges and shortcomings concerning the adequacy of banks' capital highlighted by the 2008 financial crisis. The Basel III package therefore stipulated a substantial increase in the capital buffers that banks must hold and also reinforced the formal requirements applicable to capital instruments to improve their capacity for absorbing losses. In addition, the package introduced

Use of granular data for supervision and analysis

Since the 2008 crisis, the National Bank has put considerable effort into collecting granular data for supervision and analysis purposes, and for the production of statistical indicators.

One of the aims of collecting these data was to give the Bank tools for measuring financial risks in the economy. In particular, the economic repercussions of the COVID-19 crisis and the associated public health measures adopted by the authorities led to a shortage of liquidity for firms in a number of branches of activity, threatening their survival in the event of prolonged enforced closure.

The Central Corporate Credit Register, which in January 2022 became the Corporate Credit Register, records the credit granted by financial institutions to businesses and self-employed persons. It has shown that the availability of granular data permits timely monitoring of the risk situation. Moreover, detailed information supports the analyses conducted by the Bank's experts and enables them to fulfil their role effectively as independent experts, and thus to provide guidance for decision-makers and economic agents in times of crisis.

The Royal Decree of 14 April 2020, granting a State guarantee for certain loans in order to combat the repercussions of the coronavirus, and

the Law of 20 July 2020 authorised the Bank to monitor the credit granted. Following a few modifications, the new BECRIS (Belgian Extended Credit Risk Information System) permitted separate recording of not only the guaranteed loans but also loans granted payment deferral. Thanks to good cooperation between the various NBB services concerned and Febelfin, together with the flexibility of BECRIS, the system came into operation relatively quickly and efficiently.

The Bank has also conducted a number of simulations and analyses using the same data system in order to help the policy-makers to calibrate the support measures for the sectors affected by the crisis.

The microdata were also useful in the Bank's prudential supervision work, as they made it possible to set up a system of credit risk monitoring for undertakings in the banking sector. The granularity of the available data allowed attention to focus on particularly vulnerable sectors during the COVID-19 crisis in order to identify potential pockets of risk and check that the risk management of banks active in Belgium was sufficiently geared to those risks.



internationally harmonised minimum requirements for the banks' liquidity buffers. Finally, the package also established a set of measures limiting the leeway available in the internal models that banks use to calculate their capital requirements on the basis of the risks incurred.

Most of the elements of Basel III already apply to Belgian and European banks via earlier changes to the European banking legislation. However, the COVID-19 crisis is causing some delay in the introduction of the final part of the package of measures limiting the room for manoeuvre in internal models. The European Commission adopted a legislative initiative on that subject which it published in October 2021. In that context, the NBB like many other national central banks and supervisory authorities in the EU, advocated aligning the capital requirements for European banks entirely with the Basel III standards. That signal was also crucial to counteract a growing group of stakeholders arguing in favour of less stringent and more gradual introduction of the international standards in Europe. The Bank therefore urged the European Commission to ensure compliance with the letter and spirit of the international agreement, as deviation from the Basel III Accord could dent confidence in both the European banking sector and the regulatory framework in the EU, and consequently damage financial stability and the economy. Hence the importance of implementing international agreements consistently, promptly and in full.

The Bank, and more specifically the Service responsible for financial stability and prudential policy for the

banks, supports the Minister of Finance and Belgium's Permanent Representation to the EU, including day by day in the continuing European negotiations concerning these changes to the banking regulations in the EU Council of Ministers.

The European Supervisory Board held a very useful meeting at the Bank

In the euro area, banking supervision is entrusted to the single supervisory mechanism (SSM). It is directed by the European Central Bank in Frankfurt. The SSM Supervisory Board – on which the Director Tom Dechaene has a seat for the NBB – is the decision-making body that organises, plans and implements the supervision. The Supervisory Board is currently chaired by Andrea Enria, the former President of the European Banking Authority (EBA).

As a rule, this body meets in Frankfurt every three weeks. In view of the restrictions on travel and meetings on account of the coronavirus crisis, the Supervisory Board's meetings have been mainly in digital format since the start of the crisis.

However, in October 2021, the Board members travelled to Brussels to attend a meeting in person – for the first time in 18 months. The meeting was held in the Auditorium of the National Bank, in due compliance with all the health protection rules.

The agenda mainly listed strategic subjects, such as changes in the organisation of the SSM and the need for deeper operational integration of operations with

The Bank and other European supervisory authorities call for full compliance with the Basel III standards



Meeting of the European Prudential Supervisory Agency in the National Bank's Auditorium

the participating supervisory authorities, the priorities for banking supervision during and after the coronavirus crisis, and the increasing digitalisation of the banking business and of supervision itself.

Following this meeting the Bank organised an informal session for five members of the Supervisory Board and NBB staff involved in the operation of the SSM and its supervisory activities. The aim of this interactive exchange was to share professional experience with the board members and to talk together about the everyday operation of banking supervision. The subjects addressed were day-to-day cooperation between the ECB teams and those of the national supervisory authorities, the convergence of training programmes and career paths, simplification of the consultation and decision-making structures, and the introduction of common tools and working procedures to ensure efficient and effective operational supervision.

The Supervisory Board undertakes to transpose the many ideas and suggestions resulting from this strategic exercise into definite projects which will lead to their implementation.

The action plan of the Bank as the national resolution authority

The work of the National Bank as the Belgian resolution authority takes place within the single resolution mechanism, which is the second pillar of the European Banking Union. Every year, the Bank draws up an action plan reflecting not just its own priorities but also those which the Single Resolution Board has set for the European Banking Union as a whole. The 2021 action plan was based on four pillars which are crucial to ensure that the failure of any banking group can be resolved, if necessary, without any impact on the real economy, without affecting financial stability and without resorting to state aid.

