3. Annual accounts and reports on the financial year

3.1 Annual report

3.1.1 Developments concerning the Bank's results and position

3.1.1.1 Balance sheet

The balance sheet total is down by 5.7 %, or –€ 20.4 billion to € 339.0 billion.

In regard to monetary policy operations, the liquidity in euro granted to credit institutions was impaired primarily by the drop in longer-term lending (–€ 38.7 billion) and by the smaller rise in purchases of securities (+€ 16.7 billion) in 2022. The Bank marginally expanded its own MTM portfolio in both euro (+€ 0.1 billion) and foreign currencies (+€ 0.4 billion). It also continued to invest in an own HTM portfolio in foreign currency (+€ 0.6 billion) and reduced its own HTM portfolio in euro (–€ 0.6 billion).

This generated an increase in surplus liquidity on the deposit facility (+€ 131.2 billion), offset by a considerable drop in liquidity on current accounts (–€ 90.2 billion), following the return to non-remuneration of surplus reserve holdings in them. Likewise, the net amount of outgoing payments via the TARGET2 payment system fell very sharply (–€ 61.2 billion).

At the end of the year, the volume of banknotes placed in circulation by the Bank (+9 %) grew at a faster pace than the figure for the Eurosystem (+2 %), having led to a significant reduction in the claim on the latter (–€ 3.2 billion).

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

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

	2022	2021
▪ fixed-income securities in foreign currencies (“MTM portfolio”)	10.1	9.7
▪ fixed-income securities in foreign currencies held to maturity (“HTM portfolio”)	0.9	0.4
▪ fixed-income securities in euro (“MTM portfolio”)	0.0	0.0
▪ investment funds in euro (“MTM portfolio”)	1.0	0.9
▪ fixed-income securities in euro held to maturity (“HTM portfolio”)	1.9	2.5
▪ fixed-income securities in euro of the statutory portfolio	7.0	6.9
Total portfolios on the Bank's own account	20.9	20.4
▪ securities held for monetary policy purposes	229.4	212.7
Total portfolios	250.3	233.1

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

The MTM portfolios managed for the Bank's account increased by € 0.5 billion. In contrast, the HTM securities portfolios managed for the Bank's account did not change significantly. Securities in euro reaching maturity were not renewed, for a total of € 0.6 billion.

The size of the statutory portfolio is determined by the sum of the capital, reserves and depreciation accounts. Following the allocation of the profits for the financial year 2021, supplementary fixed-income securities could be added to this portfolio.

In the case of the monetary policy portfolios for which the purchase programmes (CBPP1, CBPP2 and SMP) have ended, securities maturing were redeemed (€ 88.2 million). Over the first half of 2022, supplementary securities purchases under the CBPP3, PSPP and CSPP programmes continued at an average rate of € 20 billion per month in the Eurosystem. In March 2022, the volume of net asset purchases were revised upwards to € 40 billion a month in April, then down to € 30 billion in May and back to € 20 billion in June. A decision was taken to end net asset purchases under the APP as of 1 July 2022. The Bank participated in the APP purchases in 2022 to the tune of € 12.6 billion. In addition, the Eurosystem continued its purchases under the Pandemic Emergency Purchase Programme (PEPP). These asset purchases were discontinued at the end of March 2022. The ECB Governing Council intends to reinvest the principal payments from maturing securities bought under the programme at least until the end of 2024. For the Bank, the outstanding amount under this programme comes to € 61.4 billion.

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

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

(in € million)

	Book value	Market value	Revaluation accounts
Belgium	3 770.9	3 233.8	–
United States	7 250.5	7 220.2	0.8
Germany	1 140.9	1 045.8	–
Spain	295.5	294.8	–
France	1 695.0	1 555.4	–
Austria	279.4	265.4	–
Italy	63.6	63.8	–
Japan	1 350.4	1 342.2	–
International organisations	1 003.0	884.2	–
The Netherlands	470.0	437.3	–
Luxembourg	38.2	31.7	–
Canada	509.4	471.2	–
Switzerland	961.3	961.3	45.9
Finland	425.8	395.6	–
United Kingdom	74.1	74.1	–
Other	628.0	589.2	0.6
Total fixed-income securities	**19 956.0**	**18 866.0**	**47.3**
Investment funds	**1 018.1**	**1 018.1**	**18.1**
Total portfolios	**20 974.1**	**19 884.1**	**65.4**

If the Bank had sold all its own-account portfolios on the balance sheet date, it would have realised: (i) the gains currently recorded (as unrealised gains) in the revaluation accounts (€ 65.4 million) on the liabilities side of the balance sheet, and (ii) the negative difference between the market value and the book value (–€ 1090.0 million). Altogether, an additional loss of € 1 024.6 million would thus have been recorded in the results.

Just as in 2021, the impairment tests carried out in 2022 did not lead to any write-downs on the Bank's own-account portfolios.

With a view to reducing the exchange rate risk on its assets denominated in US dollars and SDRs, the Bank once again concluded forward contracts. Thus, in 2022, the net position in dollars and SDRs remained virtually unchanged at USD 2.2 billion (€ 2.1 billion). The net position in SDR increased, from SDR 20.7 million (€ 25.5 million) in 2021 to SDR 27.1 million (€ 33.9 million). The net position in Chinese Yuan and South Korean Won also remained unchanged:

CNY 1.5 billion (€ 197.3 million) and KRW 120.1 billion (€ 89.4 million). At the end of the financial year, the revaluation accounts on the liabilities side of the balance sheet recorded positive foreign exchange differences amounting to € 270.6 million.

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

	NCB balance sheets	NBB key: 3.64 %	NBB balance sheet
Lending to euro area credit institutions related to monetary policy operations denominated in euro	1 324.3	48.2	49.0
Main refinancing operations	2.4	0.1	0.1
Longer-term refinancing operations	1 321.4	48.1	48.9
Marginal lending facility	0.5	0.0	–
Securities held for monetary policy purposes	1 095.4	39.9	103.1
SMP	2.1	0.1	0.0
CBPP3	276.9	10.1	6.9
ABSPP	–	–	–
PSPP-Supranational securities	275.2	10.0	–
CSPP	344.1	12.5	83.5
PECBPP	5.3	0.2	0.1
PEABSPP	–	–	–
PEPSPP-Supranational securities	145.7	5.3	–
PECSPP	46.1	1.7	12.6
Total	2 419.7	88.1	152.1

In order to determine shared risks, account must be taken of the Bank's share of € 88.1 billion in the monetary policy portfolios and credit operations of the Eurosystem central banks. In addition, securities for which the risks are not shared must be taken into account; their book value comes to € 126.2 billion and is included in item 7 of the balance sheet (see note 7).

Agreement on Net Financial Assets (ANFA)

At the end of 2022, the Bank's net financial assets totalled € 7.6 billion.

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

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

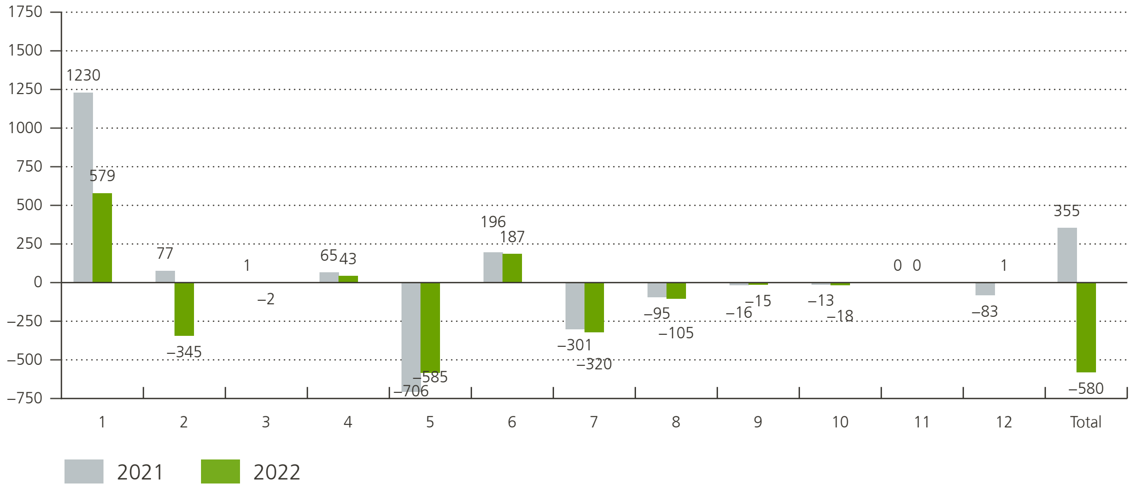
The net financial assets are equal to the difference between assets that are not directly related to monetary policy and liabilities that also have no direct link with monetary policy.

3.1.1.2 Result

In 2022, the Bank made a loss of € 580 million, compared to a profit of € 355 million the preceding year (–€ 935 million[1]). This was partly due to the revaluation of the Bank's mark-to-market investment portfolios. The most important factor, however, was the rising cost of funding monetary policy portfolios: interest expenses on deposits held by credit institutions with the Bank have increased, while the (mostly long-term) assets that make up these portfolios were acquired at low yields.

1 Amounts in brackets indicate the effect on the income statement.

General structure of the result
(in € million)



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

This change in the Bank's earnings is mainly due to a significant decrease in net interest income (–€ 651 million) and net income from financial operations (–€ 422 million). Nonetheless, this effect was partially mitigated by a reduction in the Bank's contribution to monetary income (+€ 121 million) and corporate tax (+€ 84 million). The drop in net interest income was mainly due to:

- higher interest rates (–€ 1 041 million) on the deposit facility, excess reserves and other current accounts coupled with an increase in their volumes (–€ 295 million);
- higher interest rates on the Target balances (–€ 32 million); and
- lower returns on own euro-denominated portfolios (–€ 48 million).

However, this development was partially offset by:

- a reduction in interest expenses related to monetary policy credit operations (+€ 443 million);
- an increase in monetary policy portfolio volumes (+€ 148 million) coupled with the reinvestment of securities at a higher interest rate (+€ 147 million); and
- an increase in the interest rates applicable to intra-Eurosystem claims (+€ 36 million).

The Bank's contribution to the allocation of monetary income fell significantly by € 121 million mainly through:

- an increase in the amount pooled with the Eurosystem (–€ 93 million) and
- an increase in monetary income reallocated to the Bank, due to a rise in the total monetary income of the Eurosystem (+€ 214 million).

The net result of financial operations decreased mainly due to rising dollar-denominated interest rates (–€ 105 million). On the euro-denominated securities market, capital gains fell sharply as transactions in securities held for monetary policy purposes virtually disappeared (–€ 77 million). Unrealised losses on dollar-denominated securities charged to the profit and loss account increased significantly (–€ 294 million).

The "other income" item fell, in 2022, by € 20 million, including an amount of € 19.3 million corresponding to the book profit generated in 2021 on the sale of the printing works building.

3.1.1.3 Allocation of the result

2022 was marked by a sudden and unexpected rise in inflation, leading to several interest rates hikes in both Europe and the United States. This in turn led to partial realisation of the interest rate risk the Bank had warned about in its previous annual reports, as well as to falls on the stock and bond markets, coupled with extremely high volatility. This combination of factors resulted in the Bank ending financial year 2022 with a loss.

An estimate of quantifiable financial risks is the basis for determining the minimum suitable level of the Bank's reserves. All of the Bank's financial risks are quantified, either in accordance with the expected shortfall method, for which the Bank uses very conservative parameters in terms of distributions, probabilities and time horizons, or in accordance with long-term scenarios/stress tests. In 2022, the baseline scenario, which reflects market expectations, resulted in losses for the first time. As a result, the Bank has updated the method used to calculate the suitable level of reserves to take into account expected future losses for the years to come and their impact on its reserves.

In the baseline scenario, which represents the interest rate environment and market expectations of future interest rate developments as of balance sheet date, the Bank's revenue remains under pressure. If this scenario were to materialise, which is subject to a high degree of uncertainty, it would result in total losses of € 10.8 billion for a time horizon of five years, assuming an unchanged balance sheet composition. If interest rates were to rise relative to market expectations, this negative effect would be further compounded. The opposite is true if they were to fall. It is impossible to make sufficiently reliable estimates for a period longer than five years, given the many uncertainties. The Bank, in this scenario and under unchanged circumstances, would nevertheless not record substantial losses beyond this time horizon, and would return to profitability.

The estimate of the suitable lower level of reserves at the end of 2022 takes into account both expected future results based on market expectations and an estimate of the financial risks to which the Bank is exposed and results in an amount of around € 15.2 billion, compared to € 5.8 billion at the end of 2021.

This amount of € 15.2 billion includes estimates of both expected results for the years to come and of the risks in relation to:

- the Bank's own securities portfolios denominated in euros and foreign currencies;
- credit operations and monetary policy securities portfolios included on the Bank's balance sheet, for which it alone bears the risk;
- credit operations and monetary policy securities portfolios included on the balance sheets of all Eurosystem NCBs, the risk for which is shared amongst them (see notes 5 and 7 to the annual accounts).

The Bank's risk estimates and earnings projections are highly vulnerable to a number of uncertainties, including future market developments and possible monetary policy decisions by the ECB Governing Council. The longer the time horizon, the greater the uncertainty.

In accordance with the Bank's reserve and dividend policy, a loss is first charged to the available reserve. Thus, an amount of € 580.2 million has been drawn from the available reserve. This drawdown also includes the amount necessary to pay the minimum dividend of € 1.5 per share (6 % of the capital) guaranteed by the reserve fund and the available reserve, in accordance with the Organic Law, i.e. € 0.6 million. Following result allocation, the Bank's buffers amount to € 6.5 billion. Having regard to the estimated suitable level of reserves on the balance sheet date and in accordance with the reserve and dividend policy approved by the Council of Regency,[1] a second dividend has not been allocated for financial year 2022.

The remaining profit for the year is allocated to the State in accordance with the Organic Law. For 2022, no amount is allocated to the State in this respect.

3.1.2 Risk management

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

Its Departments, autonomous Services and Units assume the **first line of responsibility** for the effectiveness of the internal control system. This involves:

1 See point 3.2.7.3.

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

The **second line of responsibility** for the effectiveness of the internal control system lies with the Director Treasurer, as regards financial risks (see 3.1.2.1). For non-financial risks (see 3.1.2.2), second-line responsibility rests with the Director in charge of the 2nd Line of Defense Department.

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

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

3.1.2.1 Financial risk management

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

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

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

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

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

In order to assess the credit risk of each issuer or counterparty, the Bank refers to the ratings accorded by a number of specialist agencies and uses 'prediction' methods (such as implied ratings) which take account of developments on certain markets (credit default swaps, stock market value, etc.) and financial ratios, and possibly financial analyses conducted with due regard for the total segregation of the Bank's entities responsible for banking supervision. For overall credit risk assessment, it uses the CreditMetrics method with cautious and consistent parameters whose adequacy is regularly reviewed, and backed up by a full balance sheet scenario analysis, on the basis of scenarios founded on those established by external institutions.

In an effort to increase the return on its US-dollar-denominated assets in the long term, the Bank invests a small proportion of those assets in corporate bonds. Specific rules have been drawn up for this type of bond (minimum rating, wide diversification obligation, etc.) to limit the credit risk and any losses.

The portfolios of securities in euro consist mainly of euro-denominated government paper issued by Member States of the European Union and, to a lesser extent, bonds backed by first-rate claims (*Pfandbriefe* type or other covered bonds) which help raise the expected yield. In conducting the investment operations concerning the Bank's portfolios, account is taken of the primacy of the monetary policy programmes and the strict organisational segregation designed to avoid any risk of a conflict of interest.

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

With a view to improving the long-term risk/return ratio, the Bank has allocated a modest amount to acquiring a tradable investment fund comprising shares of European companies, which reflects as closely as possible the performance of a European index (which excludes the United Kingdom and Switzerland) and which applies ESG criteria. The fund is managed externally and passively in order to rule out any conflict of interest.

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

Finally, the Bank limits the operational risk by dividing the activities associated with investment transactions into three separate services: the Front Office, in charge of operations, the Back Office, which handles the settlement, and the Middle Office, which manages the risks.

As regards the Bank's lending transactions pursuant to the Eurosystem's monetary policy, a risk management framework was established within the Eurosystem to enable harmonised implementation throughout the euro area. In this way, the eligible assets can be used without discrimination and the same risk control measures are applied throughout the Eurosystem. The risk management framework contains the eligibility criteria, which can be used on the one hand to draw up a single list of eligible securities and, on the other hand, to select non-tradable assets (bank loans). This framework also sets out risk management procedures and is regularly revised to take account of recent developments and so as to guarantee high-grade protection. Since 2012, every central bank has been able to define an additional framework for non-marketable assets, setting out eligibility rules and specific risk measures. These additional frameworks are approved by the Eurosystem. In the context of the 2020 pandemic crisis, central banks were able to establish such an additional framework more speedily. The Bank therefore decided to set up such a temporary framework (relating to the pandemic crisis) for authorising non-tradable assets with a lower credit rating. The assets accepted under this framework constitute a risk for the Bank which is not shared with the Eurosystem. However, the acceptance of these assets is accompanied by more severe haircuts in order to cover these additional risks.

3.1.2.1.2 Interest rate risk and risks associated with the volume of interest-bearing assets

The income derived from banknote issuance is traditionally the largest component of the Bank's revenues. For central banks, banknotes are unremunerated liabilities. As a counterpart, central banks hold interest-bearing or productive assets. The income from these assets, as well as revenue derived by the Bank from assets held against deposit liabilities towards credit institutions is pooled within the Eurosystem and redistributed among its national central banks in proportion to their paid-up shares in the ECB's capital.

