



FOREWORD

*By Guy Quaden,
Governor*

The introduction of the euro banknotes and coins, a crucial stage in the history of European unification, but also a logistical operation on a scale which is unprecedented in monetary and financial history, was generally regarded as a success, especially in Belgium.

This operation and the preparations for it required the collaboration of a great many operators in the economic and social sphere, both public and private. I would like to congratulate them and express my sincere appreciation.

In this process, the central banks have played an essential role. For its part, the Bank made a number of contributions :

- it supplied the human and material resources of the General Commission for the Euro, set up by the Government at the end of 1996 to encourage and coordinate the preparation of the various sectors and the general public for the first milestone, the changeover to the euro for cashless transactions on 1 January 1999, and the second, the introduction of euro banknotes and coins, on 1 January 2002.*
- with its own printing works, the Bank produced all the banknotes placed in circulation in the country, plus a reserve stock representing a total of 550 million banknotes. The seven new*

denominations comprise numerous technical innovations. Other central banks in the euro area entrusted the production of certain denominations to our printing works, in view of its excellent reputation;

- the Bank took charge of placing its own banknotes in circulation together with the coins produced by the Belgian Royal Mint. Sufficient supplies were arranged for the banks and retailers well before 1 January 2002 to ensure that the euro could be used in economic life from the very first hours of the new year;
- the Bank is also in charge of the withdrawal of Belgian franc banknotes and coins. These had already begun to return to the Bank by the second half of 2001;
- finally, the Bank played a substantial role in the information campaigns concerning the introduction of the euro, acting both on its own and jointly with numerous partners, particularly the European Central Bank and the Belgian media.

In successfully performing all these tasks, the Bank's employees had the opportunity to demonstrate their expertise.

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As mentioned in the previous Annual Report, in the course of the events celebrating its 150th anniversary the Bank initiated a wide-ranging debate in 2000, intended to prepare for its future in the new context created not just by monetary union, but also by the spread of the new information and communication technologies and the concentration taking place in the commercial financial sector.

The aim is to position the Bank among the best central banks by clearly stating its strategic options, by giving it a strong, positive image, by gaining tighter control over its costs and by ensuring dynamic and stimulating management of human resources.

The realisation of these objectives began in 2000: procedures have been modernised and the Bank's structures have been adapted.

The opening up of the markets, their globalisation, the financial crises and the associated risks of contagion have led the international institutions and national central banks to concern themselves to a greater extent with the stability of the financial systems and the surveillance of the risks within those systems. That is why the Bank decided to group together in a single department the activities of international cooperation, macroprudential surveillance and oversight of the payment and securities settlement systems.

A new department has been formed out of the Central Balance Sheet Office and the Central Credit Offices, in order to develop the collection, analysis and use of microeconomic information, for the purpose of further improving the knowledge of the economic fabric of the country and making it available to all the parties concerned.

Moreover, the desire to control costs and the developments in the financial sector have prompted the Bank to pursue the reorganisation of its network of provincial establishments. There were still twenty two of these in 1999, but by July 2002 there will be only ten left. Their activities will be reorganised around two main functions: the handling of physical assets, which will be concentrated in five establishments, and the collection and circulation of economic information.

In view of other restructuring measures, staff numbers at the Bank will resume their decline from 2002 onwards, a decline temporarily interrupted in 2001 by the extra work associated with the introduction of the euro banknotes and coins. This reduction in the size of the workforce will take place by natural wastage and internal transfers, with no redundancies.

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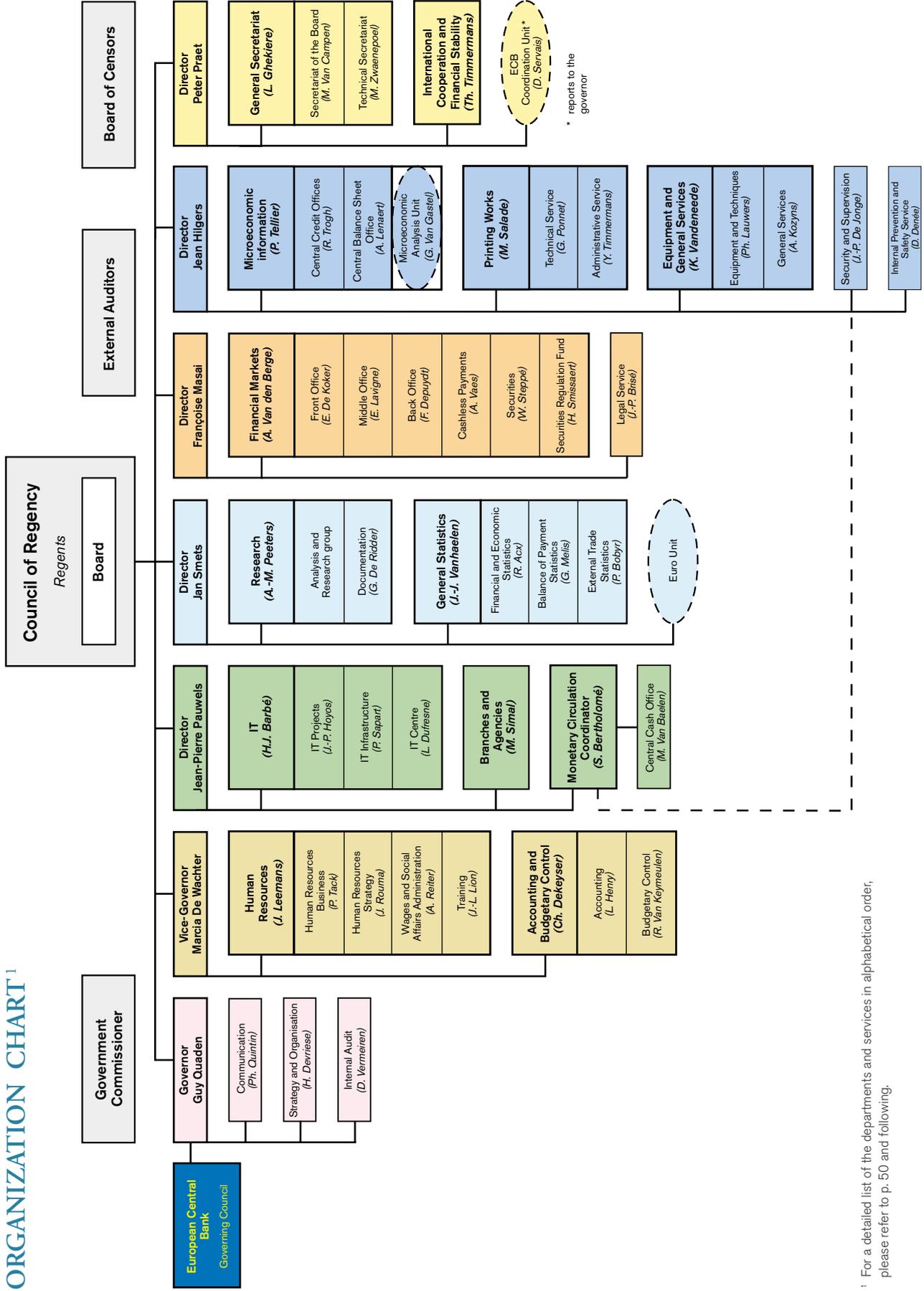
The transition to monetary union marks a new chapter in the history of the Bank. From now on, it will perform its functions and activities as a central bank within the Eurosystem. It also intends to be, more than ever before, an efficient enterprise, concerned first of all for the public interest, in the service of the State, the financial community, other enterprises and the Belgian population in general.

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ORGANIZATION CHART¹



¹ For a detailed list of the departments and services in alphabetical order, please refer to p. 50 and following.

Activities

1. GENERAL REVIEW

1.1 THE BANK AND THE EUROSYSTEM

Since 1 January 1999, the Bank has formed part of the Eurosystem¹ which comprises the ECB and the NCBs of the twelve Member States which have adopted the euro.

The organisation of responsibilities within the Eurosystem

The European model of monetary union was constructed around the concept of “system” which makes it fundamentally different from the German model, or that of the United States. In fact, the authors of the Maastricht Treaty opted for the creation of an entity comprising the NCBs and the ECB, rather than a centralised institution. The design of this system makes it possible to have a single decision-making body – the ECB Governing Council – combined with a continuing important role for the NCBs. For example, in line with this concept the Treaty accords entitlement to the NCBs and to the ECB to issue euro banknotes, a provision which was implemented by the decision of the Governing Council on 6 December 2001.

The Eurosystem as a whole has been assigned a number of fundamental tasks: to define and implement the monetary policy of the euro area, to conduct foreign exchange operations, to hold and manage the official foreign reserves of the Member States and to promote the smooth operation of payment systems. The Eurosystem also contributes to the smooth conduct of policies

pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system.

In some of the above fields, the Eurosystem exercises exclusive competence. This applies, in particular, in the case of monetary policy. Decisions on the subject fall within the exclusive competence of the Governing Council of the ECB.

In other fields, competence is shared between the NCBs and the Eurosystem, notably as regards payment systems and financial stability or international issues. This means that both the NCBs and the Eurosystem are themselves competent to take action in these fields. In such a case, in accordance with the principle of subsidiarity, the Eurosystem acts only in so far as the intended measure can be better implemented at European Community level.

The Treaty also provides that the NCBs may perform tasks other than those which come under the Eurosystem. In the Bank's case, those tasks are numerous and represent a major part of its activities. This concerns, for example, the Government Cashier service, statistical work, the management of the Central Balance Sheet Office, the Central Office for Credits to Enterprises and the Central Office for Credits to Individuals. The Bank retains autonomy of decision over these tasks.

The Bank's role within the Eurosystem

In carrying out the tasks which come under the Eurosystem, the Bank has to perform a dual role.

On the one hand, the Governor attends the meetings of the ECB Governing Council and

¹ The term “Eurosystem” is used for convenience to distinguish it from the ESCB, which also includes the NCBs of the three EU Member States which have not yet adopted the euro.

takes part in its decisions. He exercises that mandate totally independently and, in accordance with the Treaty, he cannot seek or take instructions from any national or Community institutions whatsoever. The Bank's various departments assist the Governor in this task, which entails a substantial amount of advance preparation.

On the other hand, in accordance with the principle of decentralisation, the execution of the Governing Council's decisions is entrusted to the NCBs. Thus, for example, monetary policy operations are implemented in a decentralised manner. The Bank acts with due regard for the decisions and guidelines adopted by the ECB in the fields of competence of the Eurosystem.

The impact of the Eurosystem on the organisation and operation of the Bank

The European and international dimension is now an integral part of everyone's work at the Bank. This has profoundly modified working methods and procedures. The Bank's participation in the Eurosystem is also a factor which has prompted a review of strategy, leading in particular to the reorganisation of some of the Bank's departments. In the course of that exercise it was decided to create an "ECB Coordination" Unit in order to enable the Bank to establish its influence at Eurosystem level. That Unit, which comes under the direct authority of the Governor, is responsible, among other things, for assisting him in the preparation and monitoring of the work of the ECB Governing Council, and more generally for coordinating the positions which the Bank's representatives are to adopt in the various committees and working groups set up within the Eurosystem.

By contributing their expertise, these committees facilitate the decision-making process within the Eurosystem. They are generally assisted by one or more working groups. The frequency of the meetings varies from one committee to another. These

committees are: the Internal Auditors Committee (IAC), the Banknote Committee (BANCO), the Budget Committee (BUCOM), the External Communications Committee (ECCO), the Accounting and Monetary Income Committee (AMICO), the Legal Committee (LEGCO), the Market Operations Committee (MOC), the Monetary Policy Committee (MPC), the International Relations Committee (IRC), the Statistics Committee (STC), the Banking Supervision Committee (BSC), the Information Technology Committee (ITC), and the Payment and Settlement Systems Committee (PSSC). The ECB Governing Council has also set up a Committee for the Changeover to Euro Notes and Coins (CASHCO) and a high level committee on the production of euro banknotes (High Level Banknote Committee); in addition, on 22 November 2001 it set up a High Level Group on Payment Systems.

1.2 CHANGEOVER TO THE EURO

Introduction of the euro coins and notes began in Belgium and the eleven other euro area countries on 1 January 2002. That event was the final stage in the changeover to the single currency, and was, for the majority of the population, the most tangible aspect of Economic and Monetary Union. The general opinion is that the changeover to euro notes and coins was implemented very satisfactorily in the majority of the euro area countries, and especially in Belgium. Indeed, the new notes and coins were placed in circulation smoothly and quickly, without any problems or shortages.

This success is attributable to lengthy, meticulous preparations, the mobilisation and good cooperation of all the players concerned, and the very positive attitude of the population. For the Bank and the General Commission for the Euro, this stage was the culmination of several years of work and effort.

1.2.1 *The role of the Bank*

Introduction

In 2001, the preparations for the changeover to euro notes and coins continued under the direction of the Monetary Circulation Coordinator.

Most of the work consisted in the large-scale frontloading of euro notes and coins for the financial sector, which in turn supplied some of this currency to the economic sectors requiring large amounts of cash, particularly traders and mass retailers.

In addition to a massive information campaign aimed at the general public, the Bank arranged training sessions specifically for the cashiers of financial institutions, mass retailers and public transport companies, and for the partially sighted. The purpose of these training sessions was to familiarise these people with the security marks on euro notes and coins, and thus to combat forgery. Furthermore, on 6 March 2001 the Bank inaugurated, in Brussels, a series of conferences as part of the “Euro 2002” campaign”. Mr Duisenberg, President of the ECB, Mr Reynders, Minister of Finance and President of the Eurogroup, Mr Solbes, European Commissioner, Mr Quaden, Governor and Mr Smets, Director took part.

The changeover to euro notes and coins entailed exceptional expenditure for the Bank. Thus, a total of around 30 million euro had been included in the 2001 budget to finance the euro frontloading operations and cover the expenses connected with the demonetisation of the franc coins (in accordance with the programme law of 2 January 2001¹), and the additional costs of logistics and security.

By means of internal changes and recruitment of temporary employees, around 160 additional

people were allocated to the Central Cash Office and the provincial establishments.

The law of 10 December 2001 on the final changeover to the euro requires the Bank to exchange Belgian franc banknotes and coins for euros, free of charge. This law also stipulates that the Bank must maintain the quality of the notes and coins in circulation (see Annex 1).

Front-loading of euro notes and coins

The Bank supplied euro notes and coins to credit institutions and the Post Office before 1 January 2002, on the understanding that they could not be used as a means of payment in 2001 and that they must be kept in a secure location. The credit institutions and the Post Office were debited with the amount of these deliveries in three tranches, on 2, 23 and 30 January 2002 respectively.

In the case of banknotes, this frontloading began in November 2001. It involved 266 million notes, or about half of the volume produced. Over 240 million of these notes were supplied in standard packs and the balance in cassettes of 10,000 notes. These packs, containing numerous 5, 10, 20 and 50 euro denominations, were made up to meet the specific needs of the financial institutions. There were eight different types: three designed specially for the frontloading of local bank branches (over 43,000 packs containing 85 million notes), three intended for loading cash dispensers (over 36,000 packs containing 55 million notes) and two for frontloading mass retailers and the other sectors with a substantial cash requirement (almost 40 000 packs containing 100 million notes). It took one hundred million notes packed in bundles of twenty five to make up these standard packs.

The frontloading of coins started as early as 1 September 2001. It involved 1.2 billion coins (or 63 p.c. of the total made), six hundred million being supplied in bulk and the rest as “euro mini-kits” and “euro starter kits”. With almost

¹ This law put a ceiling of 250 million Belgian francs on the finance provided by the Bank for front-loading and 600 million Belgian francs for demonetisation.

2 billion coins, Belgian production corresponded to 4.6 p.c. of the volume produced by the Eurosystem.

The joint declaration by the EU Council on 3 November 1999 on the introduction of the euro notes and coins provided for the possibility of making limited quantities of coins available to the public during the second half of December 2001. For that purpose, the Belgian Royal Mint produced "euro mini-kits" containing coins worth 12.40 euro (500 BEF). They went into production on 1 March and the quantity was increased several times, finally totalling 5.5 million units. These "euro mini-kits" were sold to the public from 15 December 2001. Their distribution via employers was encouraged by fiscal and parafiscal measures. Employers with sixty or more workers were also able to order mini-kits for their staff direct from the Bank. The delivery of orders received from these large employers was organised by the Bank, free of charge.