Four priorities

These four pillars concern:

- The preparations undertaken with each of the banking groups established in Belgium to strengthen their resolvability: every banking group has to be ready for the potential implementation

of the resolution tools, and that entails significant preparatory work. In order to be considered resolvable, a banking group must satisfy a number of requirements concerning its organisation and its ability to continue operating in a crisis, its ability to restructure and the availability of its financial resources in the event of resolution. That concerns both its access to liquidity, its solvency and its capacity to absorb its losses and be recapitalised. This last requirement implies the need to build up capital buffers permitting the implementation of a bail-in. The calibration of that requirement was radically adjusted following the transposition of the revised Bank Recovery and Resolution Directive (BRRD2) into Belgian law in 2021.

- Development of a sufficiently robust legislative and regulatory framework to deal with failing institution situations: although the resolution framework introduced in 2014 has not often been tested in a crisis situation, preparation of the resolution plans has already revealed the need for adjustments. As an expert, the Bank takes part in negotiating these adjustments at European level and implementing them at national level.
- Development of the Bank's own crisis management capability: while the implementation of the resolution tools requires well-prepared groups and a robust legal framework, it also entails preparatory work by the authorities, who have to draw up national manuals describing the various legal and operational stages involved in implementing the various resolution tools.
- Creation of resolution funds prefinanced by the sector: this last aspect is meant to ensure that funding is available if the resolution tools have to be used. That finance provided by the sector essentially takes the form of a European resolution fund. In 2021, the Single Resolution Fund raised contributions amounting to € 10.4 billion, taking its total to € 52 billion. Belgian credit institutions put in € 347 million in 2021, compared to € 301 million in 2020, increasing the size of the Belgian compartment to € 2 billion.





"A REWARDING SECONDMENT TO FRANKFURT – WITHOUT MOVING HOUSE"

THOMAS LAMBRECHT / Payments and Securities

Thomas Lambrecht has been working for some years now in the Financial Markets Department, in the TARGET2 team providing operational support for Belgian TARGET2 participants. TARGET2 is the ECB's real time gross settlement system which central and commercial banks use to deal with payments via book entries on accounts held by the central banks.

In 2021, Thomas worked for the ECB for six months on the new TARGET (T2) platform which will be launched in November 2022.

"I am a member of several working groups at the Bank. One of them is the TARGET Services Operational Documents Drafting Group, which drafts the manuals on operational procedures for TARGET services. These working groups generally also include two representatives from the ECB: the chairperson and a secretary or rapporteur. When the rapporteur went on

Interview

maternity leave, the chairperson spontaneously suggested that I should replace her during that period. I was very familiar with the operation of the working group and had already worked with colleagues from that Service before. So, everything followed on from there: the Head of the ECB's Market Infrastructure Management Division sounded out my line manager who was immediately in favour of a secondment."

Did you actually move to Frankfurt?

"Originally that was in fact the intention. But the State of Hessen – which includes Frankfurt – was imposing very strict public health measures last year. As I would not have been able to go to the office, there was not much point in me sitting in a room on my own. The ECB sent me all the IT equipment (laptop, GSM, etc.) and user names, and everything worked very well."

Would you have preferred it to be otherwise?

"In some ways, continuing to work from home was obviously more practical. But you miss the informal contact. At the Bank, I know exactly what each member of our small team is working on, whereas at the ECB the team comprises around 40 staff within an even bigger Directorate General. If you are not on site, it is very hard to get to know everyone and find out who is responsible for what. For example, when you have to write a paper and are unsure of the right procedure or the appropriate protocol, you cannot just ask the advice of the colleague sitting next to you."

"If you are not on site, it is very hard to get to know everyone"

Despite having to work from home, did you benefit from the experience?

"Yes, indeed. From our perspective at the NBB, we often underestimate the very tight deadlines and considerable preparatory work done at the ECB. If you yourself are part of the set-up for a while, you have a better understanding of the internal workings of the 'machine'. If I had the opportunity again, I would jump at it! But I would prefer to go under normal conditions and stay in Frankfurt next time."



TARGET

TARGET is the abbreviation for **T**rans-European **A**utomated **R**eal-Time **G**ross Settlement **E**xpress **T**ransfer. Trans-European Automated Real-Time Gross Settlement Express Transfer. In the current TARGET2, "2" means second generation. Legally, the new platform is simply called "TARGET", but it is technically referred to as T2 because it consists of two parts: the Central Liquidity Management (CLM) part relating to the settlement of central bank transactions, and the Real-Time Gross Settlement (RTGS) part for the settlement of cross-border payments.

The growing importance of **external relations**

The Bank's international activities are also taking place in virtual form

The coronavirus crisis continued to have a considerable impact on European and international cooperation this year. Most meetings of the European Central Bank, the Eurosystem, the single supervisory mechanism, the Bank for International Settlements and the International Monetary Fund were held in virtual form, except for a few physical meetings when an improvement in the situation permitted.

Despite the virtual format, the National Bank continued its active collaboration with European and international institutions. It is in fact a key link in cooperation with the International Monetary Fund. On 1 May 2021, Luc Dresse was appointed Alternate Executive Director of the constituency to which Belgium belongs, taking over from Anthony De Lannoy. Together with Paul Hilbers from the Netherlands, he directs this constituency comprising 16 countries.

The pandemic is also affecting the work of the IMF. The annual Article IV mission in which the IMF analyses a country's economic and financial policy, and which normally involves an IMF delegation visiting Belgian institutions for several days, took place virtually for the first time. One of the mission's main conclusions was that the budgetary support currently provided by the Belgian government to attenuate the economic impact of the pandemic needs to be maintained until the COVID-19 crisis has calmed down. After that, the policy must concentrate on long-standing challenges, such as restoring fiscal reserves and boosting labour market participation.