Owing to the Asset Purchase Programme (APP) and the Pandemic Emergency Purchase Programme (PEPP), the counterpart to a growing proportion of the assets on the Bank's balance sheet is no longer banknotes but other liabilities such as the current accounts of credit institutions and the deposit facility, remunerated at a pre-determined (positive or negative) short-term interest rate. That increases the longer-term interest rate risk. The Bank follows the long-term interest rate risk through an expected shortfall approach, backed up by scenario/stress tests on the entire balance sheet : in this way, the short-term or even longer-term interest rate result is estimated according to different scenarios set both internally at the Bank or by external institutions.

In determining the desired lower level of reserves, account is taken of financial risk estimates based on quantitative methods such as expected shortfall and long-term scenarios/stress tests. As the Bank does not make provisions for future losses, in accordance with its accounting rules, the negative impact on future reserves must be taken into account in the event that the base scenario, which reflects market expectations, leads to future losses. The desired lower level of reserves is therefore determined by increasing the risk amounts calculated according to the above methods by the effect that the estimated future losses in the base scenario will have on future reserves over a time horizon corresponding to that used for the different risk calculation methods.

3.1.2.2 Non-financial risk management

The Bank's non-financial risk management framework is based on three lines of defense. The first level comprises all operational and support services, which are responsible for identifying, assessing and tackling risks inherent in their activities. This implies that all first line services conduct risk analyses on all their activities in order to ensure that the risks remain within acceptable limits so that the objectives can be achieved.

At the second level, the Bank has a fully-fledged second line of defense specialising in non-financial risk management. This has been incorporated into a department responsible for implementing and overseeing the framework for non-financial risk management. That department develops and maintains the various components of the risk management framework for the Bank and supports the first line in the management of all non-financial risks, including risks relating to physical security, business continuity and outsourcing, IT security, data protection and cyber security, and compliance risks (e.g. compliance with the anti-money-laundering legislation or the legislation relating to the General Data Protection Regulation (GDPR), and the code of ethics, etc.).

Over the course of 2022, the Bank continued developing the various components of its reference framework for the management of non-financial risks. For instance, it drew up a physical security policy, which is crucial for all the various real estate projects underway. A guideline has also been established for classifying and declaring risks and incidents as accurately as possible in the universe of non-financial risks approved in 2021. On the basis of the conclusions of a general strategic exercise conducted in 2020 which included non-financial risk management, the Bank has also drawn up a more detailed multiannual plan for strengthening its non-financial risk management by the year 2025.

As far as cyber security and business continuity are concerned, the Bank continues to refine and improve the level of maturity and the robustness of its security and prevention rules. In this connection, particular attention was paid, mainly in the spring, to the possible disruptive impact, whether direct or indirect, of potential cyber attacks on the Bank, against critical service providers and/or critical utilities, as a result of the war in Ukraine. In the autumn, the focus returned to the need for adapted cyber security processes and continuity arrangements owing notably to major ransomware attacks on some public authorities. To keep up vigilance amongst staff in the face of risks of potential cyber threats, such as phishing e-mails and other cyber attack techniques, impromptu campaigns are regularly held during which actual threats like phishing e-mail messages are imitated in a controlled manner. Recipients or staff who do not react properly or who fall for the trap are asked to explain why and have to follow a refresher training course and take a test.

In the field of information security, there is a clear allocation of roles and responsibilities between the first and second lines of defense. To ensure that all staff clearly understand the rules that must be respected regarding keeping information systems secure, the Bank has radically revised its data protection policy. In particular, that policy goes into more detail on personal data protection in accordance with the GDPR and on the handling of sensitive data at workplaces outside the Bank, or in other words at home or in remote locations, in view of the increased flexibility regarding the place of work and working hours. Since, in addition to clear governance, ensuring that users are well-informed also helps to improve data security, the online awareness programme has been extended to all staff members, and completion of the modules has been included in the personal annual targets of all staff. This programme covers a four-year period, and its content is regularly supplemented. Under the programme, information published on the intranet about non-financial risk management was radically revised and updated during the course of the year, so that all staff members can easily find all the necessary information (strategies, guidelines, regulations, etc.) and working tools in the same place. At the same time, the welcoming and training programme for new members of staff has been expanded to cover information on such things as their role in and expected contribution to the Bank's non-financial risk management, as well as a few awareness-raising modules that they are required to follow.

Under second-line supervision concerning **banknotes,** regular conformity checks are carried out at the Central Cash Office in a bid to identify and avert any risks. This concerns cash inspections, dealing with cash discrepancies and complaints from financial institutions, internal checks on damaged banknotes, non-compliant packs of banknotes and offline destruction of banknotes, admission tests on BPS machines, checks on suppliers, and measures to combat money-laundering and terrorist financing (AML/CFT). In addition, conformity checks by means of video images are also carried out in order to see whether staff are familiar with, and are applying, the internal procedures and instructions.

On the subject of **compliance**, 33 questions of interpretation, one request to authorise financial transactions, and 118 benefit statements from staff and management concerning the application of the code of ethics and the General Data Protection Regulation (GDPR) were addressed in 2022. The Bank handled 30 requests from interested parties to exercise their rights under the GDPR. So as to meet the requirements of the GDPR, an impact analysis relating to data protection was conducted on a number of new types of data processing liable to entail a high confidentiality risk for the people concerned. To meet the requirements of the Framework Law on the Processing of Personal Data, a protocol published on the Bank's website formalised all transfers of personal data to third authorities. Finally, on 16 December 2022, the European Central Bank published an amendment to the code of conduct for high-level ECB officials. The changes made to this code of conduct, which came into force on 1 January 2023, introduce stricter rules and higher standards for high-level officials, most of which concern extra restrictions on private financial transactions.

3.1.3 Post-balance-sheet events

There were no post-balance-sheet events which had any significant influence on the Bank's financial situation and results as at 31 December 2022.

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

On 2 February 2023, the ECB Governing Council decided to adjust the purchase schedule under the Expanded Asset Purchase Programme (APP). Reinvestment of maturing securities acquired under this programme will lead to a gradual scaling back of the portfolios making up this programme, at a rate of € 15 billion a month between February and June 2023. Depending on further data analysis, the schedule may then be adapted for the following months.

Regarding the Pandemic Emergency Purchase Programme (PEPP), the Governing Council intends to reinvest maturing securities acquired under the PEPP until at least the end of 2024.

Further monetary policy adjustments are of course possible, especially taking into account the recent geopolitical uncertainties and their potential impact on inflation in the euro area.

The consequences of these programmes could put pressure on the Bank's results.

3.1.5 Research and development

Last year, the Bank made a major contribution to the work of various working groups in collaboration with various other central banks, including those in the Eurosystem. Research and development activities focused mainly on the provision of services within the Eurosystem including measures to combat counterfeiting, banknote circulation and the development of new security features. On this latter point, the Bank plays an active part in projects for the future renewal of the current series of euro-denominated banknotes, on which the ECB has not yet taken any definite decision about scheduling.

3.1.6 Conflict of interests

During the year under review no member of the Board of Directors had directly or indirectly, any interest relating to property conflicting with a decision or transaction for which the Board of Directors was responsible.

3.1.7 Financial instruments

In managing its portfolios, the Bank uses financial instruments such as (reverse) repurchase agreements, currency and interest rate swaps and futures. The information on this subject is mentioned in the annual accounts, and especially in the "Accounting principles and valuation rules" (I.3 and I.7) and in the notes to the accounts (notes 2, 3, 6, 9, 13, 15, 16, 17, 25, 38 and 39).

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

3.1.8 Expertise and independence of the Audit Committee

The members of the Audit Committee are experts in accountancy and auditing, in view of their training in economics or finance and/or their relevant professional experience in those fields. All the members meet the independence criteria mentioned in Article 7:87 (1) of the Companies and Associations Code.

3.1.9 Corporate governance statement

3.1.9.1 Belgian Corporate Governance Code and Corporate Governance Charter

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

Established in the form of a public limited company listed on the stock market, the Bank is Belgium's central bank. It forms an integral part of the Eurosystem whose primary aim is the maintenance of price stability. It is also responsible for supervising the financial sector and performs other tasks in the general interest entrusted to it by law. Its situation is therefore very different from that of an ordinary commercial company whose main objective is to maximise its profits.

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

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

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

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

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

The financial and non-financial risks connected with the Bank's activities and their management, and the organisation of risk management according to the standard three-level model, are discussed in point 3.1.2 of this Report.

The Audit Committee is responsible for monitoring the financial reporting process and ensures that the main risks, including those relating to compliance with the current legislation and rules, are correctly identified, managed and brought to the attention of the Audit Committee and the Board of Directors. It also examines the notes on internal control and risk management in the Annual Report.

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

The Council of Regency approves the annual accounts, the Annual Report, the accounting rules and the rules on the Bank's internal organisation. It consults the Audit Committee before approving the annual accounts and may ask the Audit Committee to examine specific questions on that subject and report back to it.

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

3.1.9.3 Shareholdership

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

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

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

The dividend paid to shareholders is fixed by the Council of Regency. For more details, see the Bank's reserve and dividend policy (see point 3.2.7.3). The dividend is payable on the fourth working day following the General Meeting.

3.1.9.4 Composition and functioning of the organs and other actors

GOVERNOR

The Governor is appointed by the King for a renewable term of five years. He may be removed from office by the King only if he has been guilty of serious misconduct or if he no longer fulfils the conditions required for the performance of his duties. An appeal may be lodged with the Court of Justice of the European Union against such a decision.

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

BOARD OF DIRECTORS

The Directors are appointed by the King on the proposal of the Council of Regency for a renewable term of six years. They may be removed from office by the King only if they have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties.

Composition of the Board of Directors as at 31 December 2022 :

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

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

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

The Board of Directors met 42 times in 2022 for central banking matters, 40 times for prudential supervision (+5 written procedures) and 10 times to discuss macroprudential policy matters. The Board of Directors met 24 times in the physical presence of the majority of its members and 18 times using telecommunication techniques. The high percentage of virtual meetings is due to the impact of the covid-19 pandemic, which lasted for part of the year.

COUNCIL OF REGENCY

Pursuant to Article 20 of the Organic Law as amended by the Law of 2 May 2019 on miscellaneous financial provisions, the Council of Regency is composed of the Governor, the Directors, and fourteen Regents. The Regents are elected by the General Meeting for a renewable term of three years. Two Regents are chosen on the proposal of the most representative labour organisations, three on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders, and nine on the proposal of the Minister of Finance. The terms of office of the Regents end after the Ordinary General Meeting. They leave office each year in groups, one of four members and the other two of five members. The Regent elected to replace a member who has died or resigned completes the term of office of the one whom he replaces. The representative of the Minister of Finance attends, *ex officio,* the meetings of the Council of Regency.

At the General Meeting on 16 May 2022, the terms of office of Mrs Véronique Thirion and Mr Georges Van Keerberghen came to an end, and the terms of office of Mesdames Estelle Cantillon and Louise Fromont and Mr Thierry Bodson were renewed. Mrs Christine Mahy and Mr Lode Ceyssens were elected as Regents.

Regents as at 31 December 2022:

Mrs Claire Tillekaerts[1], President of the Council of Regency
Mr Marc Leemans[2]
Mr Pieter Timmermans[3]
Mr Eric Mathay[1]
Mr Danny Van Assche[3]
Mrs Mia De Schamphelaere[1]
Mrs Géraldine Van der Stichele[1]
Mrs Estelle Cantillon[1]
Mr Thierry Bodson[2]
Mrs Géraldine Thiry[1]
Mrs Louise Fromont[1]
Mrs Helga Coppen[1]
Mrs Christine Mahy[1]
Mr Lode Ceyssens[3]

The Council of Regency met 20 times in 2022. These meetings focused in particular on the approval of the 2021 annual accounts and Annual Report, including the remuneration report, and on the settlement of the year's profit distribution. The Council of Regency approved the Bank's 2023 budget, and, after examination by the Audit Committee, laid down the accounting rules for the financial year 2022. It took note of the report on the activities of the Audit Committee. Finally, it exchanged views on general questions relating to the Bank and to the Belgian, European and global economy. The Council of Regency met 11 times in the physical presence of the majority of its members and 9 times by means of telecommunication techniques. The high percentage of virtual meetings is due to the impact of the covid-19 pandemic, which lasted for part of the year.

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

AUDIT COMMITTEE

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

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

Composition of the Audit Committee as at 31 December 2022:

Chair: Mrs Mia De Schamphelaere, Regent
Mr Eric Mathay, Regent
Mrs Géraldine Thiry, Regent

The Audit Committee met eight times in 2022. At these meetings, the Audit Committee examined the annual accounts and the Annual Report for the year 2021. In addition, the Audit Committee took note of the work programme and the work of the Internal Audit Service, and checked the auditor's independence. The Audit Committee also supervised the procedure for designating a new auditor and the preparation of the Bank's 2023 budget and handed down a positive opinion on the accounting rules for the financial year 2022.

REMUNERATION AND APPOINTMENTS COMMITTEE

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

The Remuneration and Appointments Committee comprises three Regents appointed by the Council of Regency. The representative of the Minister of Finance attends, *ex officio,* the meetings of the Remuneration and Appointments Committee, and the Governor attends as an adviser.

Composition of the Remuneration and Appointments Committee as at 31 December 2022:

Chair: Mrs Claire Tillekaerts, Regent
Mr Pieter Timmermans, Regent
Mrs Géraldine Van der Stichele, Regent

The Remuneration and Appointments Committee met four times in 2022. Its meetings are confidential. However, in order to demonstrate proper transparency in relation to the public, the activities and decisions of the Remuneration and Appointments Committee concerning remuneration policy and remuneration are spelt out in the remuneration report (see point 3.1.10).

REPRESENTATIVE OF THE MINISTER OF FINANCE

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

GENERAL MEETING OF SHAREHOLDERS

During the Ordinary General Meeting on 16 May 2022, the Governor and Director Tom Dechaene reported on the work done in the year 2021. Members of the Board of Directors answered many questions. The shareholders who were present took part in the required voting for appointments for vacant Regent positions.

The minutes of the meeting were published on the Bank's website.

AUDITOR

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

3.1.9.5 Diversity policy

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

In particular, the Remuneration and Appointments Committee which is responsible for giving opinions on appointments takes the question of diversity into account in its discussions.

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

In regard to the gender balance, the Bank is obliged to ensure that at least one third of the members of the Council of Regency are of the opposite sex from the other members. In addition, if the Governor is Dutch-speaking, the Regent appointed by the King to chair the Council of Regency must be French-speaking and vice versa, and must be of the opposite sex from the Governor.

The Bank meets this legal obligation, and now has eight female members on the Council of Regency. Moreover, Mrs Claire Tillekaerts has been appointed as President of the Council of Regency.

3.1.10 Remuneration report

3.1.10.1 Competence and decision-making

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

The Remuneration and Appointments Committee assists the Council of Regency in the exercise of this power. The role, composition and functioning of that

Committee are detailed in the Remuneration and Appointments Committee Regulation, which is available on the Bank's website.

The remuneration policy and the remuneration granted are discussed below.

3.1.10.2 Remuneration policy

GOVERNOR, VICE-GOVERNOR AND DIRECTORS

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

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

In 2014, in view of the debate on salaries in the public sector, the Council of Regency decided to reduce the salaries of the Governor, Vice-Governor and Directors by more than 12 % across the board. Despite this straight-line reduction, comparison of the level of the Governor's salary showed that it was still high in international terms and that the pay differential between the Governor and the Directors was relatively large. In November 2020, the Council of Regency therefore decided, on the initiative of the Board of Directors and the positive recommendation of the Remuneration and Appointments Committee, to reduce the Governor's gross basic remuneration by a further 10 % with effect from 2021. The gross basic remuneration for the post of Vice-Governor was cut by 5 %.

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

Since the Bank, in its capacity as a central bank, is unlike other listed companies in that maximising profits is not its primary objective, the remuneration policy does not include any financial performance criteria. By the same token, the Organic Law stipulates that the remuneration of the Governor, the Vice-Governor and the Directors must not include a share in the profits. Consequently, their remuneration consists solely of a fixed component, with no variable element. It does not include any bonuses, shares, share options, or other rights to acquire shares.

The Governor, Vice-Governor and the Directors hand over to the Bank the remuneration that they receive in respect of any external posts held in connection with their position at the Bank. As the sole exception to this principle, the Governor may keep the fee that he receives as a director of the Bank for International Settlements. Conversely, the statutory provision whereby the Bank pays the cost of accommodation and furnishings for the Governor is not applied.

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

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

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

Members of the Board of Directors have a fixed-term mandate. The Governor is appointed for a five-year term while the Directors are appointed for a six-year term. They may be removed from office by the King only if they have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties. Pursuant to Article 26 of the Organic Law, the Governor, Vice-Governor and Directors may not perform any duties, function or mandate in institutions subject to the Bank's supervision until one year after leaving office. On the recommendation of the Remuneration and Appointments Committee, the Council of Regency therefore decided that, as a general principle, a payment equivalent to twelve months' salary can be made to members of the Board of Directors whose term of office is not renewed, so long as they do not take up any new professional activities and have not attained the age of 67 years. The Council of Regency will always ensure that these conditions[1] are fulfilled on a case-by-case basis.

REGENTS

The Regents receive attendance fees, the amount of which has only a fixed component, with no variable element, and is granted for each meeting actually attended by members of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee. If a meeting is organised via the written procedure or by a voice telecommunication system, the attendance fees are paid to the Regents who actually attend the meeting.

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

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

3.1.10.3 Remuneration and other benefits granted

GOVERNOR, VICE-GOVERNOR AND DIRECTORS

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

Last year, the gross salaries amounted to € 500 793 for the post of Governor, € 422 892 for the post of Vice-Governor and € 383 749 for the post of Director.

The ratio between the lowest remuneration for staff and a Director's salary is 1 to 8.4. The ratio between the lowest remuneration for staff and the Governor's salary is 1 to 11.0. The salaries of the Governor, Vice-Governor and Directors are linked to changes in the health index. Staff remuneration is linked to the health index and to the pay scale system.