"Euro starter kits" comprising fourteen cartridges with a total value of 240 euro (9,682 BEF) were specially designed to facilitate frontloading for shops. The Bank assisted in this operation by arranging a call for tenders, supervising the production, making staff available to the Belgian Royal Mint to supplement its teams, and itself producing 130,000 "euro starter kits". By increasing the production of these packs from the 700,000 originally forecast to 870,000, it was possible to satisfy the demand in full.

The large-scale frontloading of financial institutions and the Post Office with euro notes and coins made it necessary to open additional counters and extend the Bank's working hours.

Withdrawal of Belgian coins and notes

For security reasons, credit institutions, the Post Office and enterprises using security firms to transport notes to the Bank were authorised by a Royal Decree of 12 December 2001 to mark 500, 1,000, 2,000 and 10,000 Belgian

franc notes with a perforation in the area of the watermark, so that these notes could no longer be used as means of payment.

The volume of banknotes in circulation had already fallen spontaneously in 2001 (see point 1.3.2). In order to cater for the massive withdrawal of Belgian notes and coins, the Bank expanded its banknote sorting and destruction capacity by 25 p.c.

"Operation piggy bank" was arranged to encourage the public to exchange the coins which they had saved up for banknotes, or to pay the amount into an account in order to reduce the number of coins to be withdrawn from circulation at the beginning of 2002. The Bank organised the whole of this free operation, from the call for tenders to the distribution of transparent packs. Since the piggy banks were kept mainly by families with children, five of these packs were issued to each pupil in nursery and primary schools, representing a total of 6.5 million packs distributed via 7,000 schools. This operation was also widely publicised. Beginning on 15 October 2001, it was extended to the end of 2001, enabling one hundred million coins to be withdrawn from circulation in packs. Moreover, during the same period, 560 million coins, representing over 2,600 tonnes, were paid in by credit institutions in bulk.

A central depot, managed jointly by the Belgian Royal Mint and the Bank, was opened for the purpose of collecting the Belgian and Luxembourg coins. At this depot, security firms are allowed to pay in coins collected from their customers in standard containers. The coins presented in cartridges or clips are handled by machine. The majority of the coins are then defaced before being resold for the value of the metal.

1.2.2 Role of the General Commission for the Euro

Set up in November 1996 to encourage and co-ordinate the preparations for the changeover

to the euro in Belgium, the General Commission for the Euro continued its activities in 2001 through working groups established for general government (ADMI EURO), the financial sector (FIN EURO), non-financial enterprises and consumers (ECO EURO) and communication (COM EURO COM) respectively. Since 1999 it has been directed by Mr Smets, General Commissioner for the Euro and Director of the Bank, and by Mr Bertholomé, Assisting General Commissioner for the Euro and the Bank's Monetary Circulation Coordinator. As in previous years, the staff and logistical resources necessary for its operation were supplied by the Bank.

ADMI EURO

As regards general government, the main measures – co-ordinated by the ADMI EURO group – took place in the areas of IT and regulation. The necessary IT modifications formed the subject of monthly reports to the government. On 1 July 2001, a general test on the exchange of data between public authorities was organised with the help of an outside consultant. The test proved successful.

In addition, in 2001, Royal Decrees implementing the laws of 26 and 30 June 2000 on the introduction of the euro adapted the relatively stable amounts. Other series of Royal Decrees dealt with the conversion of amounts which change more often and the scales and allowances which apply in the civil service. The final changeover to the euro formed the subject of a second law, accompanied by two implementing decrees; it provided, in particular, for the abolition of the Belgian franc as legal tender at the end of February 2002, the free exchange by the Bank of Belgian franc notes and coins, and the prohibition on the use of euro notes and coins before 1 January 2002.

FIN EURO

In 2001, the work of the FIN EURO group mainly concerned the entry into circulation of

euro coins and notes on 1 January 2002, and arrangements for the changeover to the exclusive use of the euro for cashless payments.

The FIN EURO sub-group "Coins and Banknotes" comprises all parties concerned, both in the financial sector (the Bank, credit institutions, the Post Office, the Belgian Royal Mint, etc.) and outside (public authorities, enterprises, small firms and traders, distributors, security firms, vending machine manufacturers, consumers, etc.). It drew up the final version of the "Belgian scenario for the introduction of euro banknotes and coins" which was approved on 2 February 2001 by the Council of Ministers of the Federal Government.

The scenario was intended to organise a smooth changeover to euro banknotes and coins by reconciling two objectives which, at first sight, were contradictory: many sectors needed to be able to work in euro immediately at the beginning of January 2002, whereas it was advisable to provide for a two-month dual circulation period (a six-month period had previously been proposed), in view of the logistical constraints and the demands expressed by consumer associations and certain sectors (vending machine operators, security firms, banks, etc.).

To attain these two objectives, measures were taken to ensure that euro notes and coins were introduced on a massive scale immediately on 1 January 2002, so that the majority of cash payments (± 80 p.c.) would be made in euro by the end of two weeks, while there were provisions guaranteeing the exchange of Belgian francs for euros by the financial institutions, the Post Office and the National Bank for a very long period, or even indefinitely in the case of banknotes exchanged by the National Bank.

According to a poll conducted among supermarkets and retailers, the first objective, to attain a critical mass (80 p.c.) of cash payments in euro, was achieved by 10 January, and by 15 January the figure was 90 p.c. This result was attributable

to the decisive role performed by a number of key players in implementing the scenario.

- The Bank and the Belgian Royal Mint adhered strictly to the programme for the production of banknotes and coins (see point 1.3.1). The frontloading of the bank branches, the Post Office and businesses also went smoothly (see point 1.2.1.).
- The public demonstrated genuine enthusiasm for the new euro coins and notes, which it withdrew in large quantities from cash dispensers, banks and post offices. The scenario was based on credit institutions issuing only euros from 1 January 2002 onwards. They fulfilled their role, since euro banknotes were available from all Banksys cash dispensers and almost all the cash dispensers in the “self banking” networks within the first few minutes of the new year. In the first week of 2002, the average number of withdrawals from cash dispensers was significantly higher than under normal circumstances: four million withdrawals by this means were recorded, representing a total of around four hundred million euro. At the start of the second week in January, the rate of withdrawals returned to a more normal level. Also, from 2 January 2002, banks and post offices placed only euro notes and coins in circulation. The number of cash withdrawals and exchange transactions at the counters also exceeded the average, and the amounts handled were well in excess of the total withdrawn from the cash dispensers.
- In accordance with the scenario, Belgian francs presented to pay for purchases were withdrawn from circulation. In fact, wherever possible, change was given in euro right from the first few days of 2002 in retail shops, and especially in supermarkets. Despite the inconvenience associated with the dual circulation period, the attitude of both traders and customers was decidedly positive, and no noteworthy incidents were reported.

The switch to exclusive use of the euro for cashless payments was also trouble-free. “The

general scenario for an early switchover to the euro”, established by the FIN EURO group and approved by the Federal Government Council of Ministers on 10 November 2000, permitted this smooth transition by encouraging an early and consistent switch by major economic sectors in order to accelerate the use of the euro and prevent the problems from being concentrated at the end of 2001. The FIN EURO group's recommendations, dating from September 1998, were updated. They define the arrangements for ending cashless payments in Belgian francs. In accordance with this scenario and these recommendations, bank accounts were converted during the second half of 2001 and cashless payments were effected exclusively in euro from 1 January 2002.

ECO EURO

Under the aegis of the Ministry of Economic Affairs, the ECO EURO group continued to coordinate the work of the eleven euro transition observatories which have been monitoring the introduction of the euro among the population since 1999. These observation centres are places where professionals and consumers can meet and exchange ideas; they are based at the Bank's offices in the main town of each province.

The Ministry of Economic Affairs Inspectorate staff also conducted a number of surveys between March and December 2001, to monitor dual pricing in shops and check on its accuracy, and to ascertain the impact of the changeover to the euro on prices. In addition, the Bank organised a two-part business survey on the introduction of the euro, in order to evaluate the degree to which enterprises were prepared for the changeover to the single currency and the impact which the euro might have on their operating costs and on prices. The first part of this survey was organised on a monthly basis from May to December 2001. The second was conducted on three occasions in 2001 and once in 2002.

COM EURO COM

The information campaigns necessary to ensure a smooth transition to the euro were intensified as 2002 drew nearer. In particular, the COM EURO COM group updated the federal authorities' Internet site and launched a radio information campaign in May 2001, plus a press and television campaign in late December 2001 and early January 2002. In addition, the federal government freephone number (0800 1 2002) was still available for answering questions about the euro.

Like the Bank, the General Commission for the Euro continued to take part in the design and launch in Belgium of the "Euro 2002" information campaign initiated by the ECB. Intended to encourage the acceptance of euro banknotes and coins, this campaign was meant to enable the public and professionals to become familiar with their appearance, the security marks, denominations, issuers and introduction arrangements. It was designed on the basis of the megaphone concept: messages were sent out by a number of channels to various groups, the timing and content being tailored to each group, so that the messages would be amplified and every member of the public would have the opportunity to receive information on the euro banknotes and coins before 1 January 2002. In Belgium, over one hundred and ten partnership agreements were concluded, facilitating the distribution of several million brochures, leaflets, notices, etc.

The most visible element of the campaign began in September 2001, when the actual appearance of the coins and notes was made public. Television commercials went out from mid September 2001 until the beginning of February 2002. Press advertisements appeared from mid October onwards. At the beginning of November, a leaflet describing the authentication features of the euro banknotes and coins was distributed to every letter-box. During October and November, a competition was also

organised for children aged eight to twelve years.

In addition, the Bank launched a campaign to back up "operation piggy-bank" by a widely broadcast television and radio commercial, and by arranging the distribution of posters and a leaflet through banks and post offices.

Apart from these measures aimed at the general public, a number of operations were set up for several specific target groups. Thus, the Ministry of Economic Affairs launched a campaign under the slogan "The easy euro", aimed at the most vulnerable groups. In the course of this operation, some five thousand trustworthy people were trained to use suitable material to teach the elderly, in particular, or those who are facing financial trouble, and the partially sighted, how to think, talk and count in euro.

In September, at the instigation of the Bank, all primary and secondary schools in the country received teaching material: posters with illustrations of the euro coins and notes, detachable specimens of these coins and notes, a video cassette and information leaflets. In addition, a manual was distributed, explaining the main aspects of the changeover to the euro and containing suggestions for including the euro in the curriculum.

The moves to inform businesses and raise their awareness also continued, especially among SMEs. Before the summer, the Ministry of Small and Medium-Sized Businesses and Agriculture issued a leaflet intended for the self-employed, traders, people in the professions and SMEs. In August, the "Eurochallenger" database was also updated. Since 1998 it has provided information on accounting, tax, social, financial, legal and commercial matters relating to the introduction of the euro, and for many business managers it has become the key reference. In the autumn the Bank also organised training courses for cashiers and other people who frequently handle cash in the course of their work.

On 2 October 2001 the General Commission for the Euro held a plenary meeting on the subject of "Consumers and the euro: going shopping with euros in your pocket at last". On that occasion, it published its seventh information letter. Finally, it arranged seminars for magistrates, the federal police, and associations assisting the blind and partially sighted, teaching conferences for the world of education and, in partnership with the "Union des classes moyennes" and the "Unie van zelfstandige ondernemers", about twenty local conferences for SMEs and the self-employed.

1.3 BANKNOTES AND COINS

1.3.1 Banknote production and prevention of counterfeiting

The Bank continued manufacturing euro banknotes in 2001. The volume necessary for issue had been assessed at 550 million banknotes for Belgium and 15 billion for the euro area as a whole.

The banknotes necessary to cover national requirements were supplied by the specified dates, as were the 200 and 500 euro notes ordered from the Bank's Printing Works by two other central banks in the euro area.

As in previous years, the Bank took part in the European work aimed at establishing instruments for effectively combating the counterfeiting of the euro. This included the centralised

records of counterfeit euro notes and coins, created by the ECB, and the EU Council regulations of 28 June 2001 on the measures necessary to protect the euro against counterfeiting.

In Belgium, the federal police and the Bank signed a memorandum on 12 December 2001, stepping up their cooperation on the control of counterfeiting. Following this agreement, the Central Counterfeiting Prevention Office was set up in one of the buildings at the Bank's headquarters. This speeds up the central collection of counterfeit currency and the information relating to it, and facilitates the exchange of information between experts from the Office and the Bank's staff responsible for analysing and recording forged euro banknotes.

1.3.2 Circulation of notes and coins

Volume of banknotes in circulation

The year 2001 brought a break in the trends traditionally observed in the pattern of banknote circulation. A decline in relation to the previous year began in March and rapidly gathered momentum in the second half of the year.

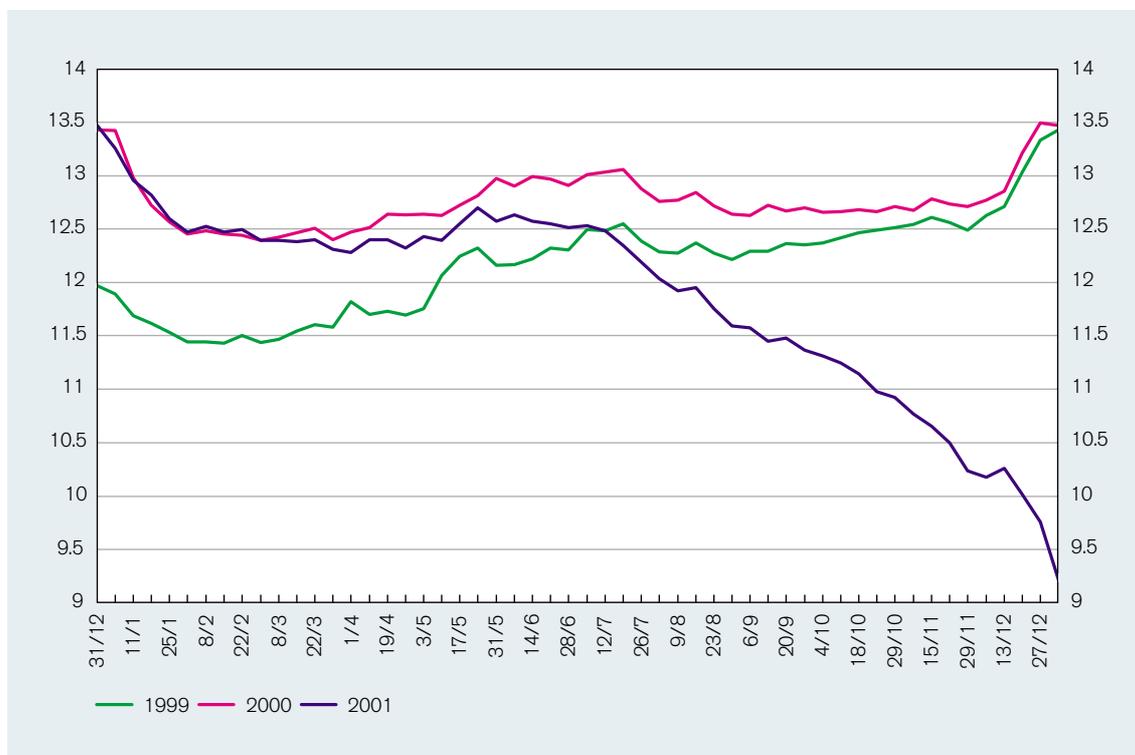
On 31 December, the banknotes in circulation totalled 9.2 billion euro, or 32 p.c. less than a year earlier. The 10,000 franc denomination, frequently hoarded, showed an even sharper decline (almost 42 p.c. in one year).

Taking a daily average, the decline in banknote circulation was 6.8 p.c. With the impending changeover to euro notes and coins, this decline

TABLE 1 – PRODUCTION OF EURO BANKNOTES

(Production allocated to Belgium for the launch of the euro)

Denomination	5	10	20	50	100	200	500	Total
Number of banknotes (in millions) ...	125	110	140	100	50	10	15	550

CHART 1 – MOVEMENT IN BANKNOTES IN CIRCULATION¹*(Weekly totals, billions of euros)*

¹ Including banknotes in circulation recorded on the balance sheet of the «Banque centrale du Luxembourg».

was expected. It also occurred in most other euro area countries. For that area as a whole, there was a 4.1 p.c. decline in the average circulation.

Handling the circulation of banknotes

For the Bank's establishments as a whole, notes withdrawn or paid in numbered 1.8 billion in 2001. The Bank dealt with over 0.9 billion notes¹.

The Bank also continued its programme of investing in highly efficient sorting equipment.

¹ The process consists in sorting and counting the notes, checking their authenticity, repackaging notes which are to be returned to circulation and destroying rejected notes.