The IMF's annual spring meetings held in April were also all conducted in virtual form. The October annual meetings were held in hybrid form and were the first IMF meetings since the start of the pandemic to have a small number of participants physically present. Belgium and the Bank were represented respectively by Vincent Van Peteghem, Deputy Prime Minister



and Minister of Finance, and Steven Vanackere, Vice-Governor of the Bank.

The Bank plays an active part in the IMF initiatives aimed at facilitating the global economic recovery. This year the IMF issued an historic allocation of special drawing rights (SDRs) amounting to \$ 650 billion. The Bank helps to transfer part of the allocated SDRs to vulnerable countries, to bolster their financial support. Discussions are still ongoing at the IMF on the best way to channel these resources into areas where the need is greatest. The intention is therefore to create a new fund to support vulnerable countries in addressing long-term challenges which entail considerable economic risks, such as climate change and pandemics.

The Bank organised a virtual conference on 25 March on the subject of “The rule of law in the EU: state of play and its implications on candidate and neighbouring countries” for the central bank Governors of the International Monetary Fund constituency. Didier Reynders, the European Commissioner for Justice, led the debate and explained the Commission’s position on the rule of law. Wouter Bossu, Senior Counsel at the IMF, presented the Fund’s position. In the debate, the Governors were able to express their points of view and exchange opinions freely with the representatives of the Commission and the IMF.

The COVID-19 crisis had an adverse impact on the Bank’s technical cooperation, as the Bank received fewer requests for cooperation and carried out fewer assignments than before the crisis. It adapted to the new circumstances and set up virtual partnerships. In particular, the Eurosystem’s ambitious technical cooperation programme for the central banks of candidate and potential candidate member countries of the European Union – in which the Bank is involved – was successfully completed. All the cooperation activities took place in virtual form, and the programme ended in December. In this connection, the Bank organised training on the subject of internal audit and took part in training on financial stability and banking supervision. All the participants in this programme (the European Commission, 19 national central banks from the EU, the ECB and the beneficiaries) praised its quality and have already agreed to arrange a follow-up programme scheduled to start in September 2022.

International cooperation is fully operational despite the COVID-19 crisis

The Bank continues to strengthen its communication, even in difficult circumstances

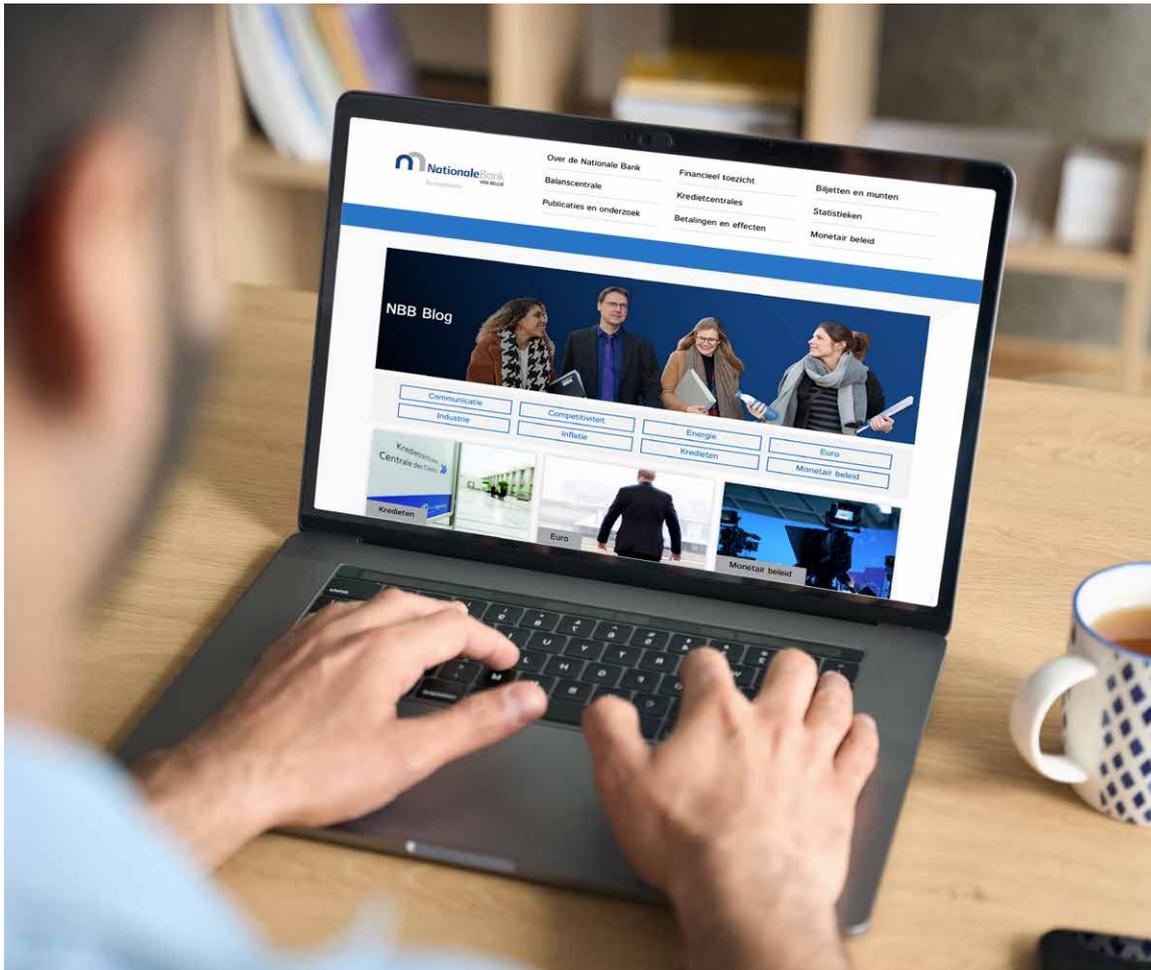
The National Bank performs a great many tasks at the service of society, but the general public is not always very familiar with that work. The reason is that, in the past, the Bank did not always consider it necessary or appropriate to inform the public, and in some cases, it was bound by very strict professional secrecy. However, times are changing and a central bank – nowadays more than ever – needs to explain and justify everything that it does at the