As stated above, in November 2020, in view of the relatively large pay differential between the Governor and the staff, the Council of Regency decided to reduce the Governor's gross salary by 10 % as of 2021 and to reduce the gross salary of the Vice-Governor by 5 % as of 2021. That decision was taken on the initiative of the Board of Directors and the positive recommendation of the Remuneration and Appointments Committee.

The group insurance policy for the pension plan of members of the Board of Directors comprises a retirement pension element and cover in the event of death. The table below shows the insurance premiums paid during the last financial year for each member of the Board of Directors. The variations in the premiums depend on a number of factors, including basic remuneration, the duration of mandates, the reserves already built up and the period remaining until retirement age.

1 Upon a proposal from the Remuneration and Appointments Committee, the Council of Regency approved on 20 January 2023 an update of the remuneration policy regarding exit conditions, which are largely based on the European Central Bank's code of conduct for high-level officials.

Group insurance premium

(in €)

Member	Group insurance premium
Pierre Wunsch	107 328
Steven Vanackere	103 547
Jean Hilgers	94 817
Vincent Magnée	96 881
Tom Dechaene	271 513
Tim Hermans	64 957

Members of the Board of Directors have a guaranteed income policy covering incapacity for work (for which the premiums paid last year came to € 43 505) and a policy covering occupational and non-occupational accidents (for which the premiums paid last year came to € 6 875). In addition, group health insurance and group directors' liability insurance are also concluded for the Board of Directors. Finally, members of the Board of Directors are provided with a company car. Last year, the value of this benefit in kind came to € 3 197 for the Governor and € 17 710 for the other Directors jointly.

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

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

REGENTS

Last year, the attendance fees paid for attending meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee stood at € 576 gross per meeting attended. That amount has remained unchanged for the past five years, but it is index-linked so that the figures are as follows: € 533 in 2018, € 545 in 2019, € 549 in 2020, € 554 in 2021 and € 576 in 2022.

In 2022, the following fees were paid for attending the meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee (names in alphabetical order, excluding travel allowances):

(number of meetings, unless otherwise stated)

Member	Council of Regency	Audit Committee	Remuneration and Appointments Committee	Total number of meetings	Total remuneration (in €)
Thierry Bodson	15	–	–	15	8 640
Estelle Cantillon [1]	19	2	–	21	12 096
Lode Ceyssens [2]	9	–	–	9	5 184
Helga Coppen	19	–	–	19	10 944
Mia De Schamphelaere	19	8	–	27	15 552
Louise Fromont	18	–	–	18	10 368
Marc Leemans	12	–	–	12	6 912
Christine Mahy [3]	8	–	–	8	4 608
Eric Mathay	19	8	–	27	15 552
Véronique Thirion [4]	7	–	–	7	4 032
Géraldine Thiry [5]	19	6	–	25	14 400
Claire Tillekaerts	18	–	3	21	12 096
Pieter Timmermans	19	–	3	22	12 672
Danny Van Assche	17	–	–	17	9 792
Géraldine Van der Stichele	13	–	2	15	8 640
Georges Van Keerberghen [6]	4	–	–	4	2 304

1 Member of the Council of Regency until 16 May 2022.
2 Member of the Council of Regency from 16 May 2022.
3 Member of the Council of Regency from 16 May 2022.
4 Member of the Council of Regency until 16 May 2022.
5 Member of the Council of Regency from 16 May 2022.
6 Member of the Council of Regency until 16 May 2022.

3.1.11 Non-financial declaration

The non-financial declaration is contained in chapter 2 “The National Bank as a socially responsible company” of this Corporate Report (see p. 97).

Council of Regency

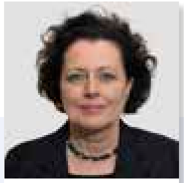
Claire Tillekaerts
President of the Council of Regency

Marc Leemans
Regent

Pieter Timmermans
Regent

Eric Mathay
Regent

Danny Van Assche
Regent



Mia De Schamphelaere
Regent

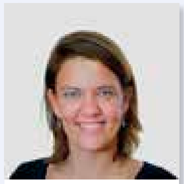
Géraldine Van der Stichele
Regent

Estelle Cantillon
Regent

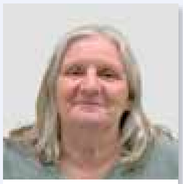
Thierry Bodson
Regent

Géraldine Thiry
Regent

Louise Fromont
Regent



Helga Coppen
Regent



Christine Mahy
Regent

Lode Ceyssens
Regent

Pierre Wunsch
Governor

Steven Vanackere
Vice-Governor

Jean Hilgers
Director
Treasurer

Vincent Magnée
Director

Tom Dechaene
Director

Tim Hermans
Director
Secretary

Hans D'Hondt
Representative of the Minister of Finance

3.2 Annual accounts

3.2.1 Balance Sheet

(before allocation of the profit or loss)

Assets

(end-of-period data, in € thousand)

	See note below	2022	2021
1. Gold and gold receivables	1	12 473 379	11 767 180
2. Claims on non-euro area residents denominated in foreign currency	2	26 908 048	25 582 833
2.1 Receivables from the IMF		15 917 080	15 337 049
2.2 Balances with banks and security investments, external loans and other external assets		10 990 968	10 245 784
3. Claims on euro area residents denominated in foreign currency	3	284 018	180 721
4. Claims on non-euro area residents denominated in euro	4	24	17
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	48 986 510	87 638 230
5.1 Main refinancing operations		50 000	–
5.2 Longer-term refinancing operations		48 936 510	87 638 230
5.3 Fine-tuning reverse operations		–	–
5.4 Structural reverse operations		–	–
5.5 Marginal lending facility		–	–
5.6 Credits related to margin calls		–	–
6. Other claims on euro area credit institutions denominated in euro	6	901 624	434 816
7. Securities of euro area residents denominated in euro	7	232 279 769	216 071 007
7.1 Securities held for monetary policy purposes		229 355 020	212 653 610
7.2 Other securities		2 924 749	3 417 397
8. Intra-Eurosystem claims	8	6 065 549	9 248 186
8.1 Participating interest in ECB capital		380 551	358 324
8.2 Claims equivalent to the transfer of foreign currency reserves		1 469 828	1 469 828
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem		4 215 170	7 420 034
8.4 Other claims within the Eurosystem (net)		–	–
9. Other assets	9	10 503 476	8 476 908
9.1 Coins of euro area		7 734	8 711
9.2 Tangible and intangible fixed assets		440 936	403 730
9.3 Other financial assets		7 493 799	7 195 259
9.4 Off-balance-sheet instruments revaluation differences		156 050	–
9.5 Accruals and prepaid expenditure		2 330 968	837 199
9.6 Sundry		73 989	32 009
10. Loss for the year	10	579 593	–
Total assets		338 981 990	359 399 897

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

	See note below	2022	2021
1. Banknotes in circulation	11	52 694 546	51 767 819
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	12	212 455 590	171 421 401
2.1 Current accounts (covering the minimum reserve system)		7 014 103	97 194 582
2.2 Deposit facility		205 441 487	74 226 819
2.3 Fixed-term deposits		–	–
2.4 Fine-tuning reverse operations		–	–
2.5 Deposits related to margin calls		–	–
3. Other liabilities to euro area credit institutions denominated in euro	13	1 401 357	908 212
4. Liabilities to other euro area residents denominated in euro	14	4 299 060	5 947 992
4.1 General government		3 641 859	5 440 401
4.2 Other liabilities		657 201	507 591
5. Liabilities to non-euro area residents denominated in euro	15	3 650 731	5 476 602
6. Liabilities to euro area residents denominated in foreign currency	16	2 061 223	2 953 293
7. Liabilities to non-euro area residents denominated in foreign currency	17	2 626 570	1 461 240
8. Counterpart of special drawing rights allocated by the IMF	18	13 102 434	12 937 044
9. Intra-Eurosystem liabilities	19	25 019 859	86 357 768
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates		–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem		–	–
9.3 Other liabilities within the Eurosystem (net)		25 019 859	86 357 768
10. Other liabilities	20	1 767 750	568 036
10.1 Off-balance-sheet instruments revaluation differences		–	24 608
10.2 Accruals and income collected in advance		1 050 188	23 892
10.3 Sundry		717 562	519 536
11. Provisions	21	–	–
11.1 For future exchange losses		–	–
11.2 For new premises		–	–
11.3 For contingencies		–	–
11.4 In respect of monetary policy operations		–	–
12. Revaluation accounts	22	12 492 431	12 018 744
13. Capital, reserve fund and available reserve	23	7 410 439	7 226 355
13.1 Capital		10 000	10 000
13.2 Reserve fund :			
Statutory reserve		1 168 694	1 168 694
Extraordinary reserve		1 153 603	1 153 603
Depreciation accounts in respect of tangible and intangible fixed assets		323 139	316 750
13.3 Available reserve		4 755 003	4 577 308
14. Profit for the year	24	–	355 391
Total liabilities		338 981 990	359 399 897

3.2.2 Profit and loss account

(end-of-period data, in € thousand)

	See note below	2022	2021
1. Net interest income	25	578 629	1 229 612
1.1 Interest income [1]		1 788 508	2 133 819
1.2 Interest expense [1, 2]		–1 209 879	–904 207
2. Net result of financial operations, write-downs and provisions	26	–344 574	77 065
2.1 Realised gains/losses arising from financial operations [1, 2]		–20 278	107 639
2.2 Write-downs on financial assets and positions [2]		–324 296	–30 575
2.3 Transfer to/from provisions		–	–
3. Net income/expense from fees and commissions	27	–1 596	592
3.1 Fees and commissions income		10 940	11 435
3.2 Fees and commissions expense		–12 536	–10 843
4. Income from equity shares and participating interests [1]	28	43 477	65 432
5. Net result of pooling of monetary income	29	–585 046	–705 627
6. Other income [1]	30	187 327	195 667
7. Staff costs	31	–319 980	–301 037
8. Administrative expenses [1]	32	–105 196	–94 594
9. Depreciation of tangible and intangible fixed assets	33	–14 990	–16 024
10. Banknote production services	34	–18 163	–12 682
11. Other expenses	35	0	0
12. Corporate tax	36	519	–83 013
Profit / Loss (–) for the year		–579 593	355 391

1 Of which proceeds from statutory investments and similar:			
1.1 Interest income		83 413	98 585
1.2 Interest expense		105	229
2.1 Realised gains/losses arising from financial operations		507	108
4. Income from equity shares and participating interests		17 435	31 343
6. Other income: Proceeds from sale of real estate		–	19 334
8. Administrative expenses: Costs related to the sale of real estate		–	–559
Immovable replacement investments (not taken into consideration in the profit en loss account)		–	–671
Total		101 461	148 369

2 Of which due to (–) / by (+) the State:			
1.2 Interest expense		–24 442	–27 820
2.1 Realised gains/losses arising from financial operations		33 107	16 191
2.2 Write-downs on financial assets and positions		–	–
Total		8 665	–11 629

3.2.3 Allocation of the profit or loss

(in € thousand)

	See note below	2022	2021
Profit for the year	37	–	355 391
The annual profits shall be distributed as follows, in accordance with Article 32 of the Organic Law:			
1. A first dividend of 6 % of the capital shall be allocated to the shareholders		–	600
2. From the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, shall be allocated to the reserve fund or to the available reserve		–	177 695
3. From the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and available reserve shall be allocated to the shareholders		–	54 616
4. The balance shall be allocated to the State; it shall be exempted from corporate tax		–	122 480
Loss for the year	37	–579 593	–
In accordance with the reserve policy, the negative result for the financial year is first charged to the available reserve; then, if necessary, it is covered by the reserve fund:			
1. Withdrawal from the available reserve		–580 193	–
2. Withdrawal from the reserve fund		0	–
In accordance with the dividend policy:			
3. A first dividend[1] of € 1.50 euro per share (6 % of the capital) is allocated to shareholders		600	–
4. A second dividend is allocated to the shareholders[2], set by the Council of Regency, at a minimum of 50 % of the net proceeds of the assets that form the counterpart to the reserve fund and the available reserve		0	–

1 Guaranteed by both the available reserve and the reserve fund.
2 Unless a withdrawal from the available reserve would reduce the reserves to a level insufficient to cover the estimated risks.

3.2.4 Dividend per share

(in €)

	2022	2021
Gross dividend	1.50	138.04
Withholding tax	0.45	41.41
Net dividend	1.05	96.63

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

3.2.5 Off-Balance-Sheet Items

(end-of-period data, in € thousand)

	See note below	2022	2021
Forward transactions in foreign currencies and in euro	38		
Forward claims		8 118 481	7 097 849
Forward liabilities		7 991 218	7 135 291
Forward transactions on interest rate and fixed-income securities	39	510 032	93 855
Liabilities which could lead to a credit risk	40		
Commitments towards international institutions		15 617 691	15 474 880
Commitments towards other institutions		763 276	1 461 767
Valuables and claims entrusted to the institution	41		
For encashment		–	–
Assets managed on behalf of the Treasury		212 866	201 579
Assets managed on behalf of the ECB		2 102 822	1 963 142
Custody deposits		970 131 268	950 294 663
Capital to be paid up on participations	42	235 163	254 422

3.2.6 Social Balance Sheet

1. Statement of persons employed

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

	Total	Men	Women
1. During the financial year			
a. Average number of employees			
Full-time	1 699.30	1 144.30	555.00
Part-time	373.80	107.30	266.50
Total in full-time equivalents (FTE)	1 968.66	1 223.40	745.26
b. Number of hours actually worked			
Full-time	2 292 278.80	1 560 040.30	732 238.50
Part-time	328 918.30	99 454.70	229 463.60
Total	2 621 197.10	1 659 495.00	961 702.10
c. Staff costs (in €)			
Full-time	265 661 976.64	188 812 878.40	76 849 098.24
Part-time	35 235 040.73	10 200 408.89	25 034 631.84
Total	300 897 017.37	199 013 287.29	101 883 730.08
d. Amount of benefits additional to wages	2 697 111.14	1 783 869.31	913 241.83
2. During the previous financial year			
Average number of workers in FTEs	2 034.46	1 272.10	762.36
Number of hours actually worked	2 814 598.60	1 792 250.90	1 022 347.70
Staff costs (in €)	282 459 544.46	188 622 894.15	93 836 650.31
Amount of benefits additional to wages (in €)	3 086 432.50	2 061 080.40	1 025 352.10

	Full-time	Part-time	Total in full-time equivalents
3. On the balance sheet date			
a. Number of workers	1 681	347	1 931.06
b. By type of employment contract			
Permanent contract	1 618	341	1 864.06
Fixed-term contract	63	6	67.00
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By gender and level of education			
Men	1 123	98	1 195.20
Elementary	58	12	65.60
Secondary	233	36	259.10
Higher non-university	310	28	332.20
University	522	22	538.30
Women	558	249	735.86
Elementary	33	37	57.46
Secondary	105	89	167.80
Higher non-university	167	74	221.10
University	253	49	289.50
d. By occupational category			
Management staff	19	0	19.00
Clerical workers	1 662	347	1 912.06
Manual workers	–	–	–
Other	–	–	–

B. Agency staff and persons on secondment

	Agency staff	Persons on secondment
During the financial year		
Average number of persons employed	0.47	–
Number of hours actually worked	924.25	–
Costs to the enterprise (in €)	20 765.00	–

2. Table of staff movements during the year

A. Recruitment

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers for whom the enterprise submitted a DIMONA declaration or who were entered in the general staff register during the year	**134**	**8**	**139.80**
b. By type of employment contract			
Permanent contract	98	3	100.30
Fixed-term contract	36	5	39.50
Contract for a specific project	–	–	–
Substitution contract	–	–	–

B. Departures

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers whose contract expiry date was recorded in a DIMONA declaration or in the general staff register during the year	**175**	**62**	**220.10**
b. By type of employment contract			
Permanent contract	137	60	181.00
Fixed-term contract	38	2	39.10
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By reason for termination of contract			
Retirement	109	59	152.50
Unemployment with company supplement	–	–	–
Redundancy	9	0	9.00
Other reason	57	3	58.60
of which: number of persons continuing to provide services for the enterprise at least half time as self-employed workers	–	–	–

3. Information on training for workers during the year

	Men	Women
1. Formal further vocational training at the employer's expense		
Number of workers concerned	892	588
Number of hours of training completed	26 460.00	20 505.50
Net cost to the enterprise (in €)	4 841 399.47	3 751 910.95
of which:		
Gross cost directly relating to training	4 841 399.47	3 751 910.95
Contributions and payments to communal funds	–	–
Subsidies and other financial benefits received (to be deducted)	–	–
2. Semi-formal or informal further vocational training at the employer's expense		
Number of workers concerned	1 112	698
Number of hours of training completed	22 587.18	13 313.79
Net cost to the enterprise (in €)	2 592 782.39	1 528 289.95
3. Basic vocational training at the employer's expense		
Number of workers concerned	–	–
Number of hours of training completed	–	–
Net cost to the enterprise	–	–

3.2.7 Notes to the annual accounts

3.2.7.1 Legal framework

The annual accounts are drawn up in accordance with Article 33 of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, which provides that:

"The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

1. *in accordance with this Law and the mandatory rules established pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;*

2. *and otherwise in accordance with the rules laid down by the Council of Regency.*

Articles 2 to 4, 6 to 9 and 16 of the Act of 17 July 1975 on business accounting and their implementing decrees shall apply to the Bank, with the exception of the decrees implementing Articles 4(6) and 9 §2."

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

The mandatory rules referred to in Article 33(1) are defined in the Guideline of the ECB of 3 November 2016 on the legal framework for accounting and financial reporting in the ESCB (recast) (ECB/2016/34), OJ L347 of 20 December 2016, as amended by the Guideline of 28 November 2019 (ECB/2019/34), OJ L332 of 23 December 2019, and the Guideline of 11 November 2021 (ECB/2021/51), OJ L419 of 24 November 2021.