In particular, it acquired a "multi-denomination" machine, capable of handling several denominations simultaneously. It also developed a decentralised computer application based on an automatic interface between the sorting machines and professional customers, and on a secure message exchange system. This saves time in dealing with transactions at the counters and increases the security for all parties concerned (financial institutions, security carriers and the Bank). This application, which has been partly operational since the end of 2001, will ultimately ensure consistent computerised management of all transactions (withdrawals, payments, storage, accounting and statistics).

The arrangements whereby financial institutions pay in and withdraw coins, from now on in euro, were modified with effect from 1 January 2002.

TABLE 2 – BANKNOTES IN CIRCULATION: AMOUNTS AND NUMBER PER DENOMINATION¹

(End-of-year figures)

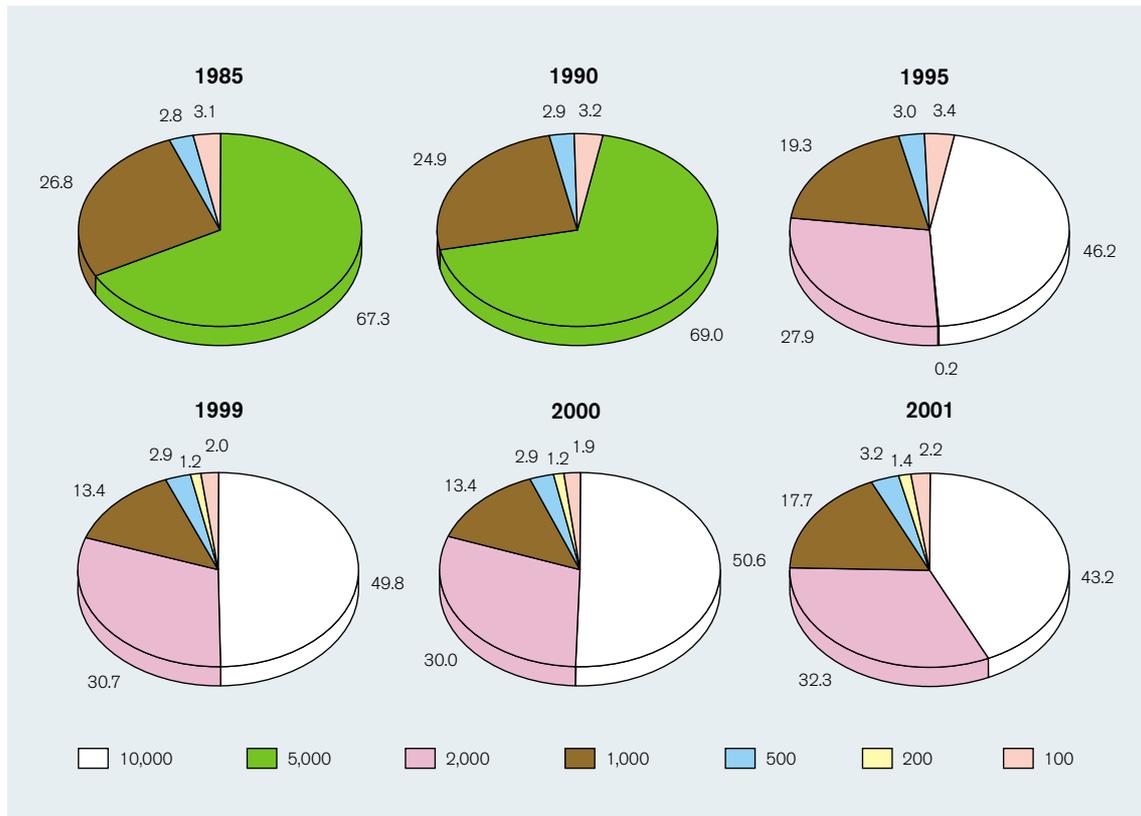
	Value in billions of francs		Value	Number in millions	
	2000	2001	in billions of euros	2000	2001
10,000 BEF	274.8	160.6	4.0	27.5	16.1
2,000 BEF	163.2	120.1	3.0	81.6	60.0
1,000 BEF	73.0	66.0	1.6	73.0	66.0
500 BEF	15.7	11.7	0.3	31.4	23.5
200 BEF	6.6	5.4	0.1	33.1	26.8
100 BEF	10.3	8.2	0.2	102.7	81.8
Total ²	543.5	371.9	9.2	349.2	274.1

¹ Including the notes in the credit institutions' cash holdings.

² The totals may differ from the sum of the items owing to rounding.

CHART 2 – MOVEMENT IN BANKNOTES IN CIRCULATION BY DENOMINATION

(End-of-year figures, percentages of the total amount)



Coins are now always paid in and withdrawn using standardised cartridge trays.

As for the general public, they can exchange their coins for cartridges of euro coins free of charge. They can also pay in unsorted euro coins free of charge, up to a limit of five kilos per person per day. The coins are checked and the equivalent paid out immediately at the counter. If coins weighing over five kilos are paid in, a charge is made and the account is credited later, once the coins have been checked.

Exchanging of banknotes of other countries in the euro area

Euro area banknotes are exchanged at par value in accordance with Article 52 of the Statute of the ESCB and in line with the procedures specified in the 1998¹ and 2000² Reports. In 2001, around 25,000 people presented themselves at the Bank's counters for this purpose. Exchange transactions with individuals involved

over 1.2 million banknotes (or four times more than in the previous year), worth a total of almost 60 million euro. As for professionals, they paid in over 7 million notes worth 236 million euro. This activity will cease on 29 March 2002.

1.4 ECONOMIC INFORMATION

1.4.1 Macro-economic information

Research

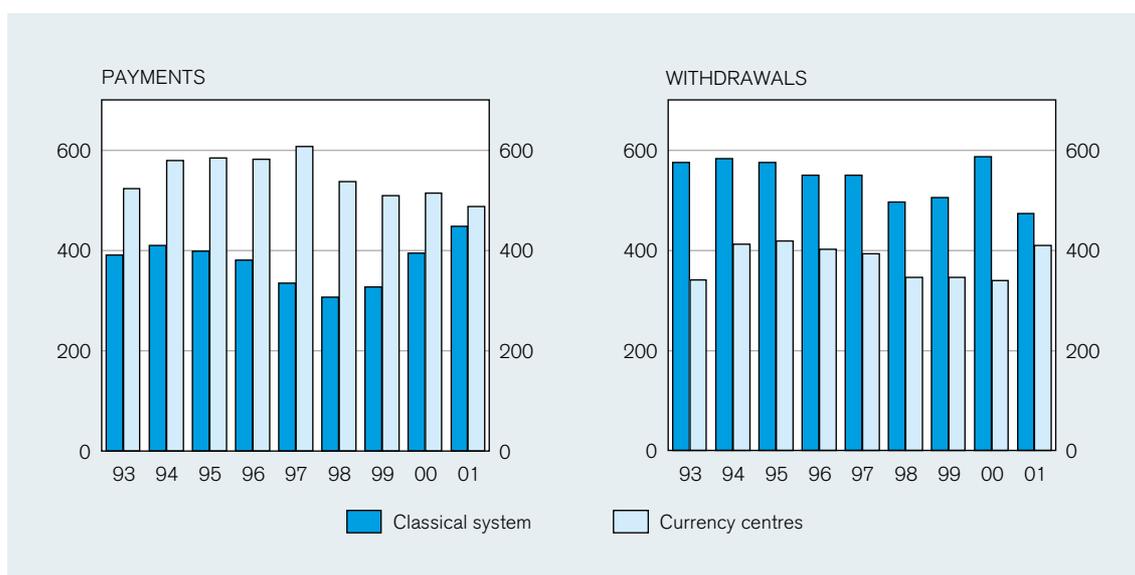
The Bank is closely involved in the preparation and implementation of the single monetary policy of the euro area. Thus, its analysis and research activities are geared primarily to the various facets of monetary policy. In this respect, it

¹ See page 164.

² See page 26 of Part II.

CHART 3 – PAYMENTS AND WITHDRAWALS OF BANKNOTES

(number of banknotes, millions)



cooperates closely with the ECB and the other national central banks of the Eurosystem.

Furthermore, the Bank acts as advisor to the authorities and maintains regular contact with the economic and financial world. This takes the form of publications (see below), memoranda, consultations (with, amongst others, the ECB, the IMF, the OECD and the rating agencies) and participation in meetings at both national and international level.

Thus, at national level (the activities at European and international level are discussed under points 1.1 and 1.8), it delegates representatives to attend various economic councils or permanent working parties such as the Superior Finance Council, the Superior Employment Council and the Central Economic Council.

These tasks necessitate fundamental, sound macroeconomic research, based on continuous, thorough analysis of current events and statistical data. This research is based, in particular, on the results of a set of macroeconomic and financial models, which are regularly updated.

In addition, the Bank is forging closer links with the academic world, e.g. via a joint research project with the Belgian universities on the subject of "New views on firms' investment and finance decisions". The results of this research will be presented at an international symposium which the Bank will hold on 27 and 28 May 2002.

Financial statistics

The statistics on interest rates and the balance sheets of credit institutions will be presented in a new form from 2003, in order to take account of new requirements laid down by the ECB. The preparations for this have already begun, in consultation with the Belgian Bankers' Association.

Furthermore, some of the data which, until the end of 2001, were collected by the Belgian

Luxembourg Exchange Institute will be incorporated in the application of Scheme A.

The statistics on the holdership of dematerialised securities, which were produced monthly, will now appear quarterly.

Finally, new ways of submitting statistical data electronically have been made available. They are extensively used by the credit institutions.

Business surveys

From now on, business survey participants can obtain the results electronically, in a presentation which corresponds to their specific requirements. These results have also undergone special processing so that they can be analysed in greater depth, with a view to the scientific symposium in May 2002.

On behalf of the General Commission for the Euro, the Bank also organised a monthly survey on the degree to which businesses were prepared for the changeover to the euro. As part of the survey, it also sent out questionnaires to businesses on three occasions in 2001, and once in 2002, on the costs and benefits of the changeover to the euro, and the resulting prices.

A special brochure was devoted to the business climate in the Belgian textile sector.

National and regional accounts

The annual national accounts by sector and the aggregates by branch of activity for the 1995-2000 period were compiled in accordance with ESA 95, giving rise to an upward adjustment to gross domestic product and gross national income. They were published at the beginning of October, or one month earlier than the previous year. In January 2002, new long series (1970-2000) were published on investment and capital stocks (broken down by branch and by product).

In accordance with the Council Regulation relating to the ESA 95, quarterly national accounts, which also include statistics on employment and an estimate of wages, were published during the fourth month after the end of the period concerned. Also, to promote European harmonisation, a new method (Tramo-Seats) was introduced for making seasonal adjustments and neutralising calendar effects. Since August 2001, at the request of the Ecofin Council, an estimate of the Belgian quarterly aggregates has been forwarded to Eurostat sixty days after the end of the quarter, to enable it to calculate the estimated growth of the main aggregates of the euro area and the EU. This estimate of GDP is published, and the circulation of more detailed data will be considered after a transitional period.

In March 2001, regional accounts were published for the first time in accordance with the ESA 95. Value added and compensation of employees are broken down by institutional sector and by branch of activity. In January 2002, this publication, which concerned the 1995-1998 period, was updated up to the year 1999.

The financial accounts were brought into line with the ESA 95 and, thanks to an improved check on data quality, it was possible to include them in Belgium's external position. They are published quarterly, in the same way as the statistics relating to them (markets in fixed-income securities at over one year, financial assets of individuals and companies, etc.). The development of the statistics which the ECB uses to calculate the aggregates for the euro area (financial investments, financing of non-financial agents, etc.) continued.

Foreign trade

During the year under review, the processing of the foreign trade data was made easier by increased use of electronic collection facilities (e-mail and Internet). This development plus the reorganisation of the Foreign Trade Statistics

department will reduce the cost of entering the statistical returns in 2002.

Alongside the Community concept, the foreign trade statistics are now also published according to the national concept.

To permit publication of regional import and export statistics, the process of collecting and checking the Intrastat and Extrastat statistical returns will be substantially revised in 2002: a Royal Decree and a Ministerial Decree governing these statistics will be promulgated. Also, the statistical data providers have received more information, and the tools available to them (manuals, nomenclatures, software and CD-ROM) have been improved.

Balance of payments

The year under review saw the completion of the changeover to the euro and the preparation of new Belgian legislation transferring the work of the Belgian-Luxembourg Exchange Institute to the Bank. The Institute was responsible for collecting, in Belgium and Luxembourg, the information necessary for compiling the balance of payments of the Belgian-Luxembourg Economic Union. From 2002 onwards, each country will compile its own balance of payments and arrange collection of the data. In Luxembourg, this work will be taken over by the «Banque centrale du Luxembourg» and «Statec».

After being brought into line with the balance of payments methodology, the foreign trade data relating to 1995 and subsequent years were incorporated in the goods heading of the balance of payments according to both the Community concept and the national concept. A new method of calculating investment income was used for the 1995 - 2000 period, improving the consistency with the national accounts.

At EU level, the Bank participated in various international working groups concerned with the

practical implementation of the methodology and the harmonisation of the data collection.

Publications

The Bank publishes economic analyses in its Annual Report (Part I), which is its main publication, and in the *Economic Review* and the *Working Papers*.

Four times a year, the *Economic Review* provides information on important economic, financial and monetary developments. In 2001, for instance, the Bank published a speech by the governor on the role of the central banks and articles on “bancassurance”, the Belgian economy, cyclically adjusted budget balances, the responsibility and transparency of the authorities in charge of monetary policy, the method of calculating the harmonised index of consumer prices in Belgium, company results and the social balance sheets. The February issue contains the report presented by the governor on behalf of the Council of Regency.

The *Working Papers* are aimed at a specialist public to a greater extent than the *Economic Review*. They are divided into a *Research* series, presenting the results of theoretical and/or empirical economic research, and a *Documents* series, which presents information and analysis of a more general and descriptive nature. The six issues published in 2001 dealt with the use of venture capital to finance businesses, the new economy, the determinants of the debit interest rates of Belgian credit institutions, rational anticipation models and their implications for optimum monetary policy, attractive prices and the effects of rounding off in euro on inflation, and the effects of monetary policy on firms' investments (study based on business data).

A book containing papers from the conference organised by the Bank in Brussels on the occasion of its 150th anniversary, on the subject of

“How to Promote Economic Growth in the Euro Area”, was published in December 2001.

In addition, the Bank publishes:

- a statistical bulletin, issued quarterly, some of the tables in which are updated monthly;
- indicators relating to the Belgian economy, published weekly;
- the national and regional accounts, and data on foreign trade (this information is circulated on behalf of the National Accounts Institute);
- press releases presenting the latest economic figures.

All the Bank's publications can be consulted on its Internet site (<http://www.bnb.be>). Via this site it is possible to take out subscriptions to various publications, in electronic or paper form. This site also offers access to Belgostat, a database with recently extended facilities, containing a wide range of economic and financial statistics, updated daily. The Bank's statistics are also published quarterly on CD-ROM.

Scientific library

The Bank's scientific library has a large collection of monographs and periodicals. Its catalogue is available on the Bank's Internet site and is part of the Belgian collective catalogue which lists, on CD-ROM, the collections of the main Belgian libraries at university level. The reading room is open to the public from Monday to Friday, from 9 a.m. to 4 p.m.

1.4.2 Microeconomic information

Central Balance Sheet Office

In accordance with the coordinated laws on trading companies, the Bank collects and publishes the annual accounts of limited liability companies and, since 1995, their social balance sheets, and those of certain enterprises which

are not required to file their accounts (hospitals, non-profit-making institutions employing at least twenty people, etc.).

In 2001, as in 2000, it collected 270,000 sets of annual accounts (80 p.c. on diskette). Accounts relating to the latest financial year were filed in greater numbers, while accounts relating to earlier years were fewer in number than in 2000. Around 1,500 separate social balance sheets were also collected.

Since November 2001, the annual accounts collected in Belgium have been available on the Bank's Internet site on the basis of a subscription. This method of circulating annual accounts is also used in Spain, France, Italy, the Netherlands and the United Kingdom

Annual accounts and consolidated accounts filed after 1 January 1999 have also been available to public authorities since 30 June 2001 via the network established under the "e-government" project. This is a controlled, secure network which can be used to exchange computerised data. One of the reasons for its establishment is to prevent the public and businesses from having to supply the same information more than once.

The Bank also circulates on CD-ROM images of the annual accounts filed, the statistics from the normalised annual accounts (also available in magnetic form) and annual statistics compiled from the data contained in the normalised annual accounts and social balance sheets. On request, it also supplies "enterprise files" which can be used to compare the financial situation of a particular enterprise with that of its sector. These products are described in more detail on the Bank's Internet website.