service of society and in promoting the stability of the economic and financial sector. This is a major challenge for all central banks because it requires a change of attitude on the part of each one. Fortunately, the National Bank has been fully committed to that for a number of years already and is now a front runner in the Eurosystem. The Bank is increasingly aware that a more open and attractive communication culture is crucial for an institution which, day in day out, conducts supervision or publishes interesting research, statistics, charts, recommendations and reports.

A new communication strategy

Last year, the Communication Service therefore rolled out a new strategy putting yet more emphasis on the development of digital and audiovisual communication channels. Accessible language is also central to this new policy, in order to make it easier to reach interested persons who have a less developed background in economics. Finally, more attention was also paid to the graphic design of the publications and digital media, e.g. by the production of clearer infographics and visual illustrations.

In this connection, the “NBB blog” was published in the late autumn of 2021 as a new communication channel. Staff in all areas of activity at the Bank can use this to publish short, accessible contributions on current events. With its blog, the Bank is fulfilling the general aim of bringing its independent experts into the limelight. Last year also saw it launch the redesign of its website www.nbb.be. The aim of the project, which will take a good two years, is



to update the Bank's website and make it more user-friendly and accessible, facilitating easier, faster navigation in the future.

External relations in the time of COVID-19

In 2021, the Bank again had to adapt its communication efforts because of the COVID-19 situation, which precluded physical attendance at most of the events. In many cases the Economic Relations Division of the Communication Service therefore had to organise webinars which the general public could subscribe to. These digital events were very successful, particularly the online presentations of the Bank's Annual Report, the half-yearly economic outlook, the Economic Risk Management Group's

surveys of the economic consequences of the COVID-19 crisis, and the Financial Stability Report, which attracted hundreds, if not thousands, of participants. Another highlight was the online listening event concerning the impact of current monetary policy, staged by the Bank at the request of the ECB. More than 30 organisations from Belgian civil society were able to state their views in an online discussion



The NBB held an online listening event on 22 January 2021

with Governor Wunsch and Governor Klaas Knot of the *Nederlandsche Bank*. Another point worth mentioning was the popularity of the digital seminars organised by the NBB on the subject of central bank digital currency (CBDC). The potential introduction of a digital euro is clearly a very topical subject in Belgium.

Last year, Governor Wunsch and various members of the Board of Directors also accepted regular invitations as keynote speakers at events in the economic and financial sector or at business clubs. Such invitations are always assessed beforehand on the basis of the compliance rules, including those laid down by the ECB.

The focus of national and international media attention

The Bank's media events and numerous press releases again received considerable attention in the Belgian media in 2021. The NBB research, surveys and

statistics were regularly accompanied by articles on news websites such as *tijd.be*, *lecho.be*, *trends.be* and *tendances.be*. A highlight of 2021 was the keen interest that the Governor attracted in the international media. The views of Pierre Wunsch on the European Central Bank's monetary policy were widely reported by foreign press agencies and various newspapers in the second half of 2021. Bloomberg TV and Reuters invited Governor Wunsch to give live interviews on popular current affairs programmes. The well-known German economic journal, *Wirtschaftswoche*, and the specialist news agency MNI published the interviews.

Internal communication at the forefront

Since the Bank had to keep to a teleworking regime and regularly needed to introduce new rules relating to COVID-19 for much of the year in 2021, the internal communication team had a very busy time. Internal news production has tripled since the start of the pandemic. Considerable efforts were also devoted to raising awareness of the Strategic Review.



Governor Pierre Wunsch interviewed on Bloomberg TV on 15 October 2021

Hearings in parliamentary assemblies

In 2021, parliamentary assemblies again asked the Bank to send representatives to hearings. Our institution considers its participation in hearings as a communication tool and an element of its accountability. The Bank willingly sends members of

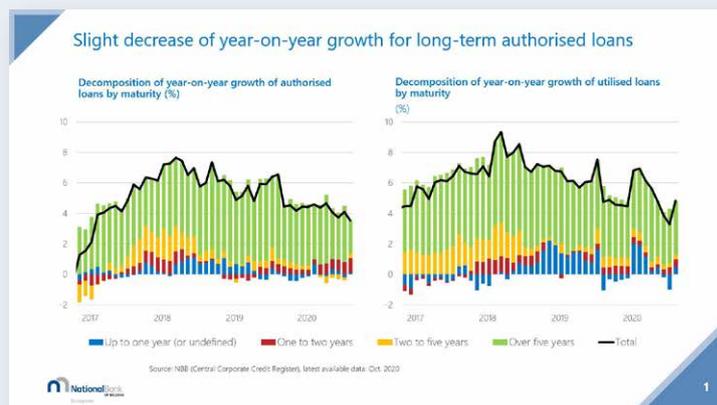
the management or staff to explain its surveys and recommendations, and its supervision of the financial sector.

This year, representatives of the Bank took part in five hearings at the federal parliament and one hearing at the Flemish Parliament.

Hearings in which the Bank took part in 2021



“The bank guarantee system” in the Parliamentary Committee on Finance and the Budget.



PowerPoint presentation slides by Jo Swyngedouw and Saïfedine Ben Hadj on the bank guarantee system



“The impact of the COVID-19 pandemic on self-employed workers” in the Parliamentary Committee on the Economy, Consumer Protection and the Digital Agenda.