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

The accounts for the financial year under review have been drawn up in accordance with the above-mentioned Article 33, in accordance with the format and accounting rules approved by the Council of Regency on 7 December 2022. The accounting rules for the following items have been amended: sections 3.2.7.2.II.4 (formalisation of the replacement of the EONIA rate by the €STR), 3.2.7.2.II.6.2 (deletion of the reference to sales to the Belgian Royal Mint) and 3.2.7.2.III.9 (inclusion of the allocation rules for losses).

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

3.2.7.2 Accounting principles and valuation rules

I. MANDATORY ACCOUNTING RULES PURSUANT TO THE ESCB/ECB STATUTE

The accounts, which are drawn up on a historical cost basis, are adjusted to reflect the valuation at market prices of marketable instruments (other than the statutory portfolio, held-to-maturity portfolios, and portfolios held for monetary policy purposes), gold and all other elements denominated in foreign currencies, both on and off balance sheet.

Spot and forward foreign exchange transactions are recorded off balance sheet on the contract date and on balance sheet on the settlement date.

1. Assets and liabilities in gold and foreign currencies

The Belgian State's official gold and foreign exchange reserves, which are presented on the balance sheet, are held and managed by the Bank. Assets and liabilities in gold and foreign currencies are converted into euro at the exchange rate prevailing on the balance sheet date.

Foreign currencies are revalued on a currency-by-currency basis; both on-balance-sheet and off-balance-sheet items are revalued.

The revaluation of securities at market price is treated separately from the revaluation of foreign currencies at market (exchange) rates.

2. Securities

Fixed-income marketable securities, excluding those in the statutory portfolio, those held to maturity (HTM), and those held for monetary policy purposes, are valued at the market price prevailing on the balance sheet date (MTM). The revaluation of securities is done line by line.

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

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

Securities valued at amortised cost may be subject to impairment.

Marketable investment funds are valued at the market price prevailing on the balance sheet date. These funds are revalued on a net basis rather than on the basis of the underlying assets if they meet certain criteria,[1] without netting between the various funds.

3. Repurchase and reverse repurchase agreements

A repurchase agreement is a sale of securities in which the transferor expressly undertakes to repurchase the securities and the transferee expressly agrees to sell them back at an agreed price and on an agreed date.

The transferor records, on the liabilities side of its balance sheet, the liquidity received as a debt to the transferee and values the transferred securities in accordance with the accounting rules applicable to the securities portfolio in which they are held.

The transferee, for its part, records on the assets side of its balance sheet a claim against the transferor corresponding to the amount paid, while the securities acquired are not recorded on balance sheet but rather off balance sheet.

The Bank considers the abovementioned transactions to constitute a repurchase agreement or a reverse repurchase agreement, depending on whether it acts as the transferor or transferee of the securities.

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

4. Share of the ECB's capital

Pursuant to Article 28 of the Statute of the ESCB and of the ECB, the national central banks (NCBs) are the sole subscribers to the ECB's capital. Shares depend on the ECB's capital key, which is determined in accordance with Article 29 of the ESCB Statute.

5. Banknotes in circulation

The ECB and the NCBs of the countries that have adopted the euro, which together comprise the Eurosystem, issue euro banknotes.[2] The total value of the euro banknotes in circulation is allocated on the last working day of each month in accordance with the banknote allocation key.

Of the total value of the euro banknotes in circulation, 8 % is allocated to the ECB, while the remaining 92 % is allocated to the NCBs based on their paid-up share of the ECB's capital. The share allocated to each NCB is included on the liabilities side of its balance sheet, under the item "Banknotes in circulation".

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes actually put into circulation by each NCB gives rise to intra-Eurosystem balances. These claims

1 These criteria are defined in Article 11a of the ECB Guideline of 3 November 2016, amended by the Guideline of 28 November 2019 (ECB/2019/34), OJ L332 of 23 December 2019, and the Guideline of 11 November 2021 (ECB/2021/51), OJ L419 of 24 November 2021.

2 Decision of the ECB of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29, OJ L35 of 09 February 2011), as amended by the Decision of 27 November 2014 (ECB/2014/49, OJ L50 of 21 February 2015) and by the Decision of 22 January 2020 (ECB/2020/7, OJ L27 of 1 February 2020).

or liabilities, which bear interest, are disclosed under the sub-item "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem" under item 8.3 on the assets side or item 9.2 on the liabilities side of the balance sheet.

6. Recognition of profit and loss

6.1 Profits and losses are recognised in accordance with the following rules:
- income and expenses are recognised in the financial year in which they are earned or incurred;
- realised gains and losses are carried to the profit and loss (P&L) account;
- at the end of the year, positive revaluation differences (on securities and foreign reserves) are not booked as income but rather in the revaluation accounts on the liabilities side of the balance sheet;
- negative revaluation differences are first deducted from the corresponding revaluation account, with any remainder carried to the income statement;
- these losses carried to the income statement are not netted against any positive revaluation differences in subsequent years, nor are negative revaluation differences on a given security, currency or gold asset netted against positive revaluation differences on other securities, currencies or gold assets;
- for gold, no distinction is made between revaluation differences in the price of gold and those in the currency in which the price is denominated;
- in order to calculate the acquisition cost of securities or currencies sold, the average cost method is applied on a daily basis; at the end of the year, if any negative revaluation differences are carried to the income statement, the average cost price of the asset in question (gold, currency or securities) is reduced to the level of the current exchange rate or market price.

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

6.3 Interest accrued but not yet due which influences foreign exchange positions is recorded daily and converted at the exchange rate prevailing on the recognition date.

6.4 The monetary income of each NCB in the Eurosystem is determined by calculating the effective annual income from the earmarkable assets held in counterpart to the liability items which serve as the basis for their calculation. This basis is composed of the following items:
- banknotes in circulation;
- liabilities to euro area credit institutions related to monetary policy operations denominated in euro;
- net intra-Eurosystem liabilities resulting from TARGET2 transactions;
- net intra-Eurosystem liabilities arising from the allocation of euro banknotes in the Eurosystem;
- accrued interest on monetary policy liabilities with a maturity of 1 year or longer.

Any interest on liabilities is included in the calculation basis for the monetary income pooled by each NCB.

Earmarkable assets consist of the following items:
- lending to euro area credit institutions related to monetary policy operations denominated in euro;
- intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB;
- net intra-Eurosystem claims resulting from TARGET2 transactions;
- net intra-Eurosystem claims resulting from the allocation of euro banknotes in the Eurosystem;
- securities held for monetary policy purposes;
- a limited amount of each NCB's gold holdings, in proportion to its subscribed capital key; gold is considered to generate no income;
- accrued interest on monetary policy assets with a maturity of 1 year or longer;
- accrued interest on impaired securities held for monetary policy purposes;
- claims on central banks not belonging to the Eurosystem and relating to liquidity-providing transactions.

Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the latest marginal interest rate applicable to the Eurosystem's main refinancing operations is applied to the difference.[1]

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

This income is distributed in full unless it exceeds the ECB's net profit.

In addition, the Governing Council may decide, before the end of the financial year, on the principle of transferring all or part of this income to a provision for foreign exchange rate, interest rate, credit and gold price risks.[2]

7. Off-balance-sheet instruments

Forward foreign exchange transactions, the forward leg of currency swaps, and any other foreign currency instruments involving the exchange of one currency for another at a future date are included in the net foreign exchange position for the purpose of calculating the average cost price and foreign exchange gains and losses.

For foreign exchange swaps, the forward position is revalued at the same time as the spot position. Since spot and forward amounts in foreign currencies are converted to euros at the same exchange rate, they do not affect the "Revaluation accounts" item on the liabilities side of the balance sheet.

Interest-rate swaps and futures are revalued on a line-by-line basis and booked under off-balance-sheet items. For futures, daily margin calls are booked on the income statement and influence the currency position.

1 Decision of the ECB of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016/36, OJ L347 of 20 December 2016), as amended by the Decision of 12 November 2020 (ECB/2020/55, OJ L390 of 20 November 2020).
2 Decision of the ECB of 15 December 2014 on the interim distribution of the income of the ECB (recast) (ECB/2014/57, OJ L53 of 25 February 2015), as amended by the Decision of 2 July 2015 (ECB/2015/25, OJ L193 of 21 July 2015) and by the Decision of 12 November 2020 (ECB/2020/56, OJ L 390 of 20 November 2020).

Gains and losses arising from off-balance-sheet instruments are recognised and treated in the same way as those relating to on-balance-sheet instruments.

8. Post balance sheet events

Assets and liabilities are adjusted to take into account information obtained between the balance sheet date and the closing date of the annual accounts by the Bank's Board of Directors, if the information has a significant impact on the asset and liability items on the balance sheet at the balance sheet date.

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

1. Gold and gold receivables

The capital gains realised by the Bank on arbitrage between gold and other external reserve components are booked in a special unavailable reserve account in accordance with Article 30 of the Organic Law and Article 54 of the Bank's Statutes. This account appears under item 10.3 "Sundry" on the liabilities side of the balance sheet.

2. IMF transactions

Pursuant to Article 1 of the agreement of 14 January 1999 between the Belgian State and the Bank determining certain procedures for the implementation of Article 9 of the Organic Law, the Bank records the rights that the State holds as a member of the IMF in its accounts as its owns assets. Article 9(2) of the Organic Law stipulates moreover that the State shall guarantee the Bank against any losses as well as the repayment of any loan granted by the Bank in the context of these transactions.

3. Loans granted and other transactions related to financial stability

Pursuant to Article 9(2) of the Organic Law, the State guaranteed to reimburse any loans granted by the Bank in connection with its contribution to the stability of the financial system and any losses sustained as a result of any transactions necessary to this end.

However, given that such an automatic State guarantee would cause, according to the European Commission, the provision of emergency liquidity to be classified as State aid – which could restrict the Bank's ability to perform its role as lender of last resort – this provision was repealed.[1] In the event of a sudden crisis on the financial markets or a serious threat of a systemic crisis, the King may still – at the Bank's recommendation – grant the Bank an *ad hoc* guarantee via a royal decree deliberated in the Council of Ministers on the basis of Article 36/24 §1, (2) of the Organic Law.

4. Treasury's current account

Pursuant to an agreement of 20 September 2019 and its addendum dated 16 January 2023, the end-of-day credit balance of the Treasury's current account at the close of TARGET2 bears interest, up to a maximum of € 150 million, at the euro short-term rate (€STR).

5. Capital, reserve fund and available reserve

5.1 Capital

Pursuant to Article 4 of the Organic Law, the share capital, totalling € 10 million, is represented by 400 000 shares, without par (i.e. nominal) value. The share capital is fully paid up.

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

5.2 Reserve fund

The reserve fund, as provided for by Article 31 of the Organic Law, consists of the statutory reserve, the extraordinary reserve and the depreciation accounts.

It is intended to be used to:
1. compensate for the losses in capital stock;
2. supplement any shortfall in the annual profits, up to a dividend of 6 % of the capital.

Upon expiry of the Bank's right of issue, the State shall have a priority claim to one-fifth of the reserve fund.

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

The remaining four-fifths shall be distributed amongst all the shareholders.[2]

5.3 Available reserve

The available reserve, provided for by Article 32 of the Organic Law may, by way of a decision of the Council of Regency, be used to offset losses or to pay the dividend.

6. Recognition of profit or losses

6.1 Proceeds assigned in full to the State

Pursuant to Article 30 of the Organic Law, the net income from the assets which form the counterpart to the capital gains realised by the Bank through arbitrage in gold assets against other external reserve components, booked in a special unavailable reserve account, is assigned to the State. The implementing procedures for these provisions are governed by an agreement dated 30 June 2005 between the State and the Bank, published in the *Moniteur belge/Belgisch Staatsblad* on 5 August 2005, and an amendment thereto dated 10 July 2009, published in the *Moniteur belge/Belgisch Staatsblad* on 17 July 2009.

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

6.2 Net foreign exchange differences accruing to the State

Pursuant to Article 9 of the Organic Law, international monetary cooperation agreements or transactions which the Bank carries out on behalf of the State or with the latter's express consent are guaranteed by

2 Pursuant to Article 141 §9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, Article 31(2) of the Law of 22 February 1998 establishing the organic statute of the National Bank of Belgium is interpreted as meaning that the right of issue in question includes that which the Bank may exercise pursuant to Article 106(1) of the Treaty establishing the European Community (Article 128(1) of the Treaty on the Functioning of the European Union).

the State. Foreign exchange gains and losses realised on these operations accrue to the State.

Pursuant to Article 37 of the Organic Law, capital gains realised on the sale of gold with a view to issuance by the State of numismatic or commemorative coins are remitted to the State. Those sales may not exceed 2.75 % of the weight of gold in the assets of the Bank on 1 January 1987.

7. Appropriation of profits

Pursuant to Article 32 of the Organic Law, the profits for the year are allocated as follows:
1. a first dividend of 6 % of the capital is allocated to the shareholders;
2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, is allocated to the reserve fund or to the available reserve;
3. from the second excess, a second dividend, established by the Council of Regency, is allocated to the shareholders, forming a minimum of 50 % of the net proceeds from the assets which are the counterpart of the reserve fund and the available reserve;
4. the balance is allocated to the State; it is exempt from corporate tax.

III. ACCOUNTING RULES ESTABLISHED BY THE COUNCIL OF REGENCY

1. Holdings in the statutory investment portfolio

The Bank's holdings in the form of shares representing the capital of various institutions are recorded on the balance sheet at their acquisition price, as recommended by the aforementioned ECB Guideline.

2. Fixed-income marketable securities in the statutory investment portfolio

These securities are treated as a separate portfolio; they are valued at their purchase price amortised on the basis of their actuarial yield, as recommended by the aforementioned ECB Guideline.

3. Ceiling on the portfolio of statutory investments

The ceiling on statutory portfolio investments is determined annually at the time of the final appropriation of profits. It is equal to the sum of the following items:
- the capital;
- the reserve fund (statutory reserve, extraordinary reserve and depreciation accounts);
- the available reserve;
- allocations to the reserves.

Statutory portfolio investments are valued based on the principles described under points 1 and 2 above.

4. Transfer of securities between portfolios

Transfers of securities between portfolios subject to different accounting rules are carried out at market price.

5. Tangible and intangible fixed assets

Land, buildings, plant, machinery, computer hardware and software, furniture and vehicles are booked at their acquisition value.

Buildings under construction are booked at the cost actually paid.

Tangible and intangible fixed assets with a limited economic life, acquired from financial year 2009 onwards, including ancillary costs, are depreciated in accordance with the probable useful economic life accepted under the applicable tax rules.

Useful economic life of the main items:

■ land	unlimited
■ buildings	34 years
■ renovations	10 years
■ furnishings/fittings	10 years
■ software	5 years
■ machinery	5 years
■ security work	3 years
■ hardware	3 years
■ improvements to property held for lease	no more than the duration of the lease

6. Stocks

Supplies intended for the production of orders for third parties, work in progress and the resulting finished products are valued at the acquisition cost of the materials.

7. Corporate tax

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

Tax adjustments for preceding financial years, regardless of whether they were positive or negative, are taken into account when calculating the average tax rate.

8. Calculation of the second dividend

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

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

9. Allocation of losses

In the event of a loss, it is first charged to the available reserve in accordance with the reserve policy. Subsequently, if necessary, it is covered by the reserve fund or carried forward.

In accordance with the dividend policy, a first dividend of € 1.5 per share (6 % of the capital) is guaranteed by both the available reserve and the reserve fund. A second dividend is guaranteed by the available reserve, unless drawing down this reserve would lead to a level of reserves insufficient to cover the estimated risks.

10. Off-balance-sheet items

	Category of off-balance-sheet items	Valuation principle
Liabilities which could lead to a credit risk	Commitments towards international institutions	Nominal value, currencies converted at the market exchange rate
	Commitments towards other institutions	
Valuables and claims entrusted to the institution	For encashment	Nominal value
	Assets managed on behalf of the Treasury	Nominal value/cost, currencies converted at the market exchange rate
	Assets managed on behalf of the ECB	
	Custody deposits	Nominal amount, currencies converted at the market exchange rate
Capital to be paid up on participations		Nominal amount, currencies converted at the market exchange rate

3.2.7.3 Reserve and dividend policy

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

1. The profit for the year is the first buffer used to absorb losses. In the event of a loss, it is first charged to the available reserve. Subsequently, if necessary, it is covered by the reserve fund.
   An estimate of the quantifiable risks forms the basis for determining the minimum level of reserves. All of the Bank's financial risks are quantified either in accordance with the value-at-risk/expected shortfall methodology, for which very conservative parameters in terms of probabilities and time horizons are used, or long-term scenarios. These methodologies are also applied by other Eurosystem members.

   As long as the period of unconventional monetary policy lasts, 50 % of the profit for the financial year is allocated, each year, to the reserve fund or the available reserve.

The risks estimate is updated annually. Based on this assessment, the Council of Regency may decide to set aside a different percentage of the profit.

When comparing the existing reserves with the minimum required levels, the depreciation accounts are disregarded since they cannot be used to cover losses or to supplement profits.

Having regard to the fact that the reserve fund is almost totally non-distributable and its size in relation to the capital, profits to be reserved are assigned to the available reserve.

If the level of reserves is considered excessive, drawdowns from the available reserve may be made. These must be exceptional and duly founded. Such drawdowns may only be paid out as dividends.

2. The dividend allocated to the shareholders consists of a first dividend of 6 % of the capital and a second dividend established by the Council of Regency pursuant to Article 32, 3° of the Organic Law.
   The first dividend of € 1.5 per share (6 % of the capital) is guaranteed by both the available reserve and the reserve fund.
   The second dividend has been set by the Council of Regency at 50 % of the net proceeds from the assets that form the counterpart to the reserves ("the statutory portfolio").

   The term "net proceeds" refers to the amount appearing in the P&L account ("Proceeds from statutory investments") after deduction of proceeds corresponding to the capital share and any corporate tax effectively levied for the financial year in question (see section 3.2.7.2.III.8).