In the years ahead, the Central Balance Sheet Office will make increasing use of the new information technologies, in particular for collecting accounts. The electronic filing of accounts should begin in 2003.

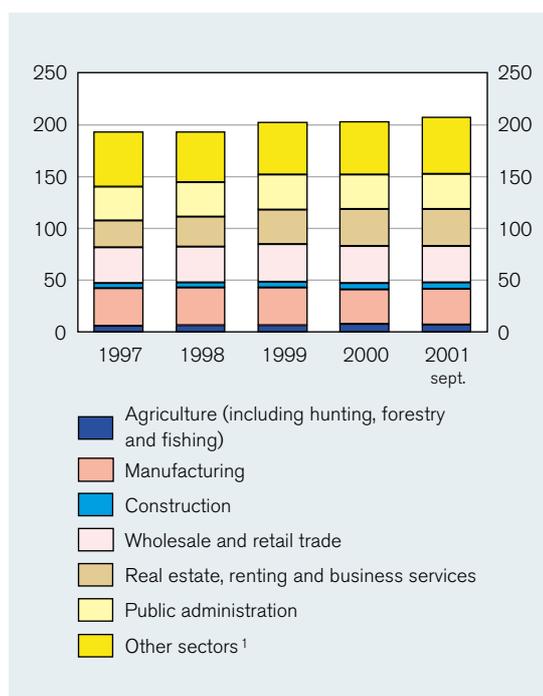
Central Office for Credits to Enterprises

The Central Office for Credits to Enterprises records, by beneficiary (resident and non-resident natural and legal persons), credits of 25,000 euro or more granted for business purposes by credit institutions and, since 1 September 1999, supplier credit and guarantees granted by insurance undertakings with approval for these activities. These records concern both the credit facilities opened and the amounts actually used. For the participants, they offer important information for the assessment of their credit risk.

At the end of 2001, 365,000 credit beneficiaries (of whom 2.1 p.c. were non-resident) and 663,000 credits had been recorded. The chart 4 shows the movement since 1997 in authorised

CHART 4 – PAYMENT CREDITS GRANTED TO RESIDENTS BY CREDIT INSTITUTIONS ESTABLISHED IN BELGIUM

(End-of-period credits opened, billions of euros)



¹ Mining and quarrying; electricity, gas and water supply; transport, storage and communications; hotels and restaurants; financial intermediation; education, health and miscellaneous services.

payment credits granted to residents, broken down by sector of activity. On 30 September 2001, the total amount of credits opened for residents came to 206.8 billion euro, against 202.8 billion at the end of the preceding year, an increase of 2 p.c.

Since May 2001, the Central Office's computer application has been converted to euro and permits the exchange of large volumes of data by a special telecommunications network.

Furthermore, the discussions on the exchange of data between Central Credit Offices in the euro area continued in the "Central credit offices" group, under the aegis of the ECB. The exchange of data should begin in 2003.

The Central Office data are used by the Bank in the course of its macroprudential surveillance work. They have also been of use to the working group on business finance, set up by the Ministry of Finance.

Central Office for Credits to Individuals

The main aim of the Central Office for Credits to Individuals is to restrain any excessive growth in the indebtedness of individuals by providing the participating institutions with information about repayment difficulties relating to consumer credit and mortgage loans granted for private purposes.

At the end of 2000, the records of the Central Office contained data on about 400,000 people and 540,000 contracts. In 84 p.c. of these cases, the arrears had not been paid. The total overdue payments exceeded 1.8 billion euro, representing an average of 4,000 euro per contract. During the year under review, the Central Office also recorded around 6,700 notices of collective debt settlement. These amicable or judicial settlements concern a reduction in charges or rescheduling of the debts. They are granted to persons on application who are

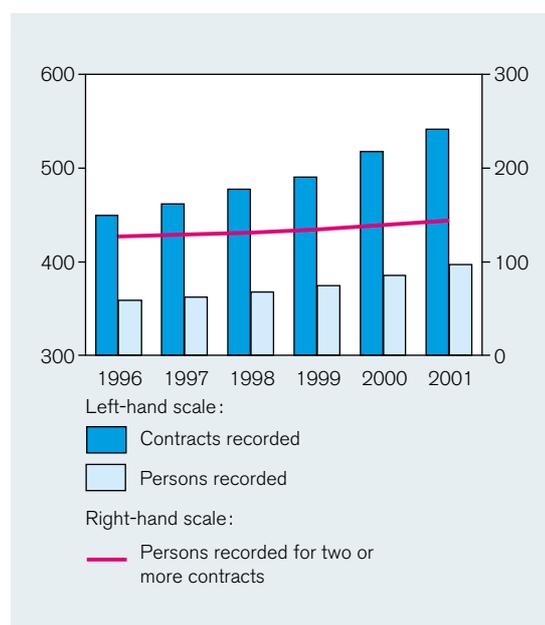
unable, on a long-term basis, to meet their repayments. The registries of the courts of first instance are required by law to forward the corresponding data to the Central Office.

In 2001, the records were consulted, on average, 17,850 times per working day, against 18,500 times the previous year. Around 7 p.c. of consultations concerned a person actually entered in the records. That proportion is 10 p.c. in the case of the Dutch central office, the "Bureau Kredietregistratie", with which a mutual consultation agreement was concluded. More detailed statistical information is available on the Internet site (www.bnb.be) and is published in a half-yearly brochure.

Promulgated as part of the government's policy on the prevention of excessive debt, the law of 10 August 2001 relating to the Central Office for Credits to Individuals provides that the Central Office must register not only default on payments, but also consumer credit and mortgage loans

CHART 5 – CONTRACTS AND PERSONS RECORDED BY THE CENTRAL OFFICE FOR CREDITS TO INDIVIDUALS

(Thousands)



which are proceeding normally. The "positive" Central Office will become operational in 2003. In order to enable that office to provide relevant information immediately for the purpose of credit risk assessment, the new law also covers current credit contracts on which the expiry date will be still six months or more away when the Central Office enters into operation. It is instituting an Advisory Committee for consultation and decision-making, composed of representatives of lenders, borrowers, the Minister of Economic Affairs, the Privacy Protection Committee and the Bank.

1.5 MONETARY POLICY AND FOREIGN EXCHANGE RESERVES

1.5.1 Implementation of monetary policy

The primary objective of monetary policy is to maintain price stability in the euro area. The main instrument available to the Eurosystem is the fixing of the terms governing the weekly credit tenders, available to credit institutions in this area.

The monetary policy decisions are taken by the Governing Council or the Executive Board of the ECB. However, the ECB calls on the NCBs to execute the monetary policy operations. As regards the credit tenders, the NCBs collect bids from credit institutions in their national territory and forward them to the ECB, which takes the decisions. The ensuing payments to credit institutions are also decentralised, being effected after verification of the guarantees presented by the credit institutions.

The NCBs can grant loans, including intra-day loans, only against appropriate security. The traditions and structures of the participating countries have led the ESCB to divide the eligible collateral into two separate lists. The first list contains negotiable debt instruments which

satisfy the criteria laid down by the ECB and are accepted throughout the euro area. The second list gives all the NCBs the opportunity to record the assets, negotiable or otherwise, which are particularly important for their national financial markets and which meet the selection criteria approved by the ECB.

All these assets may be used on a cross-border basis by the counterparties. Despite constant expansion in the use of cross-border guarantees, the major part of the guarantees used within the Eurosystem consists of national assets. In 2001, 15 p.c. on average of the guarantees provided by Belgian counterparties consisted of foreign assets.

The rapid structural changes taking place on the financial markets and the continuing harmonisation within the euro area demand progressive adaptation of the range of guarantees. The possibility of replacing the dual list with a single list valid throughout the Eurosystem is therefore currently being examined.

Finally, the future Basle accord on the minimum capital requirements imposed on banks to cover the credit risk could have implications for the assets eligible as collateral for the granting of loans by the NCBs.

1.5.2 Management of the foreign exchange reserves

Management objectives and principles

The Bank's reserves of gold and foreign currencies totalled 11.1 billion euro at the end of December 2001. Among other things, these reserves enable the Bank to diversify its assets and cater for specific requirements in its relations with the ECB and other international institutions such as the IMF and the BIS.

The reserves are managed in such a way as to maximise the yield with due regard for stringent

requirements regarding investment security and liquidity. There are three levels at which management decisions are taken.

The Board of Directors defines the general policy and medium-term preferences as regards balancing risk and yield. Thus, it essentially determines the foreign currency mix of the reserves, the “neutral” position on the interest rate risk, the list of permitted instruments and transactions, the criteria for selecting counterparties and the credit risk limits. These preferences are reflected in the formation of reference portfolios (one per currency), for the purpose of measuring the results of active management. The Board of Directors also defines the available scope for this active management, more particularly as regards the maximum deviations in terms of interest rate risk. Deviations in the currency mix of the reserves are not permitted.

Active management is a two-tier procedure. Within the ranges defined by the Board of Directors, the Investment Committee determines the short-term preferences, taking account of the current and predicted market situations. The Investment Committee meets every month. It is chaired by the director responsible for the Financial Markets department. The Investment Committee positions, which essentially concern the interest rate risk, are reflected in the composition of a tactical reference portfolio.

Finally, the Front Office portfolio managers are in charge of the actual routine management of the portfolios. Within the limits notified to them, they try to maximise the yield by adopting an active position in relation to the tactical reference portfolio.

The Middle Office maintains totally independent supervision over compliance with the instructions and directives concerning investment, issued by the Board of Directors and the Investment Committee. It also calculates the results of the active management in comparison with the reference portfolios.

The range of authorised investment instruments essentially comprises bank deposits, “repos”, government bonds and debt instruments issued by other top ranking debtors. During 2001, interest rate futures were used for the first time to manage the duration (average life).

The counterparties are chosen on the basis of their signature quality and their operating efficiency. The latter concept concerns such factors as their rates, the quality of the research material provided and their efficiency in settling transactions.

The Bank’s staff allocated to the management of the reserves are subject to specific rules of conduct.

Risk management

Like any institution active on the financial markets, the Bank is exposed to operating risks, market risks – essentially connected with changes in exchange rates and interest rates – and credit risks. It has therefore defined a policy which aims to limit and manage the risks incurred.

In the case of the market risk, the Bank uses the “Value at risk” method to assess the level of losses which could be generated by adverse movements in exchange rates and interest rates. On the basis of these analyses it selects a currency mix and a duration range for each portfolio, which in principle makes it possible to maintain the risk at the desired level.

In order to limit the credit risk, the Bank pursues a prudent policy with the following features: marked preponderance of sovereign risk instruments and collateralised instruments, strict limits on other investments, especially bank deposits, diversification of counterparties and issuers, and rigorous selection in terms of credit quality (high rating).

To limit the operating risks, the Bank has established a triple structure: Front Office (operations),

Middle Office (risk management) and Back Office (settlement of transactions), in order to ensure the segregation of these various functions.

1.6 GOVERNMENT CASHIER AND SECURITIES REGULATION FUND

1.6.1 *Government Cashier*

As the Government Cashier, the Bank centralises the State's current revenue and expenditure items each day via an account opened in its books. After the addition of the balance of the Post Office transactions, the final surplus or deficit is allocated or covered by short-term investment or borrowing transactions.

The Bank also performs a range of practical functions connected with the issue and redemption of State loans. It is also responsible for the financial service in respect of these loans, which consists in paying interest coupons due and redeemable instruments.

In 2001, issues of treasury certificates and linear bonds totalled 57.7 and 26 billion euro respectively, against 58.7 and 32.1 billion in 2000. Four Government bond issues took place. These medium-term Government loans, intended for individuals, raised 1 billion euro for the State in 2001, against 1.2 billion in 2000. Redemptions of treasury certificates, linear bonds, classical loans and Government bonds dropped from 85.8 billion euro in 2000 to 77.4 billion in 2001.

1.6.2 *Securities Regulation Fund*

The Bank is responsible for the daily management of the Securities Regulation Fund, which ensures the liquidity of public loans, essentially

for the benefit of non-professional investors, when the daily fixing takes place on Euronext Brussels. The turnover on the fixing market increased slightly from 403 million euro in 2000 to 418 million euro in 2001. Almost 82 p.c. of the transactions were in Government bonds and classical loans, the remainder concerning linear bonds.

The Securities Regulation Fund is the market authority for the secondary off-exchange market in linear bonds, split securities and Treasury certificates. A draft law in preparation should fundamentally reform the supervision of the financial markets and transfer to the Banking and Finance Commission some of the responsibilities of the Securities Regulation Fund, notably supervision of compliance with the code of conduct and the rules on market manipulation and insider dealing. The Securities Regulation Fund will retain its market organisation functions, namely granting the status of participant, controlling transparency, drawing up the rules on transactions and the associated information, and supervision over their implementation.

The draft reform provides for the possibility of transferring to the Banking and Finance Commission the supervision of credit institutions holding dematerialised public debt instruments for third parties.

1.7 MANAGEMENT OF SETTLEMENT SYSTEMS

1.7.1 *Interbank payments*

For the purpose of handling and settling book-entry payments (transfers, debit and credit cards, domiciliations, cheques, etc.) at interbank level, the Bank organises and manages two integrated, computerised payment systems: the CEC and ELLIPS.

The CEC is a system handling small payments, which processes the bulk of the cashless payments effected each day by economic operators. In 2001 it handled over 99 p.c. of the number of interbank payments, but barely 2.1 p.c. of their total value¹.

The average number of transactions effected via the CEC each day has risen from 3.57 million to 3.70 million. The amounts involved have also increased, from 1.95 billion euro per day to 2.05 billion. While there was, exceptionally, a slight fall in the number of transactions in 2000, the number of payments was up again in 2001. The rate of expansion in retail payments thus returned to normal.

In 2001, the CEC's top priority was to modernise the technical platform, which dates from 1986. In December 2001, the CEC Executive Board approved a plan for the total technical

renovation of the CEC. This will ensure efficiency and reliability for the future: the CEC will be technically ready to cope, if necessary, with changes such as the adoption of international standards and linking with other systems. Indeed, the CEC is operating in an environment which will probably change greatly in the coming years. For instance, a recent regulation of the European Parliament and of the EU Council provides for cross-border payment charges in euro to be aligned with those for domestic payments. Payment systems handling small amounts thus face the challenge of remodelling the existing instruments and applications so that cross-border payments in the euro area can be effected as quickly, efficiently and cheaply as is currently the case for payments within one country.

The second payment system managed by the Bank, ELLIPS, processes payments which are generally for large amounts, often connected with transactions effected on the financial markets. ELLIPS is the Belgian gross settlement system forming part of TARGET, the ESCB payments system for the euro. It handles less than 1 p.c. of

¹ The manual clearing house now only deals with 0.4 p.c. of transactions in terms of both number and value.

TABLE 3 – TRANSACTIONS PROCESSED BY THE BELGIAN INTERBANK PAYMENTS SYSTEMS

(Daily averages)

	Amount (billions of euros)						Number (thousands)			
	ELLIPS			CEC	Clearing house	ELLIPS			CEC	Clearing house
	ELLIPS National	TARGET (EU to BE)	TARGET (BE to UE)			ELLIPS National	TARGET (EU to BE)	TARGET (BE to UE)		
1995				2.7	33.27				3,318	52
1996 ¹				3.0	31.06				3,412	45
1996 ²	29.0			1.8	0.60	3.4			3,412	31
1997	34.1			1.8	0.54	3.8			3,534	27
1998	37.4			1.9	0.48	4.0			3,711	23
1999	15.7	30.5	30.6	1.9	0.45	3.7	1.8	2.2	3,743	20
2000	14.2	35.6	35.6	2.0	0.42	3.7	2.3	3.2	3,565	17
2001	16.3	40.1	40.1	2.1	0.36	3.5	2.6	3.7	3,702	15

¹ Up to 23 September 1996.

² From 24 September 1996 (ELLIPS launch date).

the number of payments, but more than 97 p.c. in terms of value.

For the third consecutive year there has been a marked increase in the use of TARGET. Taken overall, the system handled over 211,000 payments a day, worth close on 1,300 billion euro, which represents an increase of 12.3 and 25.8 p.c. respectively against the year 2000. These figures include around 45,000 cross-border payments totalling 506 billion euro. The rise in the number of transactions processed is still largely due to cross-border payments; on the other hand, the increase in the amount handled is essentially due to domestic payments. Altogether, about one fifth of the payments handled by TARGET are cross-border payments, but these represent approximately two-fifths of the amount processed.