Presentation of the Bank’s Annual Report on economic and financial developments and explanation of the bank guarantee system in the Parliamentary Committee on Finance and the Budget.





“The insurance sector’s behaviour towards consumers, self-employed workers and SMEs, i.e. the sectors most affected by the COVID-19 pandemic” in the Parliamentary Committee on the Economy, Consumer Protection and the Digital Agenda.



Screenshot of a hybrid hearing (physical and video) on the insurance sector. Bottom left Patrick Massin.



“The rise in property prices in general and as a result of coronavirus” in the Flemish Parliamentary Committee on Housing and Heritage.



“Cryptocurrencies” in the Parliamentary Advisory Committee on scientific and technical questions.



Screenshot of a hybrid hearing (physical and video) with Director Hermans on cryptocurrencies.



Innovating is in the DNA of the support functions

A range of IT challenges

In 2021, the strategic goals in the field of IT were transposed into an action plan, with a data centre in the cloud as one of its technological building blocks. The strategic plan, which will be rolled out over several years, will continue to put into effect the digital transformation of the Bank and the IT Department, in partnership with the business entities. The aim will be to strike a balance between the promotion of new technologies and the business continuity of our operations.

The transformation of the IT Department presents both technological and human challenges. It is therefore an essential element of the strategic plan that our staff are able to adapt and acquire new skills, and that we attract new talent and tailor our organisation to new and future needs.

Although the circumstances were not ideal owing to the COVID-19 work restrictions, various applications were delivered in 2021: CashSSP2 (the new version of

the platform for monitoring and recording banknote transactions), CAP 2.1 for the central point of contact for bank accounts, and BECRIS for the Central Corporate Credit Register, renamed the “Business Credit Register” since January 2022. New technologies such as natural language processing and machine learning were tested on the basis of use cases put forward by firms, while new automation techniques such as Robotic Process Automation gave rise to an initial series of operational applications. The innovative strength of the IT Department also received international recognition with the participation of NBB staff in projects such as the design of the SSM innovation lab, initiated by the ECB and the national supervisory authorities to test innovative technologies. Using the latest analysis techniques, the IT Department helped to design the Bank’s model of the distribution of cash machines and the availability of banknotes.

The Bank’s data centre is likewise undergoing a further transformation. Among other things, a specific

infrastructure is being set up to support the Bank's future Cash Centre in Zellik, and the contract for the back-up centre was renewed in 2021. But one of the key strategic achievements of the year under review concerned laying the foundations for the future data centre in the cloud. The aim of the data centre stored in the cloud is to offer the business entities new tools, such as artificial intelligence or "big data" techniques, and to rationalise and modernise the Bank's IT environment.

COVID-19 continues to cause problems for the IT Service

Just as in 2020, the successive waves of the COVID-19 pandemic had a major impact during the year 2021. As it became evident that widespread working from home would now become part of our everyday life, it was necessary to address new needs such as hybrid meetings. Although most of the conference rooms at our head office already had the facilities for arranging virtual meetings, some of them were upgraded and converted to fully-fledged hybrid conference rooms. Workstations at home and in the office were more closely aligned via the distribution of new headsets and screens, so that staff have more or less the same equipment at home as in the office. In 2022, the digital workplace will become even more efficient by integrating traditional telephones with the online videoconference system (Microsoft Teams).



In the past three months, over **1.5 million chat messages** were exchanged and calls totalling just over **6.5 million minutes** took place via Teams. In addition, there were just over **25 000 online meetings**, or around 400 a day.



A "sporting" success!

In regard to its IT needs, the Bank has introduced rapid automation methods to supplement traditional development. They are based on robotic process automation (RPA) technology and "low-coding".

An NBB team won the silver medal in the Banque de France hackathon competition, in which teams competed for three days to design the best solution for a specific need.



Human resources

Hybrid working, the “new normal” after COVID-19

In the spring the Human Resources Department and a working group of managers discussed ways of working once coronavirus is behind us. It was already obvious that a return to the old situation, with people mainly based in the office with one day a week working from home, would not be appropriate.

In order to achieve a balanced combination of various factors, such as team cohesion, the work-life balance, efficiency, corporate culture and the training of new staff, it was suggested that, in the post-COVID period, employees should spend half of their time in the office and work from home for the other half.

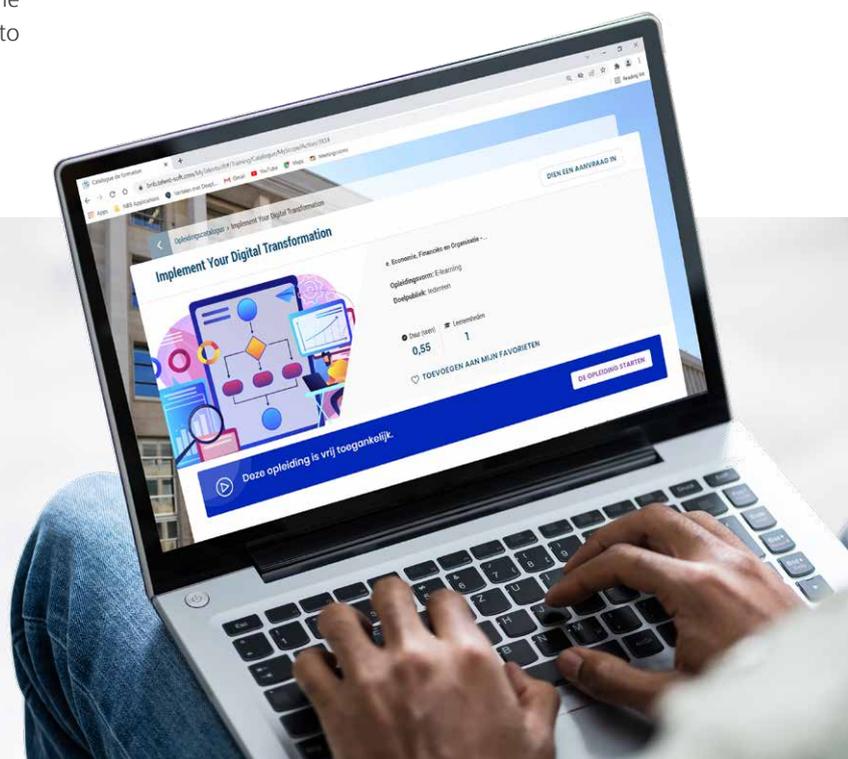
Since the Bank as an organisation had little if any experience of hybrid working before the coronavirus crisis, the proposal was that the policy should be assessed and adjusted if necessary after six months. Owing to the fourth wave of the pandemic, the roll-out of the new hybrid working philosophy had to be postponed until 2022.