   The second dividend is guaranteed by the available reserve, unless a drawdown from this reserve would reduce the reserves to a level insufficient to cover the estimated risks. Priority is given to ensuring the financial soundness and independence of the Bank.

3. If an amount of less than half the net proceeds from the statutory portfolio is allocated to the reserves, the allocation will be supplemented until it reaches 50 % of the net proceeds, insofar as the net profit remaining after deduction of the second dividend so permits.
   If the Bank no longer has to make allocations to the reserves and the profit is sufficient, the second dividend shall be increased until it corresponds to the total net proceeds (100 %) from the statutory portfolio.

   The reserve and dividend policy therefore guarantees that, if the profit is sufficient, the net proceeds from the statutory portfolio shall either be allocated to the reserves, thereby increasing the calculation basis for the second dividend, or paid directly to the shareholders as a second dividend. The balance allocated to the State shall never include any share of the net proceeds from this portfolio.

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

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

3.2.7.4 Notes to the balance sheet

NOTE 1. GOLD AND GOLD RECEIVABLES

Gold stock
(end-of-period data)

	2022	2021
In ounces of fine gold	7 311 154.9	7 311 154.9
In kg of fine gold	227 402.4	227 402.4
At market price (in € million)	12 473.4	11 767.2

On 31 December 2022, nine tonnes of gold were still available for the issuance of coins by the State for numismatic or commemorative purposes.

Most of the gold stock is held at the Bank of England. A much smaller portion is held at the Bank for International Settlements (BIS) and at the Bank of Canada. A very small quantity is stored at the National Bank of Belgium.

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

Gold price
(end-of-period data, in €)

	2022	2021
Ounce of fine gold	1 706.08	1 609.48
Kg of fine gold	54 851.58	51 746.07

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

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

	2022	2021
SDR	0.7989	0.8091
USD	1.0666	1.1326
JPY	140.6600	130.3800
CNY	7.3582	7.1947
KRW	1 344.0900	1 346.3800

This item is broken down into two sub-items:

- receivables from the International Monetary Fund (IMF);
- balances held in accounts with banks that do not belong to the euro area as well as loans to non-residents of the euro area, securities and other foreign currency-denominated assets issued by the latter.

Net positions in SDR and USD

Net position in SDR
(million)

	in SDR	in €
Balance sheet		
Claims	12 716.4	15 917.1
Liabilities	–10 467.7	–13 102.4
Pro rata interest	8.9	11.2
Off balance sheet		
Net liabilities	–2 230.5	–2 792.0
Net position	27.1	33.9

The position in special drawing rights (SDR) is guaranteed by the State. In order to reduce the exchange rate risk, the Bank has concluded forward transactions which limit the net position to SDR 27.1 million.

Net position in USD
(million)

	in USD	in €
Balance sheet		
Claims	10 522.9	9 865.8
Liabilities	–5 000.0	–4 687.8
Pro rata interest	29.0	27.2
Off balance sheet		
Claims	1 057.5	991.5
Liabilities	–4 399.5	–4 124.8
Pro rata interest	–13.4	–12.6
Net position	2 196.5	2 059.3

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

Receivables from the IMF

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

	2022	2021
Special Drawing Rights	13 360.7	12 927.3
Participation in the IMF	2 215.4	1 955.5
Loans to the IMF	47.9	116.4
Loans to the PRGT	293.1	337.8
Total	15 917.1	15 337.0

Special drawing rights

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

In August 2021, in the context of the Covid-19 pandemic, the IMF decided to allocate SDR totalling USD 650 billion. The share of this allocation received by Belgium was SDR 6 144.4 million. The net cumulative allocation to Belgium therefore increased from SDR 4 323.3 million to SDR 10 467.7 million.

The SDR allocated to IMF members may be sold in exchange for convertible currency on the basis of swap agreements freely concluded between member countries. The agreement between the Bank and the IMF stipulates that the Bank's SDR holdings must total between 65 % and 135 % of the net cumulative allocation.

As at 31 December 2022, the holdings recorded in the special drawing rights account stood at SDR 10 674.0 million, compared to SDR 10 459.8 million a year earlier. Net use of SDR holdings, i.e. the difference between the SDR allocation and SDR holdings, was SDR 206.3 million on the balance sheet date.

Participation in the IMF

This liquid claim of Belgium on the IMF is also called the reserve tranche position (RTP). It is equal to the difference between Belgium's quota in the IMF, namely SDR 6 410.7 million, and the IMF's holdings of euro with the Bank. The quota determines Belgium's voting rights in the IMF.

Belgium's participation in the IMF may be called upon at any time in order to obtain convertible currencies to finance a balance of payments deficit. Changes to the RTP may also result from a contribution by Belgium to credit granted by the IMF to a member country faced with such a deficit or from the repayment of such loans by a country, as well as from euro transactions carried out by the IMF on its own behalf. The interest rate on such loans is adjusted weekly. On the balance sheet date, the reserve tranche position amounted to SDR 1 769.9 million, compared to SDR 1 582.3 million a year earlier. This increase was due to net borrowing by IMF member countries.

Loans to the IMF

These receivables represent the countervalue of the loans granted to the IMF by the Bank in its own name and claims of the Belgian State on the IMF in the event of the implementation of lending agreements to increase the IMF's resources, namely the New Arrangements to Borrow. As at 31 December 2022, the Bank's claims in respect of new loan agreements came to SDR 38.3 million compared to SDR 94.2 million a year earlier, as a result of partial repayment by various IMF member countries.

Loans to the PRGT

The amount shown under this item is the equivalent value of the funds lent by the Bank to the Poverty Reduction and Growth Trust (PRGT), managed by the IMF. This credit facility is intended to support macroeconomic and structural adjustment programmes in low-income developing countries. The amounts lent to the PRGT are used by the IMF to fund loans granted to developing countries under the facility.

Pursuant to the 2012, 2017 and 2020 lending agreements, the PRGT has a credit line with the Bank totalling SDR 1 050 million. On 31 December 2022, the Bank's claims under this heading amounted to SDR 234.1 million, compared to SDR 273.3 million a year earlier, as a result of repayments during the financial year.

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

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

	2022	2021
Sight deposits	13.4	13.9
Time deposits	–	152.8
Reverse repurchase agreements	202.6	151.3
Fixed-income securities	10 775.0	9 927.8
Total	10 991.0	10 245.8

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

	2022	2021
USD	9 583.4	8 891.9
JPY	1 074.7	1 021.3
CNY	237.1	235.7
KRW	95.2	96.2
Other	0.6	0.7
Total	10 991.0	10 245.8

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

	MTM		HTM	
	2022	2021	2022	2021
≤ 1 year	3 929.2	2 985.7	11.9	–
> 1 year and ≤ 5 years	4 606.7	5 114.2	405.8	138.9
> 5 years	1 463.4	1 523.5	358.0	165.5
Total	9 999.3	9 623.4	775.7	304.4

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

	MTM		HTM	
	Book value	Market value	Book value	Market value
United States	6 986.2	6 986.2	264.2	233.9
Japan	1 242.2	1 242.2	98.3	91.1
International organisations	129.5	129.5	261.7	241.1
United Kingdom	74.1	74.1	–	–
Switzerland	961.3	961.3	–	–
Other	606.0	606.0	151.5	135.1
Total	9 999.3	9 999.3	775.7	701.2

Upon revaluation on the balance sheet date, the unrealised gains and losses on mark-to-market securities totalled € 47.2 million and € 316.6 million, respectively.

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

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

	2022	2021
Sight deposits	0.3	0.2
Time deposits	–	26.4
Reverse repurchase agreements	–	–
Fixed-income securities	283.7	154.1
Total	284.0	180.7

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

	MTM		HTM	
	2022	2021	2022	2021
≤ 1 year	14.2	29.3	–	–
> 1 year and ≤ 5 years	94.5	76.6	142.3	48.2
> 5 years	16.5	–	16.2	–
Total	125.2	105.9	158.5	48.2

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

	MTM		HTM	
	Book value	Market value	Book value	Market value
Germany	–	–	43.7	39.7
Spain	9.3	9.3	–	–
France	27.3	27.3	26.9	25.1
Luxembourg	11.0	11.0	–	–
The Netherlands	55.9	55.9	87.9	83.4
Finland	15.9	15.9	–	–
Belgium	5.8	5.8	–	–
Total	125.2	125.2	158.5	148.2

Upon revaluation on the balance sheet date, the unrealised gains and losses on mark-to-market securities totalled € 0.1 million and € 7.7 million, respectively.

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

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

	2022	2021
Reverse repurchase agreements	–	–
Fixed-income securities	–	–
Total	–	–

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

This item came to € 1 324.3 billion for the Eurosystem as a whole, of which € 49.0 billion was for the National Bank of Belgium. In accordance with Article 32.4 of the ESCB/ECB Statute, the entirety of any loss resulting from operations under this heading, upon realisation, shall in principle be shared between the Eurosystem NCBs in proportion to their shares of the ECB's capital.

Main refinancing operations

Reverse transactions intended to grant liquidity to credit institutions for a one-week term via weekly tenders.

On the balance sheet date, the liquidity provided via the weekly main refinancing operations was € 2 406 million, compared to € 386 million at the end of 2021 for the euro area as a whole, with an amount of € 50 million being attributed to credit institutions in Belgium. The interest rate on Targeted Long-Term Refinancing Operations III (TLTRO-III) and Pandemic Emergency Long-Term Refinancing Operations (PELTRO) was significantly more favourable than the rate on one-week operations, which explains the preference for longer-term operations.

Longer-term refinancing operations

Reverse transactions intended to provide additional longer-term liquidity to credit institutions. These operations were conducted at fixed or variable rates with allocation of the total amount of the offer.

At the Eurosystem level, these operations were reduced from € 2 201.5 billion in 2021 to € 1 321.4 billion in 2022, mainly due to repayments under TLTRO III totalling € 880.4 billion. Most of these amounts were repaid early on a voluntary basis (€ 826.1 billion), especially after the ECB adjusted the remuneration for TLTRO III at the end of October to help restore price stability in the medium term. In addition, € 54.3 billion reached maturity under TLTRO III. Outstanding Pandemic Emergency Long-Term Refinancing Operations (PELTROs) fell from € 2.3 billion to € 1.1 billion in the last tranche, which will reach maturity on 23 January 2023. Participation in three-month Long-Term Refinancing Operations (LTROs) increased by € 2.6 billion.

At the end of 2022, the longer-term refinancing operations of Belgian banks amounted to € 48.9 billion, made up entirely of TLTRO III and € 40 million of three-month LTROs, compared with € 87.4 billion of TLTROs and € 0.2 billion of PELTROs at the end of 2021.

NOTE 6. OTHER CLAIMS ON EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

Claims on credit institutions not relating to monetary policy operations

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

	2022	2021
Current accounts	0.3	0.1
Reverse repurchase agreements	901.3	434.7
Total	901.6	434.8

NOTE 7. SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

Securities held for monetary policy purposes

In the first quarter of 2022 the Eurosystem continued its purchases under the Asset Purchase Programme (APP) at a rate of 20 billion per month on average. The APP comprises CBPP3, PSPP, CSPP and ABSPP (the latter is included on the ECB's balance sheet). In March 2022, the net purchases were revised to € 40 billion for April, € 30 billion for May and

€ 20 billion for June. In June 2022, it was decided to end net asset purchases under the APP as of 1 July 2022.

In addition, in the first quarter of 2022, the Eurosystem continued purchases under the Pandemic Emergency Purchase Programme (PEPP), albeit at a lower pace than in the previous quarter. Purchases were discontinued at the end of March 2022. The Governing Council intends to reinvest the principal on maturing securities purchased under the PEPP at least until the end of 2024.

All securities held under the first and second covered bond purchase programmes (CBPP1 and CBPP2) matured in 2022. As a result, the Bank no longer held any securities in these portfolios as at 31 December 2022.

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

	Book value	Market value	Book value	Market value
	2022		2021	
With shared risks				
CBPP3	6 934.9	6 237.1	7 689.5	7 769.2
SMP	38.1	42.0	104.3	116.2
CSPP	83 463.2	72 736.0	71 966.4	73 296.5
PECBPP	98.3	88.0	99.2	98.4
PECSPP	12 591.5	10 628.7	11 163.4	11 318.4
Subtotal	103 126.0	89 731.8	91 022.8	92 598.7
With non-shared risks				
CBPP1	–	–	10.0	10.1
CBPP2	–	–	12.1	12.3
PSPP	77 475.1	67 175.3	75 599.0	78 750.9
PEPSPP	48 753.9	41 577.1	46 009.7	45 638.2
Subtotal	126 229.0	108 752.4	121 630.8	124 411.5
Total	229 355.0	198 484.2	212 653.6	217 010.2

In accordance with Article 32.4 of the ESCB/ECB Statute, the entirety of any loss incurred by NCBs on CBPP3, PECBPP and SMP securities, securities of international or supranational organisations in the PSPP and PEPSPP portfolio and CSPP and PECSPP securities, upon realisation, shall be shared between the Eurosystem NCBs in proportion to their shares of the ECB's capital as determined by the capital key. On the balance sheet date the Bank held securities in these portfolios with a total book value of € 103 126.0 million.

Conversely, the Bank bears the risk for the CBPP1, CBPP2, PSPP and PEPSPP portfolios included on the balance sheet. On 31 December 2022, the Bank held securities in these portfolios with a total book value of € 126 229.0 million.

First Covered Bond Purchase Programme (CBPP1)

This programme, which expired at the end of June 2010, entailed the acquisition of euro-denominated covered bonds issued by credit institutions in the euro area. All securities held under this programme matured in 2022. Consequently, the Bank no longer held any securities in this portfolio as at 31 December 2022.

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

	2022	2021
≤ 1 year	–	10.0
> 1 year and ≤ 5 years	–	–
> 5 years	–	–
Total	–	10.0

Second Covered Bond Purchase Programme (CBPP2)

The second euro-denominated covered bond purchase programme ended on 31 October 2012. All securities held under this programme matured in 2022. Consequently, the Bank no longer held any securities in this portfolio as at 31 December 2022.

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

	2022	2021
≤ 1 year	–	12.1
> 1 year and ≤ 5 years	–	–
> 5 years	–	–
Total	–	12.1

Third Covered Bond Purchase Programme (CBPP3)

Third programme for the purchase of euro-denominated covered bonds issued by euro area credit institutions. These purchases are spread throughout the euro area and are carried out progressively by the ECB and the Eurosystem NCBs in the form of purchases on the primary and secondary markets.

As at 31 December 2022, the Bank held € 6 934.9 million of covered bonds under this programme.

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

	2022	2021
≤ 1 year	1 019.4	1 533.0
> 1 year and ≤ 5 years	3 705.3	4 257.8
> 5 years	2 210.2	1 898.7
Total	6 934.9	7 689.5

Securities Markets Programme (SMP)

This programme, which ended on 6 September 2012, involved buying up both private and government bonds in the euro area. On 31 December 2022, the Bank held SMP securities totalling € 38.1 million.

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

	2022	2021
≤ 1 year	4.9	67.3
> 1 year and ≤ 5 years	33.2	37.0
> 5 years	–	–
Total	38.1	104.3

Public Sector Purchase Programme (PSPP)

Purchases made on the secondary market under this programme started on 9 March 2015. On 31 December 2022, the Bank held PSPP securities issued by Belgian public authorities totalling € 77 475.1 million.

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

	2022	2021
≤ 1 year	4 999.3	5 732.3
> 1 year and ≤ 5 years	25 581.5	21 826.1
> 5 years	46 894.3	48 040.6
Total	77 475.1	75 599.0

Corporate Sector Purchase Programme (CSPP)

Purchases under this programme began on 8 June 2016. On 31 December 2022, the Bank held CSPP securities of issuers located in various European countries (BE, LU, NL, PT and SK) totalling € 83 463.2 million.

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

	2022	2021
≤ 1 year	6 153.5	2 591.4
> 1 year and ≤ 5 years	35 785.9	29 505.7
> 5 years	41 523.8	39 869.3
Total	83 463.2	71 966.4

Pandemic Emergency Covered Bonds Purchase Programme (PECBPP)

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2022, the Bank held PECBPP securities amounting to € 98.3 million.

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

	2022	2021
≤ 1 year	7.3	–
> 1 year and ≤ 5 years	66.4	73.4
> 5 years	24.6	25.8
Total	98.3	99.2

Pandemic Emergency Public Sector Purchase Programme (PEPSPP)

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2022, the Bank held PEPSPP securities amounting to € 48 753.9 million.

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

	2022	2021
≤ 1 year	3 881.2	3 380.8
> 1 year and ≤ 5 years	17 360.8	14 913.7
> 5 years	27 511.9	27 715.2
Total	48 753.9	46 009.7

Pandemic Emergency Corporate Sector Purchase Programme (PECSPP)

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2022, the Bank held PECSPP securities totalling € 12 591.5 million.

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

	2022	2021
≤ 1 year	162.7	108.5
> 1 year and ≤ 5 years	4 777.9	3 184.8
> 5 years	7 650.9	7 870.1
Total	12 591.5	11 163.4

Other securities

Portfolio of euro-denominated securities held for investment purposes and consisting mainly of negotiable euro-denominated sovereign bonds issued by Member States of the European Union, bonds issued by certain credit institutions in euro area countries and backed by investment-grade claims (*Pfandbriefe* type), bonds issued by national public organisations and, since 2019, investment funds.

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

	MTM		HTM	
	2022	2021	2022	2021
Fixed-income securities	–	–	1 906.6	2 504.1
Investment funds	1 018.1	913.3	–	–
Total	1 018.1	913.3	1 906.6	2 504.1

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

	MTM		HTM	
	2022	2021	2022	2021
≤ 1 year	–	–	665.3	588.5
> 1 year and ≤ 5 years	–	–	1 241.3	1 915.6
> 5 years	–	–	–	–
Total	–	–	1 906.6	2 504.1

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

	MTM		HTM	
	Book value	Market value	Book value	Market value
Belgium	–	–	636.8	627.7
Germany	–	–	235.1	225.2
Spain	–	–	40.3	39.9
France	–	–	522.8	510.4
Austria	–	–	140.5	137.3
Italy	–	–	20.1	19.9
The Netherlands	–	–	154.1	152.0
Finland	–	–	156.9	154.3
Total	–	–	1 906.6	1 866.7

Upon revaluation on the balance sheet date, the unrealised gains on mark-to-market securities amounted to € 18.1 million.