In Belgium, payments handled by TARGET – which are processed and settled via ELLIPS – presented a rather different pattern. The number of payments effected at national level was

down by 5.1 p.c., dropping on average to just over 3,500 a day; however, the value of these payments increased by 14.8 p.c., to reach an average of 16.3 billion euro a day.

Cross-border payments handled by ELLIPS have grown in both volume and value. Once again, the largest increase was recorded in the number of payments made from Belgium to other EU countries: these increased from a daily average of 3,245 to 3,704. Thus, Belgium is still the fifth largest user of TARGET for cross-border payments in the euro area.

TARGET consists of the real time gross settlement systems of the EU Member States linked together. These systems were adapted during the year to cater better for the needs of users and future developments. In this connection, one important element is the preparation for the launch of CLS (“Continuous Linked Settlement”). This global system will effect the simultaneous settlement of both elements of transactions on the foreign exchange markets, in order to reduce

TABLE 4 – TRANSACTIONS PROCESSED BY TARGET

(Daily averages)

	Amount (billions of euros)					
	TARGET			of which ELLIPS		
	Total	Cross-border	National	Total	Cross-border (BE to EU)	National
1999	924.6	360.0	564.6	46.3	30.6	15.7
2000	1,032.5	431.5	601.0	49.8	35.6	14.2
2001	1,299.3	506.3	793.0	56.4	40.1	16.3
	Number (thousands)					
	TARGET			of which ELLIPS		
	Total	Cross-border	National	Total	Cross-border (BE to EU)	National
1999	163.2	28.8	134.4	5.9	2.2	3.7
2000	188.2	39.9	148.3	7.0	3.2	3.7
2001	211.3	45.3	166.0	7.3	3.7	3.5

the systemic risk. TARGET will supply the euro notes and coins required for this process. For that purpose, the liquidity management instruments of the Belgian system have been refined to enable Belgian participants to supply the necessary euro notes and coins at the right moment in the CLS transaction processing cycle.

In 2001, the Bank also set up a link with Clearnet, the central counterparty of Euronext, the main object being to handle, for Belgian participants, margin calls which Clearnet, as the central counterparty, submits for the purpose of risk management. The creation of Euronext implies other adjustments to cashless payment systems.

In addition, the Bank recently created a technical facility for settling Euroclear transactions on accounts opened with it.

1.7.2 Securities settlement

The Bank manages a clearing system which permits the totally secure settlement, on the primary

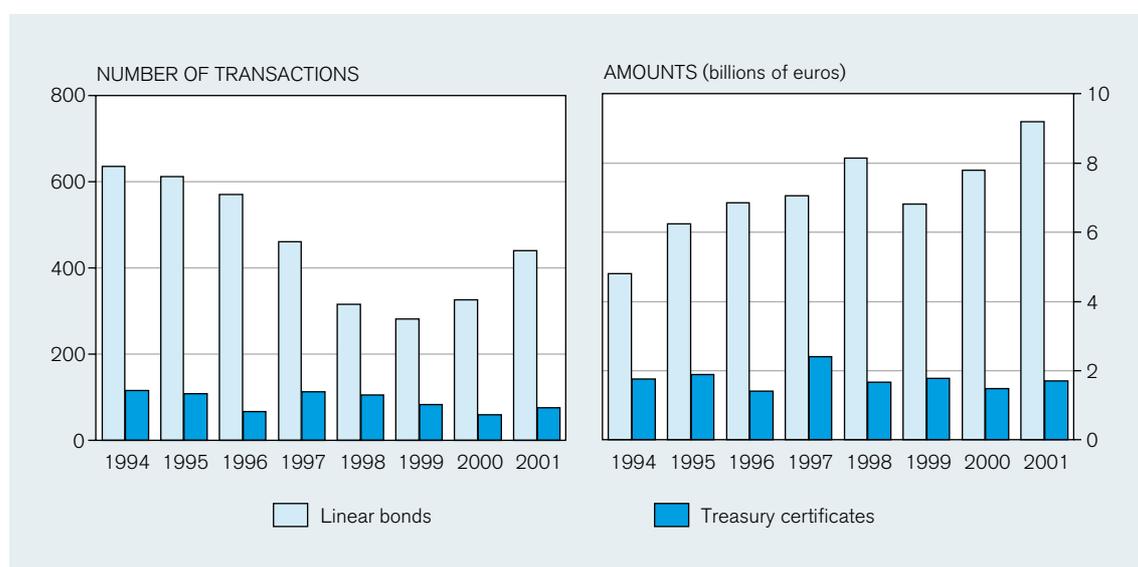
and secondary markets, of transactions relating to dematerialised securities, issued in particular by the Belgian State. It operates on the basis of the principles of double notification and delivery against payment, guaranteeing that movements in securities and cash take place simultaneously. An automatic securities borrowing mechanism with provision of a guarantee also enables participants to meet their delivery obligations.

The year 2001 featured very strong expansion in issues of commercial paper and dematerialised certificates of deposit, mainly by private issuers. With 736 new issues a month, the average number of new issues was about 30 p.c. higher than in 2000. At the end of December 2001, the nominal amount of these securities outstanding was 29 billion euro, an increase of around 48 p.c. against December 1999.

By November 2001, the IT infrastructure of the clearing system had been rendered compatible with the new Swift ISO 15022 message formats which will become compulsory from November 2002. Participants may adopt these formats

CHART 6 – SECONDARY MARKET TRANSACTIONS SETTLED BY THE SECURITIES CLEARING SYSTEM

(Daily averages)



for receiving all the messages sent to them and for sending out some or all of their messages.

Chart 6 shows the movement in 2001 in secondary market transactions in linear bonds and Treasury certificates, in terms of nominal value and number of transactions.

In 2001, the average number of transactions per day increased against the previous year and was almost back to the 1997 level. In terms of nominal value, the secondary market in linear bonds reached its highest level since the creation of the clearing system in January 1991.

1.7.3 Collection of commercial bills

The “Centralised Processing of Commercial Bills” system is intended to replace the material circulation of commercial bills in interbank circulation with the automated exchange of data on the bills. For that purpose, commercial bills domiciled with credit institutions represented in the Clearing House are therefore

centralised by the system, which retains them and presents them for collection by an automated process.

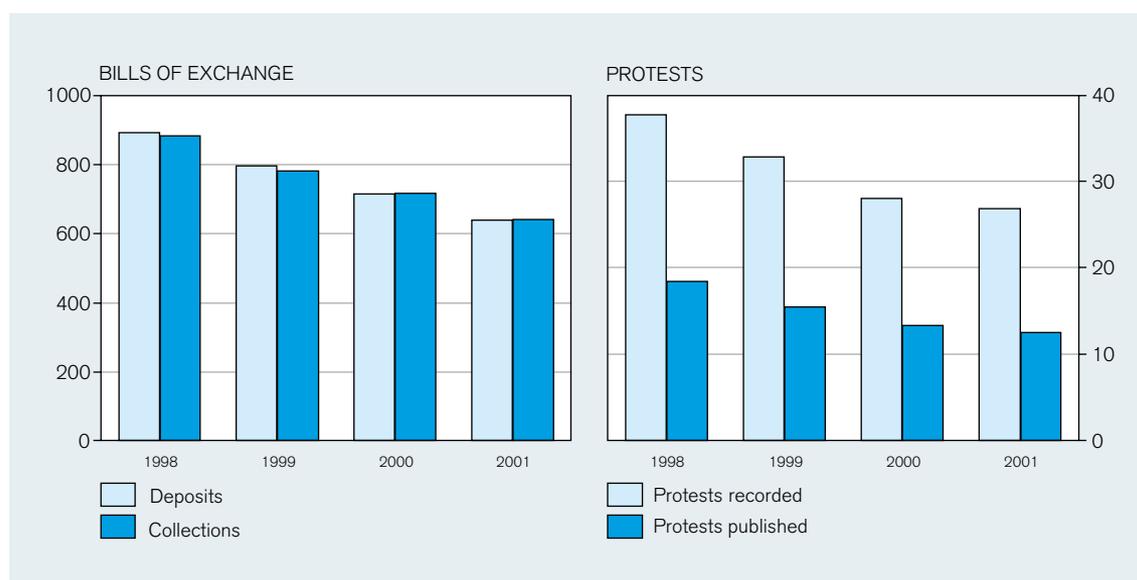
This activity forms the subject of an agreement which ends on 23 September 2002. A new framework agreement providing for the continuation of the activity will be concluded shortly by the Bank and the participants.

The law has also instituted the central depository system for documents of protest. A number of functions have been assigned to the system here, including the official publication of these documents by the monthly submission of a list to the registries of the commercial courts and the organisation of wider circulation of the information relating to the protests thus published.

In 2001, 640,000 commercial bills were processed, confirming the downward trend seen in preceding years. Around 27,000 protests were issued, of which almost half were published, the others having been paid before publication.

CHART 7 – BILLS OF EXCHANGE AND PROTESTS PROCESSED BY THE CENTRALISED PROCESSING OF COMMERCIAL BILLS SYSTEM

(Thousands)



1.8 INTERNATIONAL COOPERATION AND FINANCIAL STABILITY

1.8.1 Introduction

Certain factors, such as the opening up of markets, the reorganisation of activities and the eruption of systemic crises in several emerging economies, have fundamentally altered the operating conditions of the global financial system, making the stability of that system one of the key concerns of international financial institutions.

Furthermore, the concentration and diversification of activities taking place in the financial sector in recent years have modified the risk profile of the Belgian banks: they are more dependent than they once were on developments in other countries. The traditional distinction between national and international markets, and between microprudential and macroprudential control, has thus become blurred. Also, a number of institutions crucial to the smooth operation of the global financial system, such as SWIFT and Euroclear, have been set up in Belgium.

That is why the Bank decided, in 2001, to step up its activities in these areas, by grouping together international cooperation, macroprudential surveillance and oversight of the payment and securities settlement systems in a single department.

The Bank also continues to be responsible for the daily management of the Protection Fund for Deposits and Financial Instruments.

1.8.2 International cooperation

The Bank monitored the work aimed at promoting the stability of the international monetary and financial system, and that relating to the institutional aspects of European integration

and international cooperation in general. During the “dual” European presidency taken on by Belgium, it assisted in the work of reinforcing the coordination of economic policies within the EU and the Eurogroup.

It contributed to the work of the Committee on the Global Financial System created by the Group of Ten and various OECD working parties. It participated in the work on trade in services within the World Trade Organisation.

In consultation with the government authorities, it prepared standpoints taken by the Belgian IMF Executive Director, who heads a constituency composed of ten countries (Austria, Belarus, Belgium, the Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovakia, Slovenia and Turkey). During the period under review, the IMF refocused its activities on its fundamental responsibilities in the macroeconomic and financial fields, and in particular, on its role as guardian of international monetary and financial stability. Thus, it supervised the application of international standards and codes ensuring better information for all financial operators, prepared programmes for the assessment of national financial sectors and took measures to control money laundering and the financing of criminal activities.

1.8.3 Macroprudential supervision

In close cooperation with the national microprudential authorities, the Bank took part at national, European and international level in the preparation of financial legislation and the definition of policies aimed at promoting the stability of the financial institutions and markets.

In the course of the Belgian presidency of the EU, it chaired the work on the proposal for a directive on financial guarantees and took part in other work relating to the financial markets.

It also collaborated in the work of the Basle Committee on banking supervision, aimed at revising the banks' equity requirements, and in the work conducted in parallel by the EU's Banking Advisory Committee.

In addition, it was involved in the macroprudential analysis and the monitoring of structural developments in European banking systems, conducted by the Banking Supervision Committee set up by the ECB.

1.8.4 Oversight of payment and securities settlement systems

The oversight of payment and securities settlement systems is one of the fundamental tasks of a central bank, for two reasons: first, an efficient and secure payment system guarantees the swift transmission of monetary policy stimuli; and second, the prevention and control of the systemic risk are essential in view of the Bank's role as the lender of last resort.

That oversight consists both in drawing up standards, minimum criteria and codes of conduct, and in ensuring that the systems for which they are intended do respect them.

The systems established in Belgium, and consequently subject to the Bank's oversight, are

SWIFT, Euroclear, Banksys, BXS CIK, Europay, and the systems operated by the Bank itself, namely ELLIPS, the CEC and the Securities Clearing System. By contributing to the work of the international committees which deal with oversight, the Bank also takes part in the supervision of systems established in other countries, and the preparation of international standards on the subject.

The Bank sets store by total transparency in the performance of this function. Since December 1999, it has therefore provided each system with information on the legal basis, scope and international context of its supervision and how it is organised. That information is also published. It is available on the Bank's internet site.

1.8.5 Management of the Deposit Protection Fund

The Protection Fund for Deposits and Financial Instruments is a public institution with the task of providing compensation, within certain limits, for depositors and investors who suffer a loss when a credit institution or investment undertaking becomes bankrupt. It is run by a Board of Directors comprising representatives of the State, the credit institutions and investment undertakings. The Bank is in charge of its day-to-day management. It publishes an annual report on its activities.

2. THE MEANS EMPLOYED

2.1 HUMAN RESOURCES

Within the scope of its new strategy, the Bank decided to make the management of human resources more dynamic and flexible, to improve communication on the subject and to introduce a skills management policy which would progressively improve the allocation of the available potential. These decisions will be implemented in consultation with the staff representatives. In addition, an ERP system will be phased in to rationalise the management, and the recruitment procedure has been modified, gearing it more closely to the functions. It is now possible to apply for a job via the Internet.

In 2001, around 64,000 hours of training were provided. Information technology remains the chief field involved: 39 p.c. of training time was

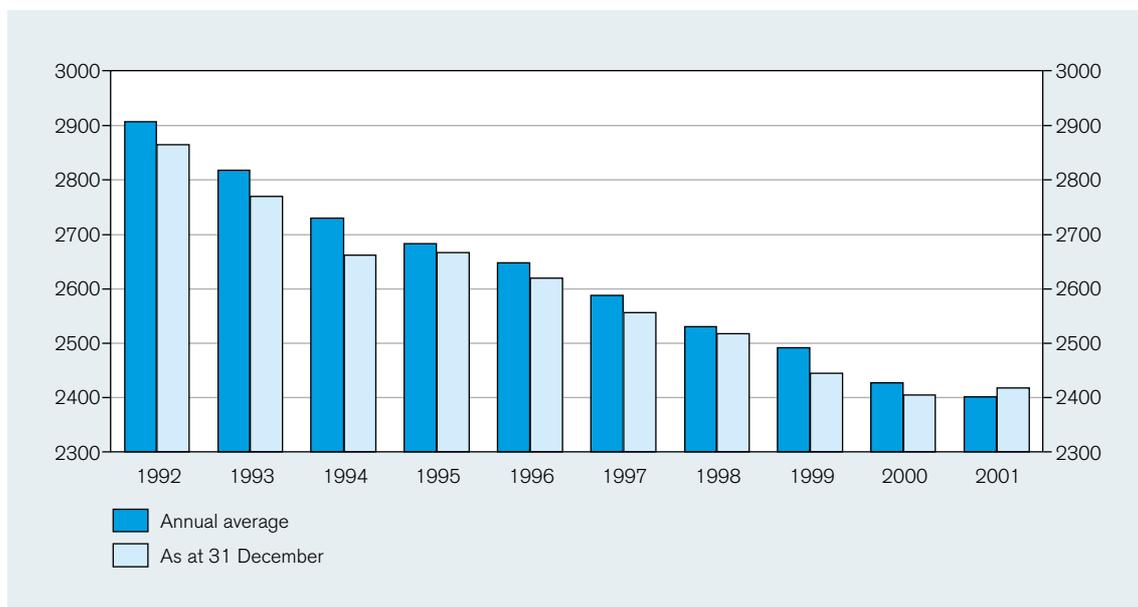
devoted to it. Next in order are language courses (20 p.c.) and training in banking and finance (15 p.c.). The total cost of training, including the cost of the working hours devoted to it, represents approximately 5 p.c. of the wage bill.

To facilitate the changeover to the euro, the Bank coordinated a “training programme for trainers” which enabled over 650 people to become familiar with the security features of euro coins and notes.

The size of the workforce has been declining steadily in recent years. At the end of 2001 the number of staff was nevertheless slightly higher than at the end of 2000 (2,418 in terms of full-time equivalents, or twelve more than a year earlier), this increase being attributable entirely to the additional staff necessary for the introduction of euro notes and coins. In contrast, the

CHART 8 – PERMANENT STAFF

(Full-time equivalents)



average number of staff continued to decline in 2001 (from 2,428 to 2,402). In 2002 the downward trend will again become apparent. In fact, following the changeover to the euro and the restructuring of the provincial establishments, transfers and natural wastage will be more numerous than in preceding years. The Bank will provide the necessary guidance and training.