The e-University offers staff the opportunity to pursue training at their own pace. They can do it in the office or at home, during office hours or at other times. Flexibility and accessibility are paramount.

Training at the Bank now also takes place digitally

In early 2021, the Bank launched the e-University, a digital learning platform offering all staff the opportunity to receive training via their computer, where and when they like.

In the process, the range of courses was greatly expanded with around a hundred e-learning modules. The range of electronic courses will be extended further in the coming years. Staff are offered a choice of short modules explaining key basic concepts and courses in greater depth taking several hours.



A new online starters course was devised for all new staff of the supervisory Services. In addition to a number of general modules explaining the structure and operation of the Services, modules were developed on expertise, legislation, applications and results for various spheres of supervision. This gives new staff a transversal view of the various entities and areas of expertise.

This initiative was also adopted by other Services at the Bank. There is growing interest in digitalising more NBB-specific training and courses.

Alongside general modules and service-specific modules, the Bank is investing in modules teaching technical skills which can be used throughout the Bank, such as data processing. The training catalogue now also includes general and specific IT training courses for staff.

Once the health situation so permits, the Bank would like to arrange hybrid courses which link traditional training to the range of e-learning courses. This will give staff the opportunity to test their remotely acquired knowledge with their colleagues in the office working environment.

Internal mentoring

A system of “internal mentoring” is increasingly being used to support the professional development of specific profiles, such as new recruits, new managers and under-represented groups.

The mentor is an experienced role model who can guide and support young colleagues in their development. The process assists the person receiving guidance, known as the “mentee”, who learns from

the mentor’s past career path. Mentees state their own objectives and choose a mentor from a list of at least two proposed names from outside their own

hierarchy. Throughout the process, the mentee is “in the driving seat” and the two parties decide how to work together. A practical diary for the mentee ensures that the process is clearly structured, progress is recorded and constructive mutual feedback is exchanged.

In 2021, the Bank provided training for more than 30 candidate mentors from various levels of the hierarchy in preparation for their role. The training took the form of a practice-based workshop (with a training instructor) plus a practical guide for mentors and a selection of e-learning modules.

The mentees also pursued a tailor-made NBB e-learning course so that they could confidently embark on their mentoring process.

The advantages of internal mentoring extend beyond the mentee’s own personal growth. The system makes use of the talent and experience available at the Bank and offers experts the opportunity to take their first steps in managing people. Mentoring also enables staff to gain a better idea of the Bank’s corporate culture. Finally, it extends and expands the networks within the Bank, promoting cooperation beyond silos and fostering innovation.

The mentor is an experienced role model who can guide and support young colleagues in their development





Recruitment continued ... in difficult circumstances

Despite the persistence of the health crisis and the battle for talent on the labour market in Belgium, the Bank recruited large numbers of staff this year to ensure the timely replacement of many colleagues taking retirement and to boost staff numbers where necessary. The Bank took on no fewer than 80 permanent staff and 49 temporary employees.

In 2021, the recruitment process was again conducted almost exclusively online, including the selection interviews and assessments. For new staff, starting work for a new employer was undoubtedly a challenge. The Talent Acquisition team therefore took trouble to arrange a physical welcome, always with due regard for the necessary safety measures. The entities receiving new staff likewise made an effort to welcome them as members of the team in an appropriate, corona-safe way.

Last year, the Bank continued to invest in showcasing its attractiveness as an employer. And those efforts paid off, considering the number

of new employees which the Bank managed to attract, and the results of the Randstad’s Employer Brand Research, in which the Bank moved up from 18th place in 2020 to 16th in 2021.

This survey covers all private companies in Belgium with a workforce of more than 1 000 and asks about their image as an employer. In 2021, that concerned 182 firms. The poll covered more than 14 000 participants, reflecting the population between 18 and 65 years of age. Respondents were presented with 16 criteria. The survey reveals that, on average, COVID-19 had no

adverse impact on the employer’s image. However, it did lead to the inclusion of two new criteria: “the

option of working from home” and a “corona-safe working environment”. The National Bank came out rather well!

The National Bank is one of the most attractive Belgian employers



70% of staff have higher education qualifications

The Bank's workforce has continued to shrink, down from 1 680 full-time equivalents (FTEs) at the end of 2020 to 1 651 FTEs by the end of 2021. The downward trend of previous years was therefore maintained. In the years ahead, there will still be large numbers of staff leaving the Bank who will need to be replaced. This downward trend will continue, but will be less pronounced.