NOTE 8. INTRA-EUROSYSTEM CLAIMS

Participating interest in ECB capital

Since 1 July 2013, the subscribed capital of the ECB has amounted to € 10 825 million. The Bank's share of this capital increased from 2.5280 % to 2.9630 % as of 1 February 2020, following the exit of the Bank of England from the ESCB, representing an increase in its shareholding of € 47.1 million. This was partially paid up by a first payment in 2020 of € 2.6 million. In 2021, an amount of € 22.2 million was paid. The remaining € 22.3 million was paid in 2022. At the end of 2022, the Bank's share totalled € 320.7 million. The redistribution amongst the NCBs of their shares in the ECB's accumulated reserves, following successive changes in the allocation of the ECB's capital, brought the Bank's share to € 380.6 million.

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

This claim amounting to € 1 469.8 million is remunerated at the Eurosystem's main refinancing operations rate, adjusted to reflect a zero return on the gold component. The Bank manages the reserves it transferred to the ECB at the beginning of 1999, which are recorded off balance sheet.

Net claims related to the allocation of euro banknotes within the Eurosystem

Net claims on the Eurosystem relating to the allocation of euro banknotes in the Eurosystem (see the accounting principles and valuation rules for the item "Banknotes in circulation"). This interest-bearing intra-Eurosystem item corresponds to the difference between the value of banknotes in circulation allocated to the Bank and the value of banknotes it has issued.

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

	2022	2021
Banknotes in circulation	52 694.5	51 767.8
Banknotes placed in circulation by the Bank	–48 479.3	–44 347.8
Total	4 215.2	7 420.0

The increase in banknotes put into circulation by the Bank was much greater than that of the Eurosystem, resulting in a significant decrease in the claim.

NOTE 9. OTHER ASSETS

Coins of euro area

The Bank's holding of euro coins. The coins are put into circulation by the Bank on behalf of the Treasury and credited to the Treasury's account. In accordance with the ECB's decision of 7 December 2021 on approval of the volume of coin issuance (ECB/2021/54), the maximum value of euro coins to be issued in 2022 for Belgium was € 32.0 million. As the net amount issued in 2021 was € 1 486.3 million, the total amount authorised for 2022 was € 1 518.3 million. As at 31 December 2022, the actual amount issued stood at € 1 513.2 million.

Tangible and intangible fixed assets

In 2022, the Bank's investments in tangible and intangible fixed assets totalled € 45.8 million. In addition, an amount of € 8.6 million, corresponding to the acquisition value of assets sold or taken out of use, was deducted from the "Tangible and intangible fixed assets" account.

Other financial assets

In accordance with Article 19(4) of the Organic Law, the Board of Directors decides on the statutory investments after consulting the Council of Regency. The statutory investments consist primarily of negotiable government bonds, bonds issued by certain credit institutions in euro area countries and backed by investment-grade claims (*Pfandbriefe* type), and shares in the Bank for International Settlements (BIS).

Breakdown by type of investment

(end-of-period data, in € million)

	2022	2021
Fixed-income securities	6 990.7	6 863.2
Participating interests	332.1	332.1
Reverse repurchase agreements	171.0	–
Total	7 493.8	7 195.3

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

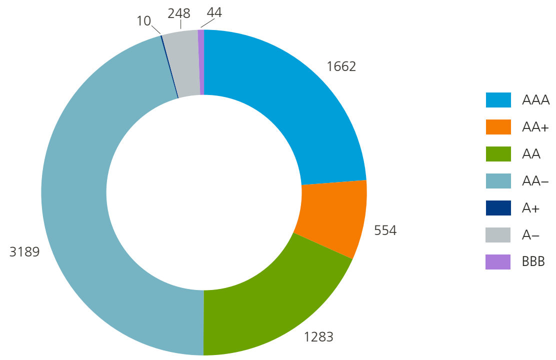
(end-of-period data, in € million)

	Book value		Market value	
	2022	2021	2022	2021
Belgium	3 128.3	3 559.1	2 600.3	3 767.8
Germany	862.2	692.8	780.8	735.3
Spain	245.9	280.0	245.6	296.3
France	1 117.9	933.2	992.6	981.6
Austria	138.9	99.9	128.1	111.9
Italy	43.5	52.4	43.9	55.5
International organisations	611.8	483.1	513.6	496.4
The Netherlands	172.1	132.5	146.0	138.5
Portugal	–	50.2	–	55.2
Greece	–	32.3	–	33.8
Finland	253.0	212.3	225.4	224.5
Other	417.1	335.4	349.0	333.3
Total	6 990.7	6 863.2	6 025.3	7 230.1

The net unrealised losses on fixed-income securities totalled € 965.4 million as at 31 December 2022. The previous year, net unrealised gains on fixed-income securities had amounted to € 366.9 million.

Rating of fixed-income securities

(Book value in € milion)



Yield on fixed-income securities according to their residual term as at 31 December 2022

	Book value	Average volume	Income	Yield
Maturity	(in € million)			(in %)
2022	–	144.0	5.2	3.6
2023	512.9	473.1	11.8	2.5
2024	482.9	414.4	9.3	2.2
2025	426.0	408.3	6.4	1.6
2026	336.8	429.9	9.6	2.2
2027	628.2	601.0	6.0	1.0
2028	704.8	704.6	10.4	1.5
2029	523.8	506.0	1.3	0.3
2030	215.1	215.3	0.1	0.0
2031	546.2	533.4	3.0	0.6
2032	352.4	288.4	2.9	1.0
2033	270.8	271.7	1.8	0.7
2034	285.0	286.4	2.4	0.8
2035	427.2	431.6	2.9	0.7
2036	157.9	152.5	1.3	0.9
2037	348.0	320.7	3.5	1.1
2038	321.1	292.2	3.1	1.0
2039	64.4	28.1	0.4	1.5
2040	342.9	372.2	1.6	0.4
2041	37.2	34.1	0.2	0.7
2042	6.9	6.6	0.0	0.7
Interest income	6 990.7	6 914.4	83.3	1.2
Realised gains/losses			0.5	
Total	6 990.7	6 914.4	83.8	1.2

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

	Number of shares	In € million	Number of shares	In € million
	2022		2021	
BIS	50 100	329.8	50 100	329.8
SBI	801	2.0	801	2.0
SWIFT	113	0.3	113	0.3
Total		332.1		332.1

Off-balance-sheet instruments revaluation differences

Net positive revaluation differences on forward foreign currency and interest rate transactions, as well as on spot foreign currency transactions between the transaction date and the settlement date (€ 156.1 million).

Accruals and prepaid expenditures

These are sub-divided into:

- expenses carried forward (€ 7.1 million);
- deferred income (€ 2 323.9 million), essentially interest accrued but not yet received on securities and other assets.

Sundry

Mainly:

- interest due on the claim arising from the transfer of foreign reserves to the ECB and on the net claim related to the allocation of euro banknotes in the Eurosystem (€ 28.7 million);
- tax claim (€ 34.9 million);
- trade receivables (€ 1.3 million);
- charges imputed to the State (€ 8.7 million).

NOTE 10. LOSS FOR THE YEAR

The loss for the year amounted to € 579.6 million at 31 December 2022. This loss was partly due to the revaluation of the Bank's mark-to-market investment portfolios. The most important factor, however, was the increasing cost of financing the Bank's monetary policy portfolios: interest expenses on deposits held by credit institutions with the Bank have increased, while the mostly long-term assets that make up these portfolios were acquired at relatively low yields.

NOTE 11. BANKNOTES IN CIRCULATION

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

NOTE 12. LIABILITIES TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

Current accounts (covering the minimum reserve system)

Euro-denominated accounts of credit institutions, which mainly serve to meet their minimum reserve requirements.

These requirements must be respected on average over the reserve maintenance period in accordance with the schedule published by the ECB. Minimum reserves were remunerated at the main refinancing operations rate until 20 December 2022. The Governing Council of the ECB decided on 27 October 2022 that, as from the reserve period starting on 21 December 2022, the deposit facility rate would be used to determine this remuneration.

The amounts held in current accounts by euro area credit institutions (including excess reserves) fell by € 3 293.3 billion in 2022 to € 218.9 billion at the close of the financial year.

The Eurosystem's purchase programmes and longer-term refinancing operations created excess liquidity which is held in current accounts as excess reserves, in the deposit facility or in TARGET2 (see note 19).

The Governing Council decided in September 2022 to increase the deposit facility rate from zero percent to 0.75 %. As a result, credit institutions transferred the majority of excess reserves from their current accounts to the deposit facility. The two-tier reserve remuneration system, in which a portion of the excess liquidity held by banks (up to six times the level of minimum reserves) was remunerated at zero percent, had already come to an end in July 2022, when the application of a negative rate to the deposit facility was terminated.

In Belgium, the amounts held in current accounts fell from € 97.2 billion to € 7.0 billion for the same reasons as for the Eurosystem.

Deposit facility

Standing facility allowing credit institutions to make 24-hour deposits with the Bank at a pre-specified interest rate. This rate was gradually increased from –0.50 % in September 2019 to 2 % by the end of December 2022.

Credit institutions in Belgium increased their deposits substantially from € 74.2 billion in 2021 to € 205.4 billion in 2022. The amounts maintained in the deposit facility have benefited since September 2022, as mentioned above, from more attractive remuneration. As a result, credit institutions have been placing as much of their excess liquidity as possible in the deposit facility rather than leaving it in their current accounts in the form of excess reserves. At the level of the Eurosystem, recourse to the deposit facility increased from € 779.6 billion to € 3 778.8 billion for the same reasons.

NOTE 13. OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

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

NOTE 14. LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO

General government

Balances of current accounts opened in the name of the State and general government. On the balance sheet date, the Treasury's current account balance was € 3.6 billion.

Other liabilities

Current account balances held mainly by financial intermediaries which do not have access to standing facilities.

NOTE 15. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO

Current accounts held by central banks, other banks, international and supranational institutions and other account holders situated outside the euro area. Repurchase agreement operations relating to the management of the securities portfolios.

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

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

NOTE 17. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

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

NOTE 18. COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

Countervalue of SDRs which must be returned to the IMF if SDRs are cancelled, if the SDR Department established by the IMF is closed, or if Belgium decides to withdraw from it. This liability, of unlimited duration, amounted to SDR 10 467.7 million, as at the end of the previous year (see note 2).

NOTE 19. INTRA-EUROSYSTEM LIABILITIES

Other liabilities within the Eurosystem (net)

The Bank's net liabilities resulting from all intra-Eurosystem liabilities and claims.

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

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

Under the SURE programme (Support to mitigate Unemployment Risks in an Emergency), the European Union provided Belgium with almost € 8.2 billion in the form of collateralised loans. In accordance with Council Regulation (EU) 2020/672 of 19 May 2020, the Belgian State, through the Bank, opened a special account at the European Central Bank to manage the financial assistance received. The funds held in this special account serve only two purposes: disbursement and repayment of interest and principal, which must be deposited in this account 20 TARGET2 business days before the corresponding due date. During this period the amounts are shown under the item "Other claims within the Eurosystem (net)" or "Other liabilities within the Eurosystem (net)".

The Bank's net liabilities to the Eurosystem can be broken down as follows:

1. the Bank's liability vis-à-vis the ECB resulting from transfers effected via TARGET2 (€ 24 441.6 million);

2. the intra-Eurosystem liability of € 585.0 million, resulting from the mechanism for the pooling and distribution of monetary income within the Eurosystem (see note 29);

3. the intra-Eurosystem claim of € 6.8 million, relating to the SURE programme.

NOTE 20. OTHER LIABILITIES

Accruals and income collected in advance

Costs carried forward (€ 1 050.2 million) including interest accrued but not yet due on liabilities and outstanding invoices.

Sundry

In particular:
- unavailable reserve of capital gains on gold (€ 298.9 million);
- taxes, wages and social contributions (€ 203.4 million);
- repurchase agreements from the portfolio of statutory investments (€ 171.0 million);
- interest due by the Bank on its net liability to the ECB under TARGET2 (€ 17.6 million);
- trade payables (€ 18.5 million).

NOTE 21. PROVISIONS

In accordance with the reserve and dividend policy established in 2009 (see section 3.2.7.3) and owing to the creation of the available reserve, the Bank does not constitute any general provisions.

NOTE 22. REVALUATION ACCOUNTS

Positive currency and price revaluation differences between the market value of net foreign reserve and securities positions (other than those valued at amortised cost) and their average cost value.

(end-of-period data, in € million)

	2022	2021
Positive exchange revaluation differences on:		
▪ gold	12 156.4	11 450.2
▪ foreign currencies	270.6	243.9
Positive price revaluation differences on:		
▪ securities in foreign currencies (items 2 and 3 of the assets)	47.3	161.3
▪ securities in euro (items 4 and 7 of the assets)	18.1	163.3
Total	12 492.4	12 018.7

NOTE 23. CAPITAL, RESERVE FUND AND AVAILABLE RESERVE

Capital

The Bank has not received any notifications, pursuant to Article 6 §1 of the Law of 2 May 2007 on the disclosure of substantial shareholdings in listed companies, of shareholdings equal to 5 % or more of the voting rights, other than those held by the State.

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

	2022	2021
Registered shares	210 880	210 709
Dematerialised shares	189 120	189 291
Total	400 000	400 000

Reserve fund

The reserve fund increased by € 6.3 million in 2022 as a result of an increase in the depreciation accounts for tangible and intangible fixed assets.

The tax-exempt portion of the extraordinary reserve amounts to € 18.5 million.

Change in the depreciation accounts in 2022
(in € million)

Balance as at 31-12-2021	316.8
Recorded	+15.0
Withdrawn of cancelled following sales or disposals	–8.7
Balance as at 31-12-2022	323.1

Available reserve

An amount of € 177.7 million related to the appropriation of profit for the previous year was allocated to the available reserve.

Capital, reserve fund, available reserve and corresponding allocation of profit or loss
(end-of-period data, in € million)

	2022	2021
Capital	10.0	10.0
Reserve fund	2 645.4	2 639.0
Available reserve	4 755.0	4 577.3
Total before allocation	7 410.4	7 226.3
Profit or loss allocation	–580.2	177.7
Total after allocation	6 830.2	7 404.0

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

3.2.7.5 Notes to the profit and loss account

NOTE 25. NET INTEREST INCOME

In order to cope with high inflation, the ECB raised interest rates several times in 2022. However, certain assets that were marketed in a negative interest rate environment (LTROs, other euro-denominated claims on euro area credit institutions, etc.) generate interest expenses while certain liabilities (current accounts, the deposit facility, etc.) generate interest income.

In view of the harmonisation in the Eurosystem of the presentation of interest income/expenses related to monetary policy assets and liabilities, interest income and expenses are presented in net value under item 1.1 "Interest income" or item 1.2 "Interest expenses", depending on whether the value is positive or negative. Interest is calculated by balance sheet sub-item. This approach is also followed for other sub-items not related to monetary policy.

Interest income

(end-of-period data)

	Income	Average volume	Average rate	Income	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
	2022			2021		
Interest income of assets in euro						
Credit transactions related to monetary policy	0.0	3.4	0.6	0.0	0.0	0.0
Securities portfolios in euro held for monetary policy purposes	1 279.1	226 453.5	0.6	984.6	190 810.2	0.5
Other securities portfolios in euro	34.9	2 238.3	1.6	67.6	3 132.4	2.2
Claims equivalent to the transfer of foreign currency reserves	7.3	1 469.8	0.5	0.0	1 469.8	0.0
Net claims related to the allocation of euro banknotes within the Eurosystem	29.0	6 519.8	0.4	0.0	7 333.5	0.0
Statutory investments (bonds, reverse repurchase agreements and repurchase agreements)	83.5	6 914.4	1.2	98.8	6 665.5	1.5
Total	1 433.8	243 599.2	0.6	1 151.0	209 411.4	0.5
Interest income of external assets						
Claims related to international cooperation transactions	191.7	15 551.0	1.2	5.2	9 685.9	0.1
Investments in gold and in foreign currencies	163.0	9 989.2	1.6	114.4	8 860.3	1.3
Total	354.7	25 540.2	1.4	119.6	18 546.2	0.6
Interest income of liabilities in euro						
Monetary reserve accounts, deposit facility and other interest-bearing deposits	0.0	0.0	0.0	863.2	221 279.1	0.4
Repurchase agreement transactions in euro	0.0	1.5	0.0	0.0	0.0	0.0
Total	0.0	1.5	0.0	863.2	221 279.1	0.4
Total interest income	1 788.5			2 133.8		

Interest expenses

(end-of-period data)

	Expense	Average volume	Average rate	Expense	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
	2022			2021		
Interest expenses on liabilities in euro						
Net liabilities to the ECB related to TARGET2	–41.6	34 931.5	–0.1	0.0	26 666.9	0.0
Monetary reserve accounts, deposit facility and other interest-bearing deposits	–472.6	243 064.3	–0.2	0.0	0.0	0.0
Total	–514.2	277 995.8	–0.2	0.0	26 666.9	0.0
Interest expenses on external liabilities						
Liabilities in SDR	–162.2	13 039.7	–1.2	–4.3	7 756.5	–0.1
Repurchase agreement transactions in foreign currencies	–83.8	4 110.2	–2.0	–4.3	3 545.6	–0.1
Total	–246.0	17 149.9	–1.4	–8.6	11 302.1	–0.1
Interest expenses on assets in euro						
Longer-term credit operations related to monetary policy	–425.3	84 837.3	–0.5	–867.8	86 859.3	–1.0
Other claims	0.0	0.0	0.0	0.0	0.0	0.0
Total	–425.3	84 837.3	–0.5	–867.8	86 859.3	–1.0
Proceeds accruing in full to the State						
Income resulting from the capital gains on gold recorded in a special unavailable reserve account [1]	–			–3.4		
Annual sum paid to the State in compensation for the additional expenses due to the conversion of its consolidated debt to the Bank into freely negotiable securities [2]	–24.4			–24.4		
Total	–24.4			–27.8		
Total interest expenses	–1 209.9			–904.2		

1 This income is calculated by applying to the average balance of the unavailable reserve account over the year a yield obtained by comparing the net financial income with the difference between the average value, calculated on an annual basis, of the interest-bearing assets and the interest-bearing liabilities. The counterpart to the capital, reserves and depreciation accounts and the corresponding proceeds are excluded from this calculation. For 2022, the average balance of the unavailable reserve account amounted to € 298.9 million, the net financial income to € –384.5 million, the average value of interest-bearing assets, on an annual basis, to € 348.3 billion and the average value of interest-bearing liabilities, on an annual basis, to € 295.1 billion. In 2022, the net financial income was negative; therefore, no proceeds were paid to the State as income from capital gains on gold held in the special unavailable reserve account.