The Bank wishes to help its staff to achieve a good balance between their working life and their private life, notably by encouraging part-time working. At the end of 2001, around 22 p.c. of staff were working part-time. The scheme for working 80 p.c. of normal hours has proved the most successful. In accordance with the law, the Bank offered "first-job contracts" since last year. At the end of 2001 it was employing 64 people under this scheme.

In view of its implications in terms of image, the successful changeover to euro notes and coins was the Bank's absolute priority. In 2001, over nine hundred people were involved in this operation.

In addition, with the strategic objective of being among the elite of the NCBs in Europe, the Bank considers industrial harmony to be a vital strength. It therefore concluded with the workers' representative organisations a social contract guaranteeing individual job security and, from September 2002, will offer favourable terms for people leaving. For their part, the unions have undertaken to cooperate constructively in the process of change.

The public credit institutions sector to which the Bank belongs concluded a new collective labour agreement which came into force on 1 January 2001 and expires on 31 December 2003. This notably deals with such matters as employment policy, time credit, the effort made for "risk groups", fringe benefits, purchasing power and unification of the status of manual and non-manual employees.

2.2 NETWORK OF PROVINCIAL AGENCIES

The Bank also reassessed the resources to be used in terms of its strategic objectives, its obligations as a member of the ESCB and the reorganisation taking place among its partners in the financial sector. In consequence, it refocused its network on two activities: the handling of physical assets (mainly banknotes and coins) and the circulation of macroeconomic and microeconomic information.

From 1 July 2002, only the Antwerp, Brussels, Courtrai, Hasselt, Liège and Mons branches will handle cash. The Arlon, Ghent, Louvain, Namur and Wavre branches will become representative agencies and their staff will be cut back substantially. The Alost and Turnhout branches were closed in 2001, and those at Charleroi and Bruges will close at the end of June 2002.

The volume of employment outside Brussels will thus be reduced by 165 units between 31 December 2000 and 31 December 2002. Combined with internal transfers, natural wastage will make it possible to avoid any redundancies.

2.3 ORGANISATION

Coordinated planning was set up in accordance with the strategic options of the Board of Directors: each department and each independent service has drawn up a triennial master plan with a brief description of its current and future activities plus its objectives, accompanied by a timetable, proposals for action and a list of the necessary resources, broken down for each budget year. This plan will be updated annually.

Further, the organisational work necessary for installing ERP software has begun in the

Accounting Department and in the Central Balance Sheet Office.

Finally, the analyses and the preparation of reports intended to enhance productivity continued. In 2001, the activities particularly concerned the International Cooperation and Financial Stability Department.

2.4 INTERNAL MANAGEMENT SYSTEMS

In order to belong to the elite of central banks and gain better control over its costs, the Bank defined a strategy which caused it to adapt its internal management systems and keep a close eye on their implementation. A Strategy and Organisation department was set up for this purpose. However, the effective use of these systems is the responsibility of numerous entities.

Thus, the Bank has already carried out several restructuring operations in its network of branches, and divided the remaining establishments into two categories on the basis of their activities (see point 2.2).

The long-standing budget procedures were improved and supplemented by better project reporting. In addition, budgetary decisions were linked to medium-term master plans. In 2001, the latter enabled the departments and services to translate their strategic objectives into action programmes listing the resources needed for the next three years. To permit the financial monitoring of these plans, the budget procedure for 2002 makes provision for distinguishing between the traditional annual budgets, intended for funding current activities, and the longer-term budgets financing strategic action programmes. All action programmes with a financial impact of over 250,000 euro are systematically subjected to financial and non-financial assessment. At

the same time, certain activities are monitored more closely at ESCB level. Benchmarking, a process consisting in mutual comparison of the activities of central banks, is steadily becoming an essential assessment criterion.

Furthermore, the management was encouraged to place the emphasis increasingly on commitment to results, and the traditional financial indicators were joined by measurable, non-financial indicators (customer satisfaction, improvement in the operating process, etc.). For this purpose, the Bank has started introducing the Balanced Scorecard, a management instrument which will enable managers to monitor the implementation of the strategy by means of both financial and non-financial indicators. This instrument will first be tested in two business units: the Central Balance Sheet Office and the General Statistics Department. The decision on the continuing use of this instrument at the Bank will be taken in 2002, on the basis of that experience.

Staff, who represent both the main capital of the enterprise and its major cost factor, have to adapt. The restructured Human Resources department intends to pursue a dynamic policy which motivates staff, plus more active skills management, in order to achieve the optimum match between individual capabilities and the aims of the business.

In the future, attention to efficient performance will also be reconciled with constant striving for excellence. Furthermore, the Bank will continue to impose very stringent demands in regard to the control of operating risks.

The monitoring of information technology risks is a constant concern. Apart from data protection, the secure use of the internet and electronic mail has been requiring a special effort for some time; that is equally true of the "e-business" applications which the Bank is developing. For all applications regarded as critical, the Bank has defined a business recovery plan (BRP) which concerns both its obligations in the ESCB

and its own applications. This plan is tested regularly. Among other things, it provides for the relaunch of the applications within an acceptable period of time and a number of back-up resources at a separate site.

Furthermore, in connection with the management of the reserves, the Bank pursues a prudent policy on operating and financial risks. In order to improve the management of the risks inevitable in modern portfolio management, a specific service (Middle Office) was created to assemble and develop skills in measuring and managing the risks arising from the Bank's activities in this area, in accordance with the standards recognised by the markets. Credit, market and liquidity risks are identified, measured and controlled by this office within limits defined in a long-term approach to the chosen risk/return ratio.

In 2001, the risks relating to the changeover to euro notes and coins were closely monitored. In addition, the Internal Audit service assesses and improves the internal control systems on a totally independent basis. Examination of the internal control system, based on analysis of the financial, operating and human risks, is conducted in accordance with an annual plan and constitutes the subject of a report intended for the management bodies and the auditors. Finally, in the ESCB the function of auditing the systems and projects common to the NCBs is performed by the Internal Auditors Committee.

2.5 INFORMATION TECHNOLOGY

Apart from the constant adjustments to the Bank's computer applications, many new projects were carried out. Only the most important ones will be mentioned here.

In order to prepare for the changeover to euro notes and coins at both national and ESCB level, software was developed, the computer network

which links the branches was renovated and the Central Cash Office application software was adapted.

One application makes data on the detection and description of forged euros available to the other central banks and the police services of the EU, via the ECB.

Externally and internally, electronic communication is increasingly used in an interactive way (new CEC site, collection of economic and financial data, submission of annual accounts to the "e-government" system of the federal authorities). In this context, the security of access to the Intranet, the Extranet and the Internet was upgraded, notably by bringing into production a new IT infrastructure using proven internet techniques. Thus, access to the CEC now takes place in accordance with the Internet transfer protocol.

The IT Service Management project led to improvements in the management of incidents and assistance for external and internal users. A Corporate IT Helpdesk will be set up shortly.

The emergency plan ensuring the continuity of critical applications is undergoing constant improvement. Tests are conducted periodically to check that the specified procedures operate correctly.

2.6 COMMUNICATION

Making the activities of the Bank better known is one of the priorities adopted by the Board of Directors during the strategic exercise which began on the occasion of the Institution's 150th anniversary. To develop and reorganise communication, it regrouped the management of the collections, the museum, press relations, the Governor's office and the multimedia library in a new department.

The Communication service comprises the External Communication and Internal Communication units plus a Multimedia section responsible for managing the Internet and Intranet facilities. It defined an action plan on the basis of a communication audit and surveys conducted among the Bank's various contacts (including its own staff) to define the image to be promoted, the target groups to be reached and the means to be employed. The short-term priorities set by this plan are better presentation of the publications, improvements to the Internet site, better coordination of the internal communication tools (Intranet, staff magazine, etc.) and closer contact with the media.

When the Belgian franc goes out of circulation, the Bank will distribute a CD-ROM on the history of the Belgian banknote and will organise an exhibition explaining the role and functions of a

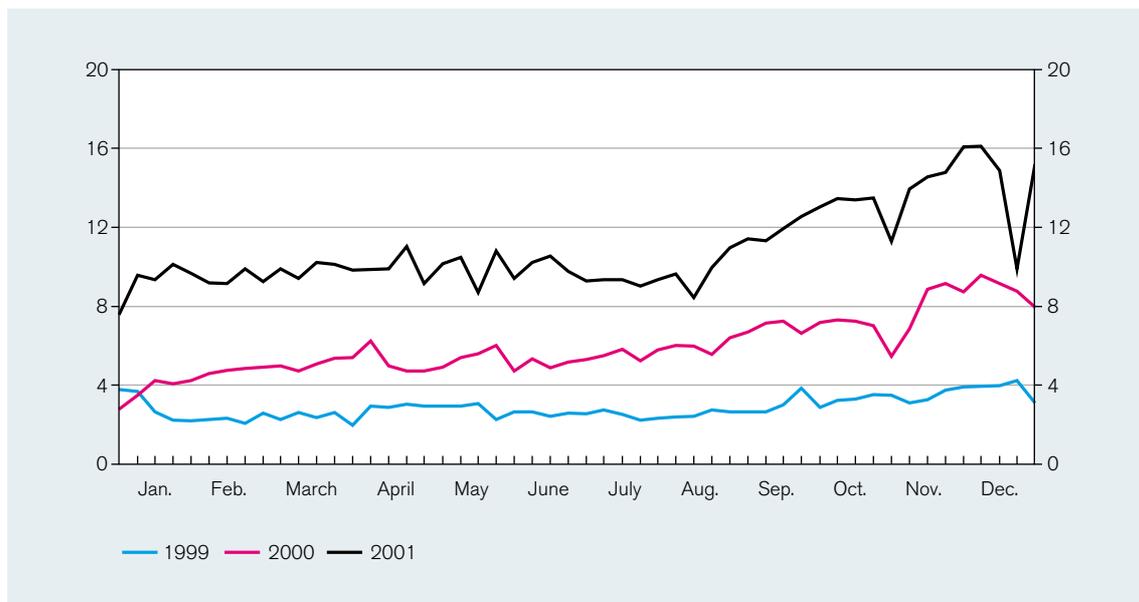
central bank in the economy, on the basis of the history of the currency. This exhibition will be an opportunity for opening the Bank to teachers and students, who will from now on be one of the main target groups of its communication policy.

The Bank also contributed to a publication intended to familiarise people with the history of the Belgian franc and the changeover to the euro, entitled: "Adieu franc!".

The Bank's Internet site has been improved by the addition of search engines, fields concerning the Central Credit Offices, the payment systems and the scientific library, and general information intended for the general public. That is probably the reason for its success: on average, 45,000 people visited the site each month during the year under review, a 74 p.c. increase on the year 2000.

CHART 9 – NUMBER OF VISITS TO THE INTERNET SITE

(Per week, thousands)



3. ADMINISTRATION

3.1 GOVERNOR

The governor directs the Bank. In this capacity, he presides over the Board of Directors and the Council of Regency, has their decisions implemented and represents the Bank in legal proceedings. The governor is also a member of the Governing Council of the ECB, which takes decisions on monetary policy for the euro area.

He is appointed by the King for a renewable term of five years. He may be removed from office only if he has been guilty of serious misconduct or if he no longer fulfils the conditions required for the performance of his duties.

Mr Guy Quaden has held the office of governor since 1 March 1999.

3.2 BOARD OF DIRECTORS

3.2.1 Powers

The Board of Directors is responsible for the administration and management of the Bank and decides the direction of its policy. It appoints and dismisses members of staff and fixes their salaries. It has the right to make settlements and compromises. It exercises regulatory power in the cases laid down by law. After consultation with the Council of Regency and without prejudice to the regulations adopted by the ECB, it decides on the investment of its capital and reserves. It also pronounces on all matters which are not expressly reserved for another organ by law, the Statutes or the internal regulations.

It meets whenever circumstances dictate, and at least once a week.

3.2.2 Composition

The Board of Directors is composed of the governor and five to seven directors (currently six). It includes an equal number of French and Dutch speakers, with the possible exception of the governor. The King confers the title of vice-governor on one of the directors. That title was given to Mrs Marcia De Wachter on 1 March 1999.

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 only if they have been guilty of serious misconduct or if they no longer fulfil the conditions necessary for the performance of their duties. Their term of office ends on their 67th birthday.

Also, in order to guarantee their independence, the Organic Law prohibits the members of the Board of Directors, except in certain cases, from holding office in a commercial company or a company which is commercial in form, or in any public body which carries on an industrial, commercial or financial activity. Moreover, members of the Legislative Chambers, the European Parliament, the Councils of the Communities and Regions, persons who hold the position of minister or secretary of State or of member of the Government of a Community or Region and members of the personal staff of a member of the Federal Government or of the Government of a Community or Region may not be members of the Board of Directors. This last-mentioned incompatibility also applies to the regents and censors.

3.3 COUNCIL OF REGENCY

3.3.1 Powers

The Council of Regency discusses general questions relating to the Bank, monetary policy and the national and international economic situation. Thus, in 2001 the subjects examined included the general and sectoral economic situation, the development of the financial markets, the balance of payments, foreign trade, monetary and fiscal policy, the policy on wages and employment and the introduction of euro notes and coins. Most of these subjects were discussed at the level of both Belgium and the euro area as a whole. Furthermore, as every year, the Council received regular information on the activities of the main international financial institutions (the ECB, the BIS and the IMF).

It takes cognisance every month of the Bank's financial situation. On a proposal from the Board of Directors, it lays down the internal regulations, containing the basic rules for the operation of the Bank's organs and the organisation of its departments, services and outside offices. It approves the Annual Report on the Bank's operations. It may specially delegate some of its powers to the Board of Directors.

It fixes the individual salaries and pensions of the members of the Board of Directors. These salaries and pensions may not include a share in the profits, and no remuneration whatsoever may be added thereto by the Bank. It fixes the amount of the allowance received by the censors. It has power to amend the Statutes of the Bank in order to bring them into line with the Organic Law and the international obligations which are binding on Belgium. It approves the expenditure budget and the annual accounts, and finally determines the distribution of the profits proposed by the Board of Directors.

It meets at least twice a month. Resolutions are adopted by a majority of the votes.

3.3.2 Composition

The Council of Regency is composed of the governor, the directors and ten regents. It includes an equal number of French- and Dutch-speaking regents.

The regents are elected by the general meeting for a renewable term of three years. Two regents are chosen on the proposal of the most representative labour organisations, three on the proposal of the most representative organisations from industry and commerce, from agriculture and from small- and medium-sized enterprises and traders, and five on the proposal of the Minister of Finance. They may not hold office as managing director, director or manager in a credit institution. Their term of office ends on their 67th birthday.

In 2001, Baron Dominique Collinet, a former censor, was elected to the position held by Mr François Martou, which had become vacant, and Michel Nollet and Gérald Frère were re-elected on the respective proposals of the most representative labour organisations and the Minister of Finance.

4. SUPERVISION

4.1 GOVERNMENT COMMISSIONER

The Government Commissioner represents the Minister of Finance. He attends, ex officio, in an advisory capacity, the meetings of the Council of Regency and the Board of Censors. Except as regards the tasks and operations within the domain of the ESCB, he supervises the Bank's activities and suspends and brings to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State. If the Minister of Finance has not given a decision within eight days of the suspension, the decision may be implemented.

Except as regards operations within the domain of the ESCB, the Government Commissioner has the right to take cognisance at any time of the state of business and to check the accounts and cash holdings. He attends the general meetings when he deems fit. The Bank's management is required to provide him, whenever he so requests, with a certified true copy of the Bank's financial statement.

He reports to the Minister of Finance each year on the performance of his duties.

4.2. AUDITORS

The auditors assist the Works Council and certify the annual accounts and miscellaneous information requested by the ECB. They were appointed for a three-year term by the general meeting of 22 February 1999.

4.3. BOARD OF CENSORS

4.3.1. Powers

The Board of Censors' task is to supervise the preparation and implementation of the budget. It meets at least twice per quarter. Its resolutions are adopted by a majority of the votes.

Its report for 2001 is published at the end of the present Annual Report.

4.3.2. Composition

The Board of Censors is composed of ten members. It includes an equal number of French and Dutch speakers. The censors are elected by the general meeting of shareholders for a renewable term of three years. Their term of office ends on their 67th birthday.