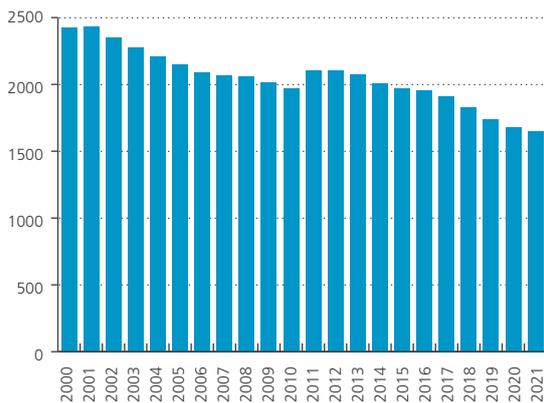
The consequences of a protracted recruitment freeze will still be apparent in the age pyramid for some years yet.

Recruitment over the past four to five years is very gradually correcting this imbalance. The effects of the early retirement plan are still visible in the 51-60 age group. Those effects will gradually disappear over the coming years, once the last participants retire at the end of 2023.

Since this plan only applies to non-managerial staff, the impact is even more evident in the chart below, in which the average age has fallen significantly over the past five years.

The Bank endeavours to attract highly-skilled profiles. More than 70% of our staff have higher education qualifications: 44% have at least a Master's degree.

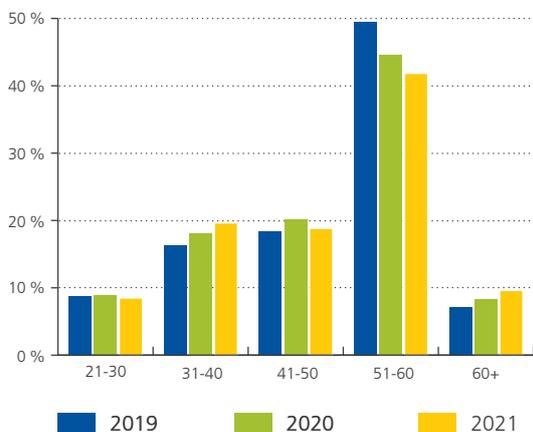
The Bank's workforce
(number of FTEs per annum)



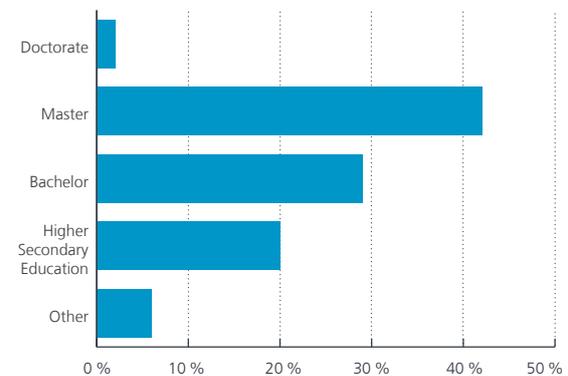
Average age of staff over the years



Staff age distribution



Training level of the workforce in 2021



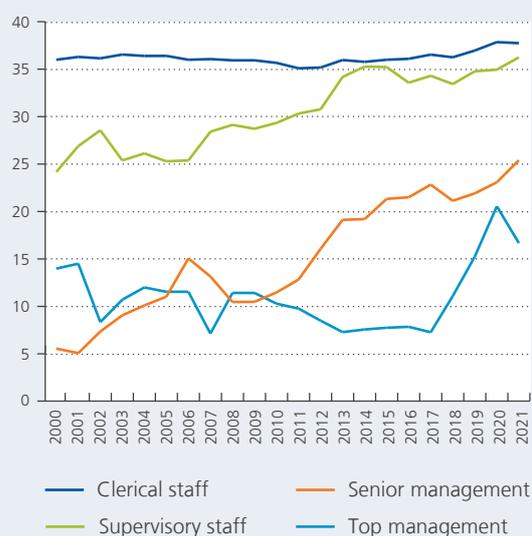
Diversity

On the subject of diversity, implementation of the action plan to boost the proportion of women at all levels is continuing. This year there has been a further rise in the managerial and middle management echelons. At Bachelor's degree level, the increase is down slightly. In practice, the percentage of women at the most senior management level has been relatively stable this year. The steepest fall recorded in the chart is due to the end-of-year situation which takes

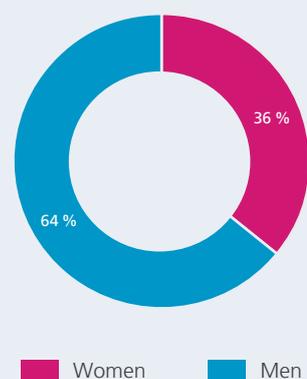
account of temporary changes in the working regime. Those changes have a major impact on the percentages owing to the small numbers of top management. In 2021, progress in gender diversity was nevertheless insufficient in the light of the targets which the Bank set for itself.



Percentage of women at each level in the workforce over the years



Percentage of men and women in the workforce in 2021



Obituaries

In 2021, the Bank was sad to hear of the death of the honorary Director Robert Reynders, who was a Director of the Bank from 1990 to 2000. The honorary Censor Roger Mené, who was a Censor from 1983 to 1997, also passed away in 2021.

In 2021, the Bank was also saddened by the death of three staff members: David de Antonio Liedo, Ignace De Landsheer and Peter Van Braekel.

They will always be remembered.

Retirements

The Bank would like to express its gratitude to the staff who retired in 2021.

The Bank and the well-being of its staff

In 2021, it was 25 years since the introduction of the Law of 4 August 1996 on the well-being of workers in the performance of their work.

This Law ushered in a real revolution in occupational risk prevention. The simple provision of resources stipulated by law gave way to the obligation to fulfil specific aims: to safeguard the health and safety of workers.

It introduced the concept of well-being at work, extending the scope of risk prevention to other disciplines such as ergonomics, occupational health and safety, and psychosocial aspects, leading to a more comprehensive approach to health and safety based on a dynamic risk management system. It also reformed the preventive arrangements with the introduction of the internal and external services for prevention and protection in the workplace.

The Bank's Prevention and Protection Service is there for everyone

The Internal Prevention and Protection Service was set up at the National Bank in response to the new legislation. Over the years, its work has continued to evolve, particularly as a result of changes in society.

Preventive measures used to focus mainly on safety, but the Well-being Law shifted attention more towards the individual worker's general well-being,

with an additional dimension: psychosocial risks. Occupational medicine, which is an integral part of well-being at work, has also progressed from strictly medical monitoring to a multidisciplinary approach. The result is better cooperation between the various disciplines: occupational medicine, ergonomics, psychosocial risks, and industrial health and safety. Nowadays, the medical officer is involved in risk prevention as a whole and is no longer limited to purely medical aspects.

There are some major challenges ahead for the Bank, such as:

- The psychosocial risks inherent in the frequent and increasingly rapid changes taking place in the world of work, such as the significant advance of new technologies, globalisation, frequent restructuring, teleworking, the work-life balance, etc. The number of people with problems will not be greater than before, but the nature of the problems will change, certainly if the pandemic continues to drag on.
- Management of the risks associated with the many projects concerning the Bank's premises in the next few years (refitting of the office complex on the west side of Boulevard de Berlaimont, the new Cash Centre, the possibility of temporary accommodation in Rue d'Arenberg, followed by total renovation of the main building), and for which the Bank is bringing in numerous outside firms.



Facilities management: the Bank's building projects

Construction of the Cash Centre at Zellik has begun

Via public tender, the Bank appointed the BPC–CIT Blaton consortium as the main contractor for construction of the new Cash Centre in Zellik. Most of the other public contracts relating to the infrastructure and technical operation of the Cash Centre were also awarded in 2021.

Building work began in August 2021. The main contractor informed the neighbours of the work schedule, the organisation of the site, and various measures intended to ensure the safety of pedestrians and cyclists on the roads in the vicinity of the site. An effort is also being made to minimise the inevitable inconvenience for the neighbourhood resulting from the work and site traffic.

The intention is for the main contractor and the various subcontractors to deliver the building by the spring of 2024. After that, several months will be spent on conducting tests and transferring the banknotes and coins. If all goes to plan, the cash-related activities will be entirely relocated from Brussels to Zellik by the end of 2024. The automation of numerous processes in the new infrastructure will generate considerable staff savings. Around 80 employees will work at the Cash Centre.

Selection of a multidisciplinary design consultancy and renovation of the main building

The public tender launched by the Bank at the end of 2020 for the appointment of a multidisciplinary design consultancy to refit, renovate and restore the main building attracted a great deal of interest. No fewer than 31 consultancies applied. In June 2021, the Bank selected the five candidates submitting the most relevant reference projects and offering the best team.

About 80 employees will work in the cash center

On 9 December 2021, these candidates submitted a bid which included an outline project and a scale model. The bids received will now be analysed in depth and the candidates will have the opportunity to present their design and their vision of the project to an advisory committee of internal and external experts. The public contract will be awarded in the summer of 2022, after which the design phase will begin. The actual refurbishment work will not start until late 2024, following delivery of the new Cash Centre and transfer of the cash-related activities from the head office to the new building in Zellik.





Leasing of temporary office space

At the end of 2021, the Bank concluded a lease with Immo Arenberg N.V. for office space in the building at Rue d'Arenberg 5-7, close to its head office, to provide office space for some of its staff during the refurbishment of the main building.

The Arenberg building, which dates from the early 20th century and was fully refurbished in the early 2000s, is currently leased by the Flemish Community.

The Bank decided to arrange more hybrid conference rooms

Refurbishment work

In 2021, the Bank began the work of refurbishing the office complex on the west side of Boulevard de Berlaimont. The aim is to create around 600 additional workstations, needed to temporarily accommodate staff members during the renovation of the main building.

In mid-December, one of the three floors being refitted at the front of the complex in the Blaton building

was ready for use. Although the Bank has had to contend with longer-than-expected delivery times for building materials, there has been no impact as yet on the progress of the work. The two upper floors of the Blaton building will be delivered in early 2022. The removal of asbestos from certain parts of the building is also on schedule. Plans for the work on other parts of the complex were finalised in 2021.

Since working from home has become much more common, the Bank decided to arrange more hybrid conference rooms with suitable audiovisual facilities so that meetings can take place efficiently with some participants physically present and others taking part remotely.

The Bank's staff entrance had a major facelift in 2021: a new ceiling, new lighting, three individual revolving doors to replace the old turnstiles, and a new porter's lodge where visitors can announce their arrival. There is also a separate entrance for staff members or visitors using wheelchairs or for persons wishing to carry goods in or out.

These alterations are preparing the staff entrance for its use as the Bank's main entrance during the renovation of the main building.

Sale of the Printing Works building

The contract for the sale of the Printing Works building was concluded in January. Vacating of the building continued in 2021. The last printing presses and machines were sold. Some smaller equipment was given to schools in Verviers and Dolhain, which were seriously affected by the floods in the summer of 2021. The safes were emptied and all valuables were transferred to the head office, together with the laboratory equipment used to analyse banknotes. The last staff members still working in the building were transferred to other jobs at the Bank.

Following the termination of the hazardous activities associated with printing, the Bank arranged a soil condition survey and risk analysis in accordance with the regulations laid down by Brussels Environment, the environment and energy authority for the Brussels-Capital Region. It was not possible to submit the report to Brussels Environment until November, delaying the notarial deeds by several months. The deeds were signed on 11 February 2022.



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Van runderen tot
erinflatie in Rome

Detail à l'Hyperinflation
à Rome

Von Rindern zur
erinflation in Rom

From cattle to
erinflation in Rome