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

NOTE 26. NET RESULT FROM FINANCIAL OPERATIONS, WRITE-DOWNS AND PROVISIONS

Realised gains/losses arising from financial operations

(end-of-period data, in € million)

	2022	2021
Capital gains (+)/losses (–)		
on statutory investments	0.5	0.1
on investments		
in USD	–91.8	12.8
in EUR	–1.4	75.6
Foreign exchange gains (+)/losses (–)		
on USD	72.4	19.2
on other currencies	–	–
on SDR	–33.1	–16.2
on gold	–	–
Foreign exchange gains (–) / losses (+) accruing to the State (SDR and gold)	33.1	16.2
Total	–20.3	107.7

Write-downs on financial assets and foreign exchange positions

(end-of-period data, in € million)

	2022	2021
Capital losses on investments		
in USD	–324.3	–29.9
in EUR	–	–
Foreign exchange losses		
on USD	–	–
on CNY	–	–
on KRW	–	–0.7
on SDR	–	–
on other currencies	–	–
Foreign exchange losses charged to the State (SDR)	–	–
Total	–324.3	–30.6

Total realised gains/losses and write-downs

(end-of-period data, in € million)

	2022	2021
Realised gains/losses	–20.3	107.7
Write-downs	–324.3	–30.6
Total	–344.6	77.1

For dollar investments, the rise in interest rates resulted in a sharp increase in realised capital losses and a significant increase in foreign exchange gains.

Similarly, the revaluation gains on dollar-denominated securities recorded on the liabilities side of the balance sheet were marginal while the unrealised losses on these same securities increased sharply.

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

SDR operations resulted in realised and unrealised foreign exchange losses of € 33.1 million charged to the State.

NOTE 27. NET INCOME/EXPENSE FROM FEES AND COMMISSIONS

Fees and commissions income

Fees received by the Bank as remuneration for services provided in its capacity as a financial intermediary (€ 10.9 million), of which € 9.4 million related to collateralisation operations for monetary policy. The majority of the income originated from the guarantees managed by the Bank in the framework of the Correspondent Central Banking Model (CCBM). The decrease compared to 2021 in fees received by the Bank was related to monetary policy.

Fees and commissions expense

Commissions paid by the Bank for financial services rendered to the Bank by third parties (€ 12.5 million), of which € 9.7 million related to monetary policy.

The fees and commissions paid in relation to monetary policy were similar to those paid in 2021.

NOTE 28. INCOME FROM SHARES AND SHAREHOLDINGS

(end-of-period data, in € million)

	2022	2021
Dividend on participation in the ECB	1.5	13.9
Income distributed by the ECB	–	5.5
Dividends on participations in the statutory investment portfolio	17.5	31.3
Dividends on investment funds	24.5	14.7
Total	43.5	65.4

From the ECB's net profit for 2021, an interim dividend of € 5.5 million was paid at the close of the previous financial year. The balance of € 1.5 million, corresponding to the dividend on the Bank's participation in the ECB capital, was paid in February 2022.

In 2021, this item also included the amount due to the Bank in respect of the interim distribution of the ECB's profit. For 2022, the Governing Council, taking into account the ECB's overall financial performance for the year, decided to retain the full amount of income from banknotes in circulation, as well as the income generated by securities purchased under the SMP, APP and PEPP. Therefore, no related amounts were due at the end of 2022.

For financial year 2021-2022, the BIS paid a dividend of € 17.5 million (SDR 275 per share). The previous year an amount of € 31.3 million (SDR 520 per share) was paid.

NOTE 29. NET RESULT OF POOLING OF MONETARY INCOME

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

	Income (+) / Expense (–)		
	Result	Pooling of monetary income	Real result
	(1)	(2)	(3) = (1) + (2)
		2022	
Monetary income pooled by the Bank within the Eurosystem		–846.1	
Monetary income allocated to the Bank by the Eurosystem		260.0	
		–586.1	
Items included in monetary income			
Credit operations related to monetary policy	–425.8	41.9	–383.9
Securities portfolios in euro held for monetary policy purposes	1 279.0	–781.9	497.1
Claims equivalent to the transfer of foreign currency reserves	7.3	0.0	7.3
Net claims related to the allocation of euro banknotes within the Eurosystem	29.0	–55.8	–26.8
Net liability towards the ECB in respect of TARGET2	–41.6	117.6	76.0
Monetary reserve account and deposit facility	–482.6	244.8	–237.8
Non-earmarkable assets	–	–152.7	–152.7
	365.3	**–586.1**	**–220.8**
Items not included in monetary income			
Net investments in gold and in foreign currencies	79.2		79.2
Net claims relating to international cooperation transactions	29.6		29.6
Securities portfolios and repurchase agreements in euro	34.9		34.9
Statutory investment portfolio	83.5		83.5
Other claims	0.0		0.0
Interest-bearing deposits not related to monetary policy	10.0		10.0
Proceeds accruing in full to the State	–24.4		–24.4
	212.8		**212.8**
Net interest income (item 1)	**578.1**	**–586.1**	**–8.0**
Net result of financial operations (item 2)		**0.0**	
Revision of previous years		**1.1**	
		–585.0	
Provision in respect of monetary policy operations		**–**	
		–585.0	

Monetary income is apportioned among the euro area NCBs in accordance with the allocation of paid-up capital (3.64324 % for the Bank since 1 February 2020).

The impact on the allocated net monetary income stems from the balance sheet structure of the NCBs.

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

Conversely, the Bank benefitted from interest earned on supranational securities held by other NCBs under the PSPP and PEPSPP.

Belgian credit institutions still leave larger volumes in current accounts and deposit facilities, in excess of the (allocation) key, which shifts a portion of the burden and contributes to improving the balance of monetary income allocation.

This item also includes, if applicable, changes in the provision for risks related to monetary policy operations.

NOTE 30. OTHER INCOME

(end-of-period data, in € million)

	2022	2021
Amounts recovered from third parties	187.1	175.4
Other	0.2	20.3
Total	**187.3**	**195.7**

The amounts recovered from third parties concern income from the supply of goods and the provision of services in various areas, such as:

- the Central Balance Sheet Office, the Individual Credit Register, the Corporate Credit Register and the Central Contact Point (€ 48.9 million);
- prudential supervision (€ 111.2 million);
- the TARGET2 payment system (€ 1.5 million);
- the securities settlement system (€ 12.0 million);
- the internationalisation of IT applications (€ 9.3 million).

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

In addition, pursuant to Article 12ter of the Organic Law, the Bank performs tasks as the resolution authority, with the corresponding operating costs also borne by the institutions concerned.

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

For 2022, the costs came to € 70.2 million for banks and stockbroking firms, and € 40.3 million for insurance and reinsurance companies.

Other institutions subject to supervision, such as clearing and settlement institutions, mutual guarantee schemes and payment companies, pay a flat contribution which totalled € 0.7 million for 2022.

NOTE 31. STAFF COSTS

These costs include salaries and social security contributions for the Bank's personnel and directors as well as the attendance fees for members of the Council of Regency.

NOTE 32. ADMINISTRATIVE EXPENSES

This item includes in particular administrative and IT expenses (€ 34.2 million), expenses related to the repair and maintenance of buildings (€ 14.1 million), and work and services provided by third parties (€ 28.1 million). This item also comprises property tax, non-deductible VAT and regional, provincial and municipal taxes (€ 5.8 million).

NOTE 33. DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

Depreciation covers the following investments:

(end-of-period data, in € million)

	2022	2021
Renovation of premises	6.6	7.7
Hardware and software	3.5	4.2
Equipment for the Printing Works	–	–
Other equipment and furniture	4.9	4.1
Total	15.0	16.0

NOTE 34. BANKNOTE PRODUCTION SERVICE

This item presents the cost of services by external companies producing banknotes on the Bank's behalf.

NOTE 35. OTHER EXPENSES

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

NOTE 36. CORPORATE TAX

Tax due

(end-of-period data, in € million)

		2022	2021
Tax on the profit for the year		–	82.7
Tax on the profit for previous years		–0.5	0.3
Total	(1)	–0.5	83.0

Main differences

(end-of-period data, in € million)

		2022	2021
Result before tax		–580.1	438.4
Tax-free profit allocated to the State		–	–122.5
Result subject to tax	(2)	–580.1	315.9
Differences			
Social commitments		6.5	6.3
Risk capital deduction		0.0	0.0
Depreciation surplus		–1.3	–1.4
Other		11.6	10.1
Taxable result		–563.3	330.9
Average tax rate (in %)	(1) ÷ (2)	0.0	26.3

3.2.7.6 Notes on the allocation of profit or loss for the financial year (note 37)

2022 was marked by a sudden and unexpected rise in inflation, leading to several interest rates hikes in both Europe and the United States. This in turn led to partial realisation of the interest rate risk the Bank had warned about in its previous annual reports, as well as to falls on the stock and bond markets, coupled with extremely high volatility. This combination of factors resulted in the Bank ending financial year 2022 with a loss.

An estimate of quantifiable financial risks is the basis for determining the minimum suitable level of the Bank's reserves. All of the Bank's financial risks are quantified, either in accordance with the expected shortfall method, for which the Bank uses very conservative parameters in terms of distributions, probabilities and time horizons, or in accordance with long-term scenarios/stress tests. In 2022, the baseline scenario, which reflects market expectations, resulted in losses for the first time. As a result, the Bank has adapted the method used to calculate the suitable level of reserves to take into account expected future losses for the years to come and their impact on its reserves.

In the baseline scenario, which represents the interest rate environment and market expectations of future interest rate developments as of balance sheet date, the Bank's result remains under pressure. If this scenario were to materialise, which is subject to a high degree of uncertainty, it would result in total losses of € 10.8 billion for a time horizon of five years, assuming an unchanged balance sheet composition. If interest rates were to rise relative to market expectations, this negative effect would be further compounded. The opposite is true if interest rates were to fall. It is impossible to make sufficiently reliable estimates for a period longer than five years, given the many uncertainties. The Bank, in this scenario and under unchanged circumstances, would nevertheless not record substantial losses beyond this time horizon, and would return to profitability.

The estimate of the suitable lower level of reserves at the end of 2022 takes into account both expected future results based on market expectations and an estimate of the financial risks to which the Bank is exposed and results in an amount of around € 15.2 billion, compared to € 5.8 billion at the end of 2021.

This amount of € 15.2 billion includes estimates of both expected results for the years to come and of the risks in relation to:

- the Bank's own securities portfolios denominated in euros and foreign currencies;
- credit operations and monetary policy securities portfolios included on the Bank's balance sheet, for which it alone bears the risks;
- credit operations and monetary policy securities portfolios included on the balance sheets of all Eurosystem NCBs, the risk for which is shared amongst them (see notes 5 and 7 to the annual accounts).

The Bank's risk estimates and earnings projections are highly vulnerable to a number of uncertainties, including future market developments and possible monetary policy decisions by the ECB Governing Council. The longer the time horizon, the greater the uncertainty.

In accordance with the reserve policy, losses are first charged to the available reserve. Subsequently, if necessary, they are covered by the reserve fund (millions of euros):

1. drawdown from the available reserve	–580.2
2. drawdown from the reserve fund	–
In accordance with the dividend policy:	
3. a first dividend of €1.5 per share (6 % of the capital) is paid to the shareholders, guaranteed by the reserve fund and the available reserve	1.5
4. a second dividend is allocated to the shareholders, determined by the Council of Regency, up to at least 50 % of the net proceeds from the assets which form the counterparty of the reserve fund and the available reserve. In view of the estimated level of risk at the balance sheet date, no second dividend was allocated for financial year 2022.	–
Loss for the financial year	**–579.6**

3.2.7.7 Notes to off-balance-sheet items

NOTE 38. FORWARD TRANSACTIONS IN FOREIGN CURRENCIES AND IN EURO

(end-of-period data, in € million)

	2022	2021
Forward claims		
EUR	7 127.0	6 017.7
USD	991.5	1 053.2
SDR	0.0	26.9
Forward liabilities		
EUR	0.0	27.8
USD	4 124.8	3 685.8
JPY	1 073.5	1 020.1
SDR	2 792.0	2 401.6

Most currency swaps were entered into against the euro. Forward claims and liabilities in foreign currencies were revalued in euro at the same exchange rates as those used for spot holdings of foreign currencies.

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

NOTE 39. FORWARD TRANSACTIONS ON INTEREST RATES AND ON FIXED-INCOME SECURITIES

At the end of the financial year, the Bank had a net long position in futures on dollar-denominated securities of € 392.8 million and on US money market securities of € 117.2 million. These transactions relate to the Bank's active portfolio management.

NOTE 40. LIABILITIES WHICH COULD LEAD TO A CREDIT RISK

Liabilities towards international institutions include the commitment signed by the Bank to lend SDR 1 050 million (€ 1 314.3 million) to the PRGT.

In 2020, the IMF decided to double the size of the new loan agreements which serve as a second line of defense after the quotas and to reduce by a similar amount the bilateral loans serving as a third line of defense. Since 1 January 2021, the new loan agreements have totalled SDR 361 billion and the bilateral loans SDR 138 billion. The aim of this operation was to consolidate the IMF's resources at close to their historical level for the coming years and to spread contribution efforts more evenly amongst the various IMF members. In that context, the Bank signed a loan agreement for SDR 7.99 billion in respect of new borrowing agreements for the period 2021-2025 and an agreement for € 4.3 billion in respect of bilateral loans. These loans replaced the previous ones (for SDR 3 994.3 million and € 9 990.0 million, respectively) and slightly reduced Belgium's exposure to the IMF. They are guaranteed by the Belgian State and entered into force on 1 January 2021.

The remaining amount available at the end of 2022 (PRGT, new loan agreements and bilateral loans) amounted to € 15 067.3 million. These loans are guaranteed by the Belgian State.

Liabilities towards other bodies include the guarantees granted by the Bank in connection with clearing operations on behalf of credit institutions established in Belgium. In return, the Bank receives guarantees from these institutions.

At the end of 2022, the outstanding amount came to € 763.3 million.

NOTE 41. VALUABLES AND CLAIMS ENTRUSTED TO THE INSTITUTION

Custody deposits comprise the nominal amount of securities (Treasury Certificates, linear bonds, securities resulting from the splitting of linear bonds, Treasury Bills, certificates of deposit and certain classical loans) recorded in the securities settlement system and held on behalf of third parties.

The increase in custody deposits was due mainly to growth in securities issued by firms registered in the securities settlement system and in guarantees received on behalf of other central banks.

NOTE 42. CAPITAL TO BE PAID UP ON PARTICIPATIONS

The BIS shares held by the Bank are 25 % paid up. The amount shown under this item represents the uncalled capital, totalling SDR 187.9 million (€ 235.2 million).

With regard to the increase in the Bank's share in the capital of the ECB following the withdrawal of the Bank of England from the ESCB, the remaining amount of € 22.3 million was paid up on 28 December 2022 (see note 8).

3.2.7.8 Auditor's fees

The total fees allocated to Mazars Réviseurs d'entreprises amounted to € 110 750. This amount included:

- € 81 500 for the statutory audit including certification of the annual accounts and the limited audit of the interim accounts;
- € 29 250 for certification assignments for the ECB's auditor.

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

3.2.7.9 Legal proceedings

On 27 May 2022, a shareholder filed an action against the Bank with the Brussels Commercial Court, seeking cancellation of the decisions of the Council of Regency concerning approval of the annual accounts and the appropriation of profits for financial years 2018, 2019, 2020 and 2021.

The Bank is of the opinion that the decisions of the Council of Regency concerning approval of the annual accounts and the appropriation of profits are fully in line with the applicable rules. Therefore, it considers this action to be unfounded. Nor does it have any quantifiable impact on the Bank's assets, financial position or profits. Consequently, the Bank has not made any provision for this litigation.

There are no other pending disputes that are so critical or material as to require the Bank to make a provision or to comment under this heading.

3.2.7.10 Post-balance-sheet events

There were no post-balance-sheet events that had a significant influence on the Bank's financial situation and profit or loss as at 31 December 2022.

The Croatian National Bank (Hrvatska Narodna Banka) became a member of the Eurosystem following Croatia's entry to the euro area on 1 January 2023. Therefore, on that date, it paid up its remaining subscription to the ECB's capital. The last adjustment of shares was made on 1 February 2020, following the withdrawal of the United Kingdom from the EU.