The general meeting of 26 March 2001 renewed the term of office of the censors Mr Maurice Charloteaux and Mr Herman Verwilt and that of Baron Paul Buysse.

It also decided that Mrs Martine Durez and Mr Guy Haaze should respectively take over the offices of Mr Christian D'Hoogh and Mr Petrus Thys until March 2002 and that Mrs Danielle Janssen should take over until March 2003 the office of Baron Dominique Collinet, who has been elected regent.

Elected as a censor in 1984, Mr D'Hoogh became secretary to the Board in 1997 and chairman in 1999. Mr Thys had been a censor since 1996. Having reached the age limit in 2000, they were authorised by the Minister of Finance to remain in office until the date of the ordinary general meeting in 2001. Mr D'Hoogh received the title of honorary president of the Board of Censors and Mr Thys that of honorary censor.

Baron Paul Buysse was appointed as chairman of the Board of Censors.

4.4. GENERAL MEETING

4.4.1. Powers

The ordinary general meeting hears the administration's Report on the past year's operations and elects the regents and censors for the offices which have expired. It deliberates concerning the matters mentioned in the convening notices and concerning those submitted to it by the Council of Regency or by the Board of Censors. It may also deliberate concerning proposals, signed by five members, which have been brought to the attention of the Council of Regency at least ten days before the meeting for inclusion in the agenda.

It meets on the last Monday in March or, if that day happens to be a public holiday, the first subsequent bank working day.

At the ordinary general meeting held on 26 March 2001, the governor reported on the operations of the financial year 2000 and read out the report of the Works Council on the annual information. He also answered questions from shareholders and announced the names of the candidates for the offices of regent and censor which had expired or become vacant.

An extraordinary general meeting may be convened whenever the Council of Regency deems fit. A meeting must be convened if the number of regents or of censors falls below the absolute majority, or if it is requested either by the Board of Censors or by shareholders representing one tenth of the capital stock.

4.4.2. Composition

The general meeting represents the totality of the shareholders. It is composed of the shareholders owning registered shares or bearer shares deposited at least five days before the meeting. The

share capital, totalling ten million euro¹, is represented by four hundred thousand shares, of which two hundred thousand registered, non-transferable shares are held by the Belgian State. Each share confers the right to one vote. All resolutions are adopted by an absolute majority of the votes. Elections or dismissals take place by secret ballot. The vote is held by a roll call on all other proposals.

¹ Pursuant to Article 4 of the law of 22 February 1998 establishing the Organic Statute of the Bank, as amended since 1 January 2002 by the Royal Decree of 20 July 2000 implementing the law of 26 June 2000 on the introduction of the euro in legislation concerning the matters referred to in Article 78 of the Constitution and falling within the competence of the Ministry of Finance.

ADMINISTRATION AND SUPERVISION¹

Governor: Mr Guy QUADEN

Vice-Governor: Mrs Marcia DE WACHTER

Directors: Messrs Jean-Pierre PAUWELS
Jan SMETS
Mrs Françoise MASAI
Messrs Jean HILGERS, Director-Treasurer
Peter PRAET, Director-Secretary

Regents:

Messrs Tony VANDEPUTTE
Philippe WILMES
Eddy WYMEERSCH
Noël DEVISCH
Michel NOLLET
Christian DUMOLIN
Gérald FRERE
Jacques FOREST
Luc CORTEBEECK
Baron Dominique COLLINET²

Censors:

Messrs Baron Paul BUYSSE, chairman
Philippe GRULOIS, secretary
Maurice CHARLOTEAUX
Herman VERWILST
Paul-F. SMETS
Rik BRANSON
Jean-François HOFFELT
Mrs Martine DUREZ³
Mr Guy HAAZE⁴
Mrs Danielle JANSSEN⁵

Government Commissioner: Mr Grégoire BROUHNS

Monetary Circulation Coordinator: Mr Serge BERTHOLOME

ADVISORS TO THE BOARD OF DIRECTORS

Messrs Henri BARBE
Jos LEEMANS
Jean-Pierre BRISE

*
* *

AUDITORS

KPMG Auditors, represented by Mr Pierre BERGER
Deloitte & Touche Auditors, represented by Mrs Danielle JACOBS

¹ Situation on 31 December 2001.

² Elected by the ordinary general meeting of 26 March 2001 to succeed Mr François Martou.

³ Elected by the ordinary general meeting of 26 March 2001 to succeed Mr Christian D'Hoogh.

⁴ Elected by the ordinary general meeting of 26 March 2001 to succeed Mr Petrus Thys.

⁵ Elected by the ordinary general meeting of 26 March 2001 to succeed Baron Dominique Collinet.

DEPARTMENTS AND SERVICES***Accounting and Budgetary Control Department*** – Mr C. DEKEYSER, Assistant Director

Accounting	
Head	Mr L. HENRY, Head of division
Head of division	Mr M. HINCK
Budgetary control	
Head	Mr R. VAN KEYMEULEN, Head of division

Branches and Agencies Department – Mr M. SIMAL, Assistant Director

Department Advisor	Mr J. HELFGOTT
Head of division	Mr M. MATTENS

Branches

Antwerp	
Administrator	Mr L. MUYLEAERT, Inspector General
Inspector General	Mr F. SERCKX
Heads of division	Messrs F. VAN NIEUWENHOVE, J. LIBENS
Liège	
Administrator	Mr Y. LEBLANC, Assistant Director

Agencies

Arlon	
Agent	Mr R. HAENECOUR, Head of division
Bruges	
Manager	Mr J. BUSSCHE, Head of bureau
Charleroi	
Agent	Mrs J. DE BEER, Inspector General
Courtrai	
Agent	Mr J. VICTOR, Inspector General
Head of division	Mr J. PANNEEL
Ghent	
Agent	Mr P. BOGAERT, Head of division
Hasselt	
Agent	Mr A. VERHELST, Inspector General
Head of division	Mr R. MAES

SUPERVISION

Louvain Agent	Mr M. DE GEYTER, Head of division
Mons Agent	Mr R. COLSON, Inspector General
Namur Agent	Mrs J. ROUMA, Head of division

Representation Office

Wavre Manager	Mr P. DEGEMBE, Head of Main Section
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Equipment and General Services Division – Mr K. VANDENEEDÉ, Assistant Director

Equipment and Technical Services Head Architects Heads of division	Mr P. LAUWERS, Inspector General Messrs J.-C. NAVEZ, J.-M. DE VOS Messrs H. DE TROYER, D. VANDE PUTTE, R. VAN CAUWENBERGE
General Services Head	Mr A. KOZYNS, Inspector General

Financial Markets Department – Mrs A. VAN DEN BERGE, Inspector General

Department Advisor	Mr H. DEBREMAEKER
Back Office Head Heads of division	Mr F. DEPUYDT, Inspector General Mr F. WITHOFS, Mrs S. MASKENS
Book-entry payments Head Heads of division	Mr A. VAES, Inspector General Messrs V. DECONINCK, J. VERMEULEN
Front Office Head Advisors	Mr E. DE KOKER, Head of division Messrs N. VANDECAN, Y. PIRLET, P. DEMARSIN
Middle Office Head Head of division	Mr E. LAVIGNE, Head of division Mrs M. HUART

Securities
 Head
 Heads of division
 Mr W. STEPPE, Inspector General
 Messrs R. ROTHANS, L. EICHER,
 J.-M. BRAET, C. STAS

Securities Regulation Fund
 Head
 Head of division
 Mr H. SMISSAERT, Inspector General
 Mr M. RUBENS

General Secretariat Department – Mr L. GHEKIERE, Assistant Director

Inspector General
 Mr J. MAKART

Minutes Unit
 Head of division
 Mr L. AELES

Secretariat of the Board of Directors
 Head
 Advisors
 Head of division
 Mr M. VAN CAMPEN, Inspector General
 Messrs A. BEVERNAGE, S. ESSIQUE
 Mrs G. VAN HOVE

Technical Secretariat
 Head
 Head of division
 Mr M. ZWAENPOEL, Head of division
 Mr J. CALLEBAUT

General Statistics Department – Mr J.-J. VANHAELEN, Department Advisor

Inspectors General
 Messrs A. WOUTERS, G. POULLET

Balance of Payments
 Head
 Heads of division
 Mr G. MELIS, Inspector General
 Messrs M. EECKHOUT, P. LAMBOT,
 P. SARLET, R. DE BOECK, P. D'HAVE,
 B. VEREERTBRUGGHEN

External Trade Statistics
 Head
 Mr P. BOBYR, Head of division

Financial and Economic Statistics
 Head
 Advisors
 Head of division
 Economist
 Mr R. ACX, Inspector General
 Messrs B. DEKEYSER,
 H. SAUVENIERE, G. DETOMBE,
 O. COENE, C. MODART
 Mr J. WIELEMANS
 Mr D. GOSSET

SUPERVISION

Research and Development Unit
Advisor

Mr J. PALATE

Human Resources Department – Mr J. LEEMANS, Advisor to the Board of Directors,
Head of personnel

ERP Unit

Inspectors General

Messrs R. VAN KEYMEULEN,
B. GROETEMBRIL

Human Resources Business

Head

Mr P. TACK, Inspector General

Head of division

Mr M. DRION

Human Resources Strategy

Head of division

Mr G. VAN CAMP

Advisor

Mr J. DEVARREWAERE

Training

Head

Mr J.-L. LION, Inspector General

Advisor

Mrs S. ZONIOS

Head of division

Mr L. LAGAE

Wages and Social Affairs Administration

Head

Mr A. REITER, Inspector General

Head of division

Mr P. VAN GYSEGEM

International Cooperation and Financial Stability Department – Mr T. TIMMERMANS,
Department Advisor

Department Advisor

Mr D. OOMS

Advisors

Mrs G. BIRON, Messrs P. LEFEVRE, J. PISSENS

Head of division

Mr B. BOURTEMBOURG

IT Department – Mr H. BARBE, Advisor to the Board of Directors

Department Advisor

Mr J. MOERMAN

Data Security Management

Inspector General

Mr A. HUET

Advisor

Mr L. DELAISSE

Electronic Centre	
Head	Mr L. DUFRESNE, Inspector General
Systems Engineers	Messrs M. CHARLIER, L. ESPAGNET
Senior Analyst	Mrs A. VANDERBUSSE
IT Development	
Head	Mr J.-P. HOYOS, Inspector General
Inspectors General	Messrs P. LAUWERS, J. FRANCOIS
Senior Analysts	Mrs H. VAN HECKE, Messrs J.-M. PLISNIER, E. DE SMET, Mr DUCHATEAU, Mrs J. MERTENS
Systems Engineer	Mr P. MARECHAL
IT Infrastructures	
Head	Mr P. SAPART, Inspector General
Inspector General	Mr G. VANGHELUWE
Systems Engineers	Messrs G. DUMAY, U. MOMMEN, S. PIERLOT
Advisor	Mr P. DEHOORNE
IT Planning Unit	
Advisor	Mrs C. SWARTENBROEKX
IT Procurement and Finance Unit	
Advisor	Mr P. MOUS

Microeconomic Information Department – Mr P. TELLIER, Assistant Director

Central Balance Sheet Office	
Head	Mr A. LENAERT, Inspector General
Heads of division	Mrs E. DE GROOTE, Mrs C. BUYDENS
Advisor	Mr C. RUBENS
Central Credit Offices	
Head	Mr R. TROGH, Inspector General
Heads of division	Messrs D. MURAILLE, P. BISSOT
Microeconomic Analysis Unit	
Head of division	Mr G. VAN GASTEL

Printing works – Mr M. SALADE, Assistant Director

Administrative Service	
Head	Mr Y. TIMMERMANS, Inspector General

SUPERVISION

Technical Service	
Head	Mr G. PONNET, Head of division
Head of division	Mr L. BODRANGHIEN

Research Department – Mrs A.-M. PEETERS, Assistant Director

Chief Advisor	Mr H. FAMEREE
Deputy Head of Department	Mr I. MAES, Economist
Department Advisors	Messrs A. NYSSSENS, E. JACOBS, J. CLAEYS, Mrs F. DONKERS, Messrs V. PERILLEUX, M. DOMBRECHT
Economists	Messrs P. DELHEZ, L. AUCREMANNE, L. DRESSE, Mrs E. DE PREST, Mr P. MOES
Documentation	
Head	Mr G. DE RIDDER, Inspector General

Services reporting directly to a member of the Board of Directors

Communication	
Head	Mr P. QUINTIN, Inspector General
Advisor	Mrs K. BOSMAN
Head of division	Mr Y. RANDAXHE
ECB Coordination Unit	
Inspector General	Mr D. SERVAIS
Head of division	Mrs D. CAPPUYNS
Euro Unit	
Heads of division	Messrs G. TEMMERMAN, N. JIJAKLI
Internal Audit	
Head	Mr D. VERMEIREN, Inspector General
Inspector General	Mr L. JANSSENS
Inspector	Mrs J. SIMAR
Heads of division	Messrs D. VANDEN BROECK, P. DE PICKER, Mr JOOS
Internal Prevention and Safety Service	
Head	Mr D. DENEE, Inspector General
Head of Medical Supervision	Mr A. DE LANDTSHEER
Doctors	Messrs V. DONS, C. VAN LAETHEM

Legal Service
 Head Mr J.-P. BRISE, Advisor to the Board of Directors
 Department Advisor Mr J. DE WOLF

Strategy and organisation
 Head Mr H. DEVRIESE, Head of division
 Advisor Mr R. VANDEN EYNDE
 Senior Analyst Mrs A.-M. LEJEUNE

Services reporting to the Monetary Circulation Coordinator

Advisor Mr E. COLMAN

Central Cash Office
 Chief Cashier Mr M. VAN BAELEN, Inspector General
 Heads of division Messrs G. PIROT, M. VANVOOREN

Security and Supervision
 Head Mr J.-P. DE JONGE, Head of division

*
 * *

Seconded to the Office of Mrs Durant, Vice-Prime Minister and Minister for Mobility and Transport,

Mr J. MONT, Advisor

Seconded to the Office of Mr Reynders, Minister of Finance,

Mr M. MARECHAL, Economist

Seconded to the Office of Mr Michel, Minister of Internal Affairs and the Civil Service (Walloon Government),

Mr J.-M. VAN ESPEN, Advisor

On mission at the Belgian Permanent Representation with the European Union,

Mr P. VIGNERON, Inspector General

On mission at the Belgian Permanent Representation with the Organisation for Economic Cooperation and Development, Paris,

Mr D. SLAATS, Advisor

On mission at the Office of the Belgian Executive Director at the International Monetary Fund, Washington,

Mr C. JOSZ, Advisor

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 * *

Mr Joseph Polet, an honorary censor of the Bank, died on 12 November 2001. Mr Polet was a member of the Board of Censors from 1975 to 1984.

The Bank will remember him with respect and gratitude for his dedication to the efficiency of the Institution.

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* *

Mr Emiel Kestens, honorary Government Commissioner, died on 29 August 2001. He had been the Government Commissioner at the Bank from 1976 to 1984.

The Bank will remember him as a capable, perceptive and courteous man.

*
* *

The Bank was saddened by the death on 8 November 2001 of Mr Jacques Baudewyns, honorary Economic Advisor.

Mr Baudewyns, born in Brussels on 13 May 1922, joined the Bank in the Research Department in 1947, where he had an outstanding career devoted entirely to the examination of economic problems. He was appointed as advisor in 1958 and was then promoted successively to the grades of Chief Advisor, Assistant Director and Advisor to the Board of Directors. The crowning achievement of Mr Baudewyns' career came in 1980 when he was appointed as Economic Advisor to the Bank. He retired on 1 June 1987.

The Bank will always remember him as a dedicated colleague.

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* *

The Bank was also saddened in 2001 by the death of a member of its staff: Mr P. Delvaux.

He will always be remembered.

*
* *

The Bank wishes to express its gratitude to the members of the managerial and supervisory staff who reached the end of their careers:

Messrs L. Van der Veken
B. Meganck
W. Vertongen
H. Bussers
Mrs C. Logie

Messrs T. De Roover
J. Delperée
J. Daenen
R. Van Hemelrijck
R. Thirion
J. Vandeuren

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

Messrs A. André	Mr H. Gelders	Mrs M. Speleers
F. Annoye	Mrs A. Goor	J. Stallaert
Mrs P. Braem	Mr D. Herreman	J. Teirlinck
Messrs W. Branson	Mrs J. Lansu	H. Theunis
J. Bussche	M. Masquelier	Messrs F. Thoelen
N. Carion	R. Mat	T. Thorez
J. Cautaearts	Messrs L. Merchez	F. Van Aelst
P. Collaerts	J. Minten	C. Van Craenenbrouck
Mrs F. Cooman	Mrs M.-C. Opsomer	W. Van den Meerschaut
L. Coteur	Messrs J. Pauwels	J. Vandenrijdt
D. De Backer	M. Philips	Mrs A. Van der Stichelen
Messrs R. De Kock	L. Pirard	P. Van Haudenhuyse
P. Delbeck	Mrs M. Poechet	Messrs E. Van Hoof
Mrs E. De Ridder	Messrs M. Reygaert	W. Van Hove
Messrs M. De Saveur	G. Ronse	Mrs A. Vanrome
G. Destrée	Mrs H. Ronsse	J. Van Thillo
Mrs N. Dewil	N. Schepens	Mr L. Van Vlierberghe
J. Elaut	M.-J. Segers	Mrs L. Verheyen
Mr A. Frébutte	Mr J. Sergiooris	Messrs L. Vermeulen
Mrs R.-M. Fretin	Mrs I. Smet	J. Willems

Annual accounts

REPORT OF THE COUNCIL OF REGENCY ON THE ANNUAL ACCOUNTS

The Council of Regency examined the annual accounts at 31 December 2001. These documents were presented to it by the Committee of the Board of Directors in accordance with the statutory provisions of Article 44.

The Council took note of the report submitted by the auditors for the financial year 2001. Then it approved, on 20 February 2002, the annual accounts for the financial year 2001 and the administration was thus given discharge. Finally, during the same session it definitively determined the distribution of profits for the financial year.

The Council of Regency:

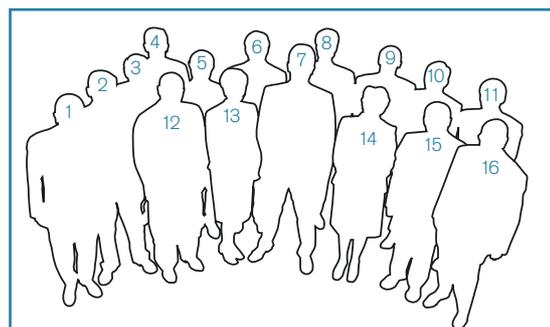
Mr	Guy	QUADEN,	Governor
Mrs	Marcia	DE WACHTER,	Vice-Governor
Messrs.	Jean-Pierre	PAUWELS,	Director
	Jan	SMETS,	Director
Mrs	Françoise	MASAI,	Director
Messrs.	Jean	HILGERS,	Director
	Peter	PRAET,	Director
	Tony	VANDEPUTTE,	Regent
	Philippe	WILMES,	Regent
	Eddy	WYMEERSCH,	Regent
	Noël	DEVISCH,	Regent
	Michel	NOLLET,	Regent
	Christian	DUMOLIN,	Regent
	Gérald	FRERE,	Regent
	Jacques	FOREST,	Regent
	Luc	CORTEBEECK,	Regent
Baron	Dominique	COLLINET,	Regent

COUNCIL OF REGENCY



G. Quaden, Governor (7)
M. De Wachter, Vice-Governor (13)
J.-P. Pauwels, Director (16)
J. Smets, Director (6)
F. Masai, Director (14)
J. Hilgers, Director (4)
P. Praet, Director (8)
T. Vandeputte, Regent (11)
Ph. Wilmès, Regent (1)
N. Devisch, Regent (10)
M. Nollet, Regent (2)
Ch. Dumolin, Regent (12)
G. Frère, Regent (3)

J. Forest, Regent (9)
L. Cortebeek, Regent (15)
G. Brouhns, Government Commissioner (5)



ACCOUNTING PRINCIPLES AND VALUATION RULES

GENERAL

The annual accounts are presented in accordance with the European Central Bank's guideline of 1 December 1998, last amended on 14 December 2000.

The accounts, which are drawn up on an historical cost basis, are adjusted to take account of the valuation at market prices of negotiable instruments (other than those belonging to the statutory portfolio), of gold and of all the elements, both on-balance-sheet and off-balance-sheet, denominated in foreign currencies.

Transactions relating to financial assets and liabilities are recorded in the accounts on the settlement date.

ASSETS AND LIABILITIES IN GOLD AND FOREIGN CURRENCIES

Assets and liabilities in gold and foreign currencies are converted into euros at the exchange rate in force on the balance sheet closing date. Proceeds and costs are converted at the exchange rate prevailing on the date of the transaction.

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

Securities are revalued at market prices separately from the revaluation of foreign currencies at their market exchange rates.

Gold is revalued on the basis of the price in euro per fine ounce as derived from the quotation in US dollars established at the time of the London fixing on the last working day of the year.

SECURITIES

Fixed-income negotiable securities denominated in foreign currencies and in euros are valued at the market price prevailing on the balance sheet date. Securities are revalued individually, apart from securities held in the statutory investment portfolio, recorded under sub-item 9.3 "Other financial assets", which are treated as a separate portfolio and booked at their actuarial value.

PARTICIPATIONS

The participations which the Bank holds in the form of shares representing the capital of various institutions are recorded in the balance sheet at their acquisition price.

(REVERSE) REPURCHASE AGREEMENTS

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

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

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

The above-mentioned transactions are regarded by the Bank as repurchase agreements or reverse repurchase agreements depending on whether it acts as transferor or transferee of the securities.

Repurchase agreements and reverse repurchase agreements which relate to securities denominated in foreign currencies have no effect on the average cost price of the position in the currency in question.

INCOME RECOGNITION

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

differences are taken to the profit and loss account, the average cost of the asset in question (gold, currency or security) is adjusted downwards to the level of the current exchange rate or market price value thereof.

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

POST-BALANCE-SHEET EVENTS

Assets and liabilities are adjusted to take account of events occurring between the balance sheet date and the date on which the annual accounts are adopted by the Bank's Board of Directors if such events have a material effect on the assets and liabilities items of the balance sheet.

TREATMENT OF TANGIBLE FIXED ASSETS

Land, buildings, plant, machinery and equipment are recorded at their acquisition cost value.

Buildings under construction are recorded at the cost actually paid.

Apart from land, investments, including ancillary costs, are written off entirely within the year in which they are acquired in.

VALUATION OF STOCKS

Stocks are valued at their acquisition value, except for stocks of banknote paper for the Bank's own use which are taken directly to the profit and loss account.

OFF-BALANCE-SHEET INSTRUMENTS

Forward foreign exchange transactions, such as 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 exchange gains and losses. In the case of currency 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 influence the "Revaluation accounts" item on the liabilities side. Interest-rate instruments are revalued individually. Gains and losses arising from off-balance-sheet instruments are established and treated in the same way as those appearing in the balance sheet.

ANNUAL ACCOUNTS AS AT 31 DECEMBER 2001

1. ANNUAL ACCOUNTS

BALANCE SHEET

(before distribution of profit)

ASSETS

(thousands of euros)

	31.12.2001	31.12.2000
1. Gold and gold receivables	2,613,494	2,431,485
2. Claims on non-euro area residents denominated in foreign currency	12,780,672	10,740,780
2.1 Receivables from the IMF	3,255,684	2,615,983
2.2 Balances with banks and security investments, external loans and other external assets	9,524,988	8,124,797
3. Claims on euro area residents denominated in foreign currency	799,055	459,103
4. Claims on non-euro area residents denominated in euro	7,610	9,456
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	7,570,189	15,441,034
5.1 Main refinancing operations	7,500,000	14,811,034
5.2 Longer-term refinancing operations	70,189	630,000
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	220	313
7. Securities of euro area residents denominated in euro	3,621,955	3,629,307
8. Intra-Eurosystem claims	1,576,431	1,576,611
8.1 Participating interest in ECB capital	143,290	143,290
8.2 Claims equivalent to the transfer of foreign currency reserves	1,432,900	1,432,900
8.3 Other claims within the Eurosystem (net)	241	421
9. Other assets	2,233,336	2,226,502
9.1 Coins of euro area	26,408	6,795
9.2 Tangible and intangible fixed assets	352,518	326,607
9.3 Other financial assets	1,438,009	1,359,671
9.4 Off-balance sheet instruments revaluation differences	–	996
9.5 Accruals and deferred expenditure	242,864	309,114
9.6 Sundry	173,537	223,319
TOTAL ASSETS	31,202,962	36,514,591

LIABILITIES*(thousands of euros)*

	31.12.2001	31.12.2000
1. Banknotes in circulation	8,627,226	12,905,356
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	5,945,181	7,129,800
2.1 Current accounts (covering the minimum reserve system)	5,922,368	7,129,800
2.2 Deposit facility	22,813	–
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	–	–
4. Liabilities to other euro area residents denominated in euro	127,485	83,479
4.1 General government	118,528	62,176
4.2 Other liabilities	8,957	21,303
5. Liabilities to non-euro area residents denominated in euro	80,691	179,736
6. Liabilities to euro area residents denominated in foreign currency	–	–
7. Liabilities to non-euro area residents denominated in foreign currency	1,869,018	982,736
8. Counterpart of special drawing rights allocated by the IMF	691,238	679,386
9. Intra-Eurosystem liabilities	5,168,960	6,536,213
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates	–	–
9.2 Other liabilities within the Eurosystem (net)	5,168,960	6,536,213
10. Other liabilities	1,652,207	1,481,878
10.1 Off-balance sheet instruments revaluation differences	8,159	–
10.2 Accruals and deferred income	7,702	14,279
10.3 Sundry	1,636,346	1,467,599
11. Provisions	1,181,106	988,156
11.1 For future exchange losses	756,120	614,320
11.2 For new premises	7,060	10,540
11.3 For contingencies	417,926	363,296
11.4 For loss from the ECB	–	–
12. Revaluation accounts	4,294,569	4,080,642
13. Capital and reserve fund	1,459,707	1,368,499
13.1 Capital	9,916	9,916
13.2 Reserve fund:		
Statutory reserve	96,975	93,287
Extraordinary reserve	1,014,616	953,116
Amortisation accounts in respect of tangible fixed assets	338,200	312,180
14. Profit for the year	105,574	98,710
TOTAL LIABILITIES	31,202,962	36,514,591

PROFIT AND LOSS ACCOUNT*(thousands of euros)*

	2001	2000
I. Proceeds of net interest-bearing assets	968,528	792,153
1. Interest income	1,314,870	1,286,299
2. Interest expenses (-)	-567,480	-480,303
3. Capital gains (-losses (-)) on securities	220,895	-14,271
4. Allocation of monetary income from the Eurosystem	243	428
5. Appropriation to the provision for covering losses from the ECB (-)	-	-
II. Foreign exchange difference results	139,957	200,223
1. Foreign exchange difference results	281,757	373,423
2. Write-back of provision for future exchange losses (appropriation (-))	-141,800	-173,200
III. Commission	2,591	3,531
1. Commission received	4,320	5,041
2. Commission paid (-)	-1,729	-1,510
IV. Amounts recovered from third parties	61,714	53,426
V. Proceeds from statutory investments	98,409	95,004
VI. Other proceeds	4,822	2,555
VII. State share (-)	-648,656	-495,640
1. Proceeds from net interest-bearing assets (art. 29)	-558,351	-369,752
2. Proceeds fully assigned to the State	-45,548	-41,931
3. Foreign exchange difference results	-44,757	-83,957
VIII. Transfer to the unavailable reserve of capital gains on gold (-)	-	-
IX. General expenses (-)	-237,067	-233,022
1. Remuneration and social costs	-191,118	-185,791
2. Other expenses	-45,949	-47,231
X. Exceptional costs (-)	-11,327	-12,508
XI. Depreciation of tangible fixed assets (-)	-28,499	-29,415
XII. Provisions	-51,150	-24,793
1. Write-back of provisions for new premises (appropriation (-))	3,480	8,500
2. Write-back of provisions for contingencies (appropriation (-))	-54,630	-33,293
XIII. Taxes and dues (-)	-193,748	-252,804
NET PROFIT FOR THE FINANCIAL YEAR	105,574	98,710

OFF-BALANCE SHEET ITEMS

<i>(thousands of euros)</i>	31.12.2001	31.12.2000
Forward transactions in foreign currencies and in euro		
Forward claims	1,231,040	20,012
Forward liabilities	1,238,801	18,706
Forward transactions on interest rate and on securities	209,690	
Liabilities which could lead to a credit risk		
Undertakings towards international institutions	498,579	280,017
Valuables and claims entrusted to the Institution		
For encashment	360	2,889
Assets administered on behalf of the Treasury	89,296	118,094
Assets administered on behalf of the ECB	1,630,435	1,570,319
Custody deposits	303,079,632	283,308,200
Capital to be paid up on shares of the BIS	126,863	120,155
Agreement to cover potential losses from the ECB	p.m.	p.m.

DISTRIBUTION OF PROFIT*(thousands of euros)*

	2001	2000
Profit for the year	105,574	98,710
The profit is distributed as follows :		
Appropriation to the extraordinary reserve	67,400	61,500
Distribution of the balance in accordance with Article 49 of the statutes :		
1. to the shareholders a first dividend of 6 %	595	595
2. of the amount in excess of this :		
a) 10 % to the statutory reserve	3,758	3,662
b) 8 % to the staff	3,006	2,929
3. of the amount in excess of this :		
a) to the State, one fifth	6,163	6,005
b) to the shareholders, a second dividend	24,605	23,993
c) the balance to the statutory reserve	47	26

In accordance with the decision of the general meeting of 26 March 2001, the dividend will be payable from the second bank working day following the general meeting, namely 27 March 2002, on presentation of coupon No. 200:

	Gross amount	Withholding tax	Net amount
Dividend per share in euro	63.00	15.75	47.25

2. EXPLANATORY NOTES TO THE ANNUAL ACCOUNTS

BALANCE SHEET

ASSETS

1. GOLD AND GOLD RECEIVABLES

Under this item the Bank records the gold and gold receivables which it holds in the form of actual gold or in book-entry form.

GOLD HOLDINGS

	31/12/2001	31/12/2000
in ounces of fine gold	8,297,069.7	8,298,299.3
in kg of fine gold ¹	258,067.8	258,106.0
at market price (in millions of euros)	2,613.5	2,431.5

¹ One kilo of fine gold is equal to 32.15074 fine ounces of gold.

The reduction in the gold holdings is due to the sale of 38.2 kg of gold, at market price, to the Belgian Royal Mint.

Pursuant to Article 37 of the law of 22 February 1998 establishing the Organic Statute of the Bank, the capital gain realised on the sale of gold to the Belgian Royal Mint was handed over to the State. Sales of gold to that institution with a view to the issuance by the State of collectors' or commemorative coins must not exceed the unused balance of 2.75% of the weight of gold shown under the assets of the Bank as at 1 January 1987. As at 31 December 2001, 0.73% of that weight of gold remained available, namely 9.6 tonnes of gold.

On the balance sheet date, gold is valued on the basis of the euro price per fine ounce derived from the quotation in US dollars established at the London fixing on 28 December 2001.

This price, notified by the ECB, amounts to € 314.990 per fine ounce of gold (€ 10,127.16 per kilogram of fine gold), against € 293.010 per fine ounce (€ 9,420.49 per kilogram of fine gold) as at 29 December 2000.

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

Under this item are recorded the Bank's foreign exchange reserve holdings with counterparties situated outside the euro area (including international and supranational institutions and central banks that are not members of the Eurosystem).

This item is broken down into two sub-items :

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

2.1 Receivables from the IMF

Under Article 1 of the agreement of 14 January 1999 between the Belgian State and the Bank determining certain procedures for implementing Article 9 of the law of 22 February 1998 fixing the Bank's Organic Statutes, the Bank carries the rights that the State holds as a member of the IMF in its accounts as its own assets. Article 9, paragraph 2, of the Organic Law goes on to stipulate that the State shall indemnify the Bank against any loss and shall guarantee the repayment of any loan granted by the Bank for the purpose of these operations.

These receivables are valued at the market rate as communicated by the ECB on 28 December 2001. On the balance sheet date this rate was 1 € = SDR 0.7020 (1 € = SDR 0.7142 at the end of 2000).

– *Special drawing rights (SDRs)*

SDRs are reserve assets created ex nihilo by the IMF and allocated by it to its members. SDRs are used in transactions between official monetary authorities. This item is subject to fluctuations as a result of encashments and interest payments and transactions with other countries and with the Fund. The most recent allocation was made in 1981.

The SDR holding recorded on the SDR account reached SDR 375.7 million on 31 December 2001, against SDR 235.8 million a year earlier. This increase is due mainly to the fact that certain PRGF deposits reached maturity (see that item below). Net usage