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

National central banks of	from 1 January 2023	from 1 February 2020
Belgium	2.9630	2.9630
Germany	21.4394	21.4394
Estonia	0.2291	0.2291
Ireland	1.3772	1.3772
Greece	2.0117	2.0117
Spain	9.6981	9.6981
France	16.6108	16.6108
Croatia	0.6595	–
Italy	13.8165	13.8165
Cyprus	0.1750	0.1750
Latvia	0.3169	0.3169
Lithuania	0.4707	0.4707
Luxembourg	0.2679	0.2679
Malta	0.0853	0.0853
The Netherlands	4.7662	4.7662
Austria	2.3804	2.3804
Portugal	1.9035	1.9035
Slovenia	0.3916	0.3916
Slovakia	0.9314	0.9314
Finland	1.4939	1.4939
Sub-total euro area NCBs	81.9881	81.3286
Bulgaria	0.9832	0.9832
Czech Republic	1.8794	1.8794
Denmark	1.7591	1.7591
Croatia	–	0.6595
Hungary	1.5488	1.5488
Poland	6.0335	6.0335
Romania	2.8289	2.8289
Sweden	2.9790	2.9790
United Kingdom	–	–
Sub-total non-euro area NCBs	18.0119	18.6714
Total	100.0000	100.0000

3.2.8 Comparison over five years

3.2.8.1 Balance sheet

Assets
(in € thousand)

	2022	2021	2020	2019	2018
1. Gold and gold receivables	12 473 379	11 767 180	11 287 575	9 900 064	8 195 519
2. Claims on non-euro area residents denominated in foreign currency	26 908 048	25 582 833	15 822 963	15 872 290	15 288 762
2.1 Receivables from the IMF	15 917 080	15 337 049	6 950 671	6 595 494	6 402 443
2.2 Balances with banks and security investments, external loans and other external assets	10 990 968	10 245 784	8 872 292	9 276 796	8 886 319
3. Claims on euro area residents denominated in foreign currency	284 018	180 721	400 034	474 210	405 191
4. Claims on non-euro area residents denominated in euro	24	17	138 376	169 538	1 666 137
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	48 986 510	87 638 230	81 017 880	19 279 480	22 690 200
5.1 Main refinancing operations	50 000	–	–	423 000	–
5.2 Longer-term refinancing operations	48 936 510	87 638 230	81 017 880	18 856 480	22 690 200
5.3 Fine-tuning reverse operations	–	–	–	–	–
5.4 Structural reverse operations	–	–	–	–	–
5.5 Marginal lending facility	–	–	–	–	–
5.6 Credits related to margin calls	–	–	–	–	–
6. Other claims on euro area credit institutions denominated in euro	901 624	434 816	909 600	65 646	17 543
7. Securities of euro area residents denominated in euro	232 279 769	216 071 007	171 031 799	119 704 133	122 199 708
7.1 Securities held for monetary policy purposes	229 355 020	212 653 610	167 023 248	113 918 412	113 574 838
7.2 Other securities	2 924 749	3 417 397	4 008 551	5 785 721	8 624 870
8. Intra-Eurosystem claims	6 065 549	9 248 186	9 121 199	7 939 450	8 199 806
8.1 Participating interest in ECB capital	380 551	358 324	336 097	328 735	287 101
8.2 Claims equivalent to the transfer of foreign currency reserves	1 469 828	1 469 828	1 469 828	1 465 002	1 435 911
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem	4 215 170	7 420 034	7 315 274	6 145 713	6 476 794
8.4 Other claims within the Eurosystem (net)	–	–	–	–	–
9. Other assets	10 503 476	8 476 908	8 864 955	8 384 276	7 876 801
9.1 Coins of euro area	7 734	8 711	8 009	8 453	8 849
9.2 Tangible and intangible fixed assets	440 936	403 730	412 926	436 525	416 899
9.3 Other financial assets	7 493 799	7 195 259	6 988 312	6 507 559	6 041 445
9.4 Off-balance-sheet instruments revaluation differences	156 050	–	90 592	57 050	–
9.5 Accruals and prepaid expenditure	2 330 968	837 199	1 360 459	1 358 129	1 399 710
9.6 Sundry	73 989	32 009	4 657	16 560	9 898
10. Loss for the year	579 593	–	–	–	–
Total assets	338 981 990	359 399 897	298 594 381	181 789 087	186 539 667

Liabilities

(in € thousand)

	2022	2021	2020	2019	2018
1. Banknotes in circulation	52 694 546	51 767 819	48 084 842	43 190 510	39 870 275
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	212 455 590	171 421 401	145 672 939	45 443 128	59 408 947
2.1 Current accounts (covering the minimum reserve system)	7 014 103	97 194 582	97 076 814	36 466 154	23 669 646
2.2 Deposit facility	205 441 487	74 226 819	48 596 125	8 976 974	35 739 301
2.3 Fixed-term deposits	–	–	–	–	–
2.4 Fine-tuning reverse operations	–	–	–	–	–
2.5 Deposits related to margin calls	–	–	–	–	–
3. Other liabilities to euro area credit institutions denominated in euro	1 401 357	908 212	1 479 685	301 391	543 628
4. Liabilities to other euro area residents denominated in euro	4 299 060	5 947 992	1 914 597	612 745	379 465
4.1 General government	3 641 859	5 440 401	1 304 531	80 616	11 355
4.2 Other liabilities	657 201	507 591	610 066	532 129	368 110
5. Liabilities to non-euro area residents denominated in euro	3 650 731	5 476 602	6 864 942	857 264	8 147 501
6. Liabilities to euro area residents denominated in foreign currency	2 061 223	2 953 293	2 320 512	3 350 988	710 480
7. Liabilities to non-euro area residents denominated in foreign currency	2 626 570	1 461 240	1 346 671	654 709	3 219 651
8. Counterpart of special drawing rights allocated by the IMF	13 102 434	12 937 044	5 095 493	5 334 574	5 254 592
9. Intra-Eurosystem liabilities	25 019 859	86 357 768	66 198 276	63 974 101	53 192 130
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates	–	–	–	–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–	–	–	–
9.3 Other liabilities within the Eurosystem (net)	25 019 859	86 357 768	66 198 276	63 974 101	53 192 130
10. Other liabilities	1 767 750	568 036	665 831	660 484	706 583
10.1 Off-balance-sheet instruments revaluation differences	–	24 608	–	–	8 994
10.2 Accruals and income collected in advance	1 050 188	23 892	15 396	41 546	44 542
10.3 Sundry	717 562	519 536	650 435	618 938	653 047
11. Provisions	–	–	–	3 146	5 670
11.1 For future exchange losses	–	–	–	–	–
11.2 For new premises	–	–	–	–	–
11.3 For contingencies	–	–	–	–	–
11.4 In respect of monetary policy operations	–	–	–	3 146	5 670
12. Revaluation accounts	12 492 431	12 018 744	11 381 836	10 068 000	8 231 503
13. Capital, reserve fund and available reserve	7 410 439	7 226 355	6 907 813	6 512 795	6 123 680
13.1 Capital	10 000	10 000	10 000	10 000	10 000
13.2 Reserve fund:					
Statutory reserve	1 168 694	1 168 694	1 168 694	1 168 694	1 168 694
Extraordinary reserve	1 153 603	1 153 603	1 153 603	1 153 603	1 153 600
Depreciation accounts in respect of tangible and intangible fixed assets	323 139	316 750	328 680	346 288	329 958
13.3 Available reserve	4 755 003	4 577 308	4 246 836	3 834 210	3 461 428
14. Profit for the year	–	355 391	660 944	825 252	745 562
Total liabilities	338 981 990	359 399 897	298 594 381	181 789 087	186 539 667

3.2.8.2 Profit and loss account

(in € thousand)

	2022	2021	2020	2019	2018
1. Net interest income	578 629	1 229 612	1 174 757	1 427 590	1 532 936
1.1 Interest income	1 788 508	2 133 819	1 714 322	1 700 539	1 783 670
1.2 Interest expense	–1 209 879	–904 207	–539 565	–272 949	–250 734
2. Net result of financial operations, write-downs and provisions	–344 574	77 065	103 866	87 790	–25 090
2.1 Realised gains/losses arising from financial operations	–20 278	107 639	111 813	91 854	20 331
2.2 Write-downs on financial assets and positions	–324 296	–30 575	–7 947	–4 064	–45 421
2.3 Transfer to/from provisions	–	–	–	–	–
3. Net income/expense from fees and commissions	–1 596	592	2 446	–661	–264
3.1 Fees and commissions income	10 940	11 435	10 713	7 217	6 859
3.2 Fees and commissions expense	–12 536	–10 843	–8 267	–7 878	–7 123
4. Income from equity shares and participating interests	43 477	65 432	79 958	80 530	66 271
5. Net result of pooling of monetary income	–585 046	–705 627	–325 693	–313 502	–367 648
6. Other income	187 327	195 667	171 805	169 788	173 484
7. Staff costs	–319 980	–301 037	–300 155	–311 572	–326 889
8. Administrative expenses	–105 196	–94 594	–90 194	–101 332	–105 028
9. Depreciation of tangible and intangible fixed assets	–14 990	–16 024	–18 004	–18 755	–14 791
10. Banknote production services	–18 163	–12 682	–13 563	n.	n.
11. Other expenses	0	0	0	–3	637
12. Corporate tax	519	–83 013	–124 279	–194 621	–186 782
Profit / Loss (–) for the year	–579 593	355 391	660 944	825 252	745 562

3.2.8.3 Dividend per share

(in €)

	2022	2021	2020	2019	2018
Gross dividend	1.50	138.04	105.77	122.57	138.47
Withholding tax	0.45	41.41	31.73	36.77	41.54
Net dividend	1.05	96.63	74.04	85.80	96.93

3.3 Auditor's report to the Council of Regency

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NATIONAL BANK OF BELGIUM NV / SA
Boulevard de Berlaimontlaan14
Enterprise Number : BE 0203.201.340

Auditor's Report

In accordance with Protocol No. 4 of the Statutes of the European System of Central Banks and of the European Central Bank, we were appointed by the General Meeting of Shareholders of 18 May 2020 as the auditor responsible for preparing a report to the Council of Regency on the audit of the financial statements of the National Bank of Belgium (the "Bank"). The scope of this mandate is defined in the relevant contractual documents. We have performed the audit of the Bank during six consecutive years.

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

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

Unqualified opinion

We have conducted the contractual audit of the Bank's financial statements - which show a balance sheet total of € 339,0 billion and a loss for the year of € 579,6 million – and the annexes, as mentioned in the Corporate Report, Report 2022, Chapter 3 'Annual accounts and reports on the financial year' ("financial statements").

In our opinion, these financial statements give a true and fair view of the Bank's net equity and financial position as at 31 December 2022, and its results for the financial year ending on that date, drawn up in accordance with the sui generis accounting standards applicable to the Bank – including the presentation rules and principles and the explanations provided – as defined by the Council of Regency.

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Basis of the unqualified opinion

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

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

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

Key audit matters

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

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

Key audit matter	Audit approach
Key audit matter 1 : Credit risk	
Given its activities, the Bank incurs a credit risk. To determine the total risk exposure, related to fixed- income securities, both the portfolio managed by the Bank itself and the monetary policy portfolio registered on the Bank's balance sheet, as well as the Bank's share in the monetary policy portfolio of the Eurosystem are to be taken into account. However, communication concerning the monetary policy portfolios is the responsibility of the ECB.	▪ Obtaining of an understanding and assessment of the procedures and processes for the acceptance of counterparties (ratings of various rating agencies, implied ratings, financial ratios and any financial analyses, determination and treatment of limits). ▪ Regarding the portfolio for implementation of the Eurosystem's monetary policy, a check by means of sampling was conducted related to compliance with the eligibility criteria – the "Single List" of marketable and non-marketable assets (bank loans). ▪ Review by means of sampling of the defined control measures concerning the monitoring of the set limits in relation to the risk incurred and compliance with those limits, except for exposures to Belgian public authorities.

Auditor's Report
31.12.2022

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Key audit matter	Audit approach
The Asset Purchase Programme implies increased risks which could have a negative influence on the Bank's results, especially since, in the light of the global SARS-Cov-2 pandemic, the purchase programmes were supplemented by the Pandemic Emergency Purchase Programme. To mitigate that risk, the Bank replenished an available reserve in accordance with its profit-distribution policy. Upon the decision of the ECB Governing Council, the Bank sets up, where appropriate, a specific provision to cover losses related to the monetary policy operations. In view of the potentially significant impact on the profit and loss account and/or the importance for the assessment of the size of the available reserves, we consider the identification and assessment of the credit risk to be a key audit matter. <u>References to the Corporate Report – Chapter 3.</u> 3.1.1.1 Balance sheet 3.1.2.1. Financial risk management Note 37 : Disclosures related to the result appropriation	▪ Review by means of sampling and assessment of the work carried out by the Bank's Internal Audit, related to both procedures and the year-end closing. ▪ At reporting date, review of controls in place regarding risk identification and assessment of effectiveness of these procedures. ▪ Understanding of the calculation method related to the estimated risks incurred, including the reliance on the works realised by the internal audit department of the Bank regarding the risk identification and management tools and models. ▪ Evaluation of the information reported in the financial statements in the light of the Bank's practices and the sui generis reference framework. ▪ Confirmation by the Directors concerning information obtained from the ECB

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Key audit matter	Audit approach
KEY AUDIT MATTER 2 : MARKET RISK In connection with the monetary policy and its own investment policy, the Bank invests funds to acquire securities which are recorded either at fair value or at what is termed the amortised acquisition cost. The Bank incurs a market risk on the portfolio measured at fair value. In a first instance, negative revaluation differences are deducted from the corresponding revaluation account, recorded as a liability. Any remaining balance is recorded in the profit & loss statement. Regarding the portfolios measured at amortised cost, the Bank incurs an indirect risk that is to be assessed in the light of the general market risk incurred by the Bank. In order to determine the total risk exposure of the fixed-income securities, the Bank's share in the monetary policy portfolios of the Eurosystem is taken into consideration. However, communication on that subject is the responsibility of the ECB. Market risk includes the funding risk and interest rate risk of the Banks. In view of the potentially significant impact on the profit and loss account and the importance for assessing the level of the available reserves, we consider the identification and assessment of the market risk as a key point of our assignment. <u>References to the Corporate Report – Chapter 3.</u> 3.1.2.1. Financial risk management Note 37 : Notes on the allocation of the result	▪ Evaluation of the procedures and processes for assessing market risk. ▪ Getting acquainted with the models - used to estimate the expected loss and incurred risk - which were adapted and refined in the course of the accounting year in light of the expected macro-economic context and other economic circumstances. ▪ Assessment of the market data, assumptions and estimates used by the Bank, including the reliance on the works realised by the internal audit department of the Bank regarding the risk identification and management tools and models. ▪ Discussion of the outcome of the analysis performed by the Bank with department heads. ▪ Review of the consistency of the report to the Board of Directors. ▪ Taking note of the discussions in the Board of Directors. ▪ Assessment of the information contained in the financial statements in the light of the Bank's practices and the sui generis reference system. We would like to draw your attention on the Corporate Report (chapter 3) which includes explanations of the expected costs and incurred risks. ▪ ECB confirmation of the monetary policy results and the reconciliation with profit & loss statements.

Auditor's Report
31.12.2022

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Key audit matter	Audit approach
KEY AUDIT MATTER 3 : COMPLIANCE RISK Taking the Bank's hybrid sui generis regulatory framework into account, the following compliance risks were identified: ▪ Procurement policy - regulations regarding public contracts ▪ Money laundering regulations ▪ ECB rules and related regulations ▪ GDPR The above regulations may have a significant impact on the interaction with other institutions and/or the Bank's reputation. References to the Corporate Report – Chapter 3 3.1.2.2. Non-financial risk management	▪ Taking note of the design of the processes and procedures for the Bank's procurements. ▪ Review and assessment of the work done by the Bank's Internal Audit. ▪ Discussion of compliance risks with the Bank's Legal Compliance Officer. ▪ Discussion of different risks related to the management of data with the Data Protection Officer. ▪ Conduct of various tests on a sample basis related to certain fundamental aspects of the ECB rules and related regulations.

Auditor's Report
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Key audit matter	Audit approach
KEY AUDIT MATTER 4 : GENERAL DATA SYSTEM CONTROLS The Bank is dependent to a significant extent on the reliability and protection of its IT platforms and applications, both for its operational activities and for its accounting activities. In view of the its very diverse activities - including the systems for monitoring and assessing the risks incurred - the proper operation of the IT platforms and applications is essential for the Bank. As a central point for data collection as well as responsible for the processing of certain data (central credit registry, central balance sheet office, central securities depository/securities settlement system, payments, monetary policy, statistics, prudential supervision etc.), the management of this risk is not negligible for the Bank. In view of our specific assignment, we only reviewed certain specific key points of the general IT system controls directly relevant to the Bank's financial statements. References to the Corporate Report – Chapter 3 3.1.2.2. Non-financial risk management	• Establishing, with the aid of the Internal Audit service, of a cartography of the various IT systems and platforms important for the accounting registrations of the Bank. • Taking note of the main incidents related to IT systems and platforms with attention to incidents which affected the accounting data and assessment of the measures taken. • Evaluation of the design – for some of the most important applications - and, if relevant, the operational effectiveness of certain key controls. • Evaluation of the checks and audits carried out by the Internal Audit service.

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

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

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

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

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

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

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

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

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

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

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REPORT ABOUT SOME LEGAL AND REGULATORY OBLIGATIONS

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and content of the corporate report, and in particular Chapter 2 3 "Annual accounts and reports on the financial year", compliance with the legal and regulatory requirements regarding bookkeeping, and compliance with the Organic Law and the other legal and regulatory dispositions, and the Bank's By-Laws.

Responsibilities of the auditor

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

Other comments

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

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

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

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

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

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

Brussels, 24 March 2023

MAZARS RÉVISEURS D'ENTREPRISES
Auditor
Represented by

Dirk STRAGIER
Auditor

3.4 Approval by the Council of Regency

Having taken note of the examination by the Audit Committee, the Council of Regency approved the annual accounts and the report on the company's activities in the year 2022 on 29 March 2023 and determined the final allocation of the result for that year. In accordance with Article 44 of the Statutes, the approval of the accounts implies a discharge for the members of the Board of Directors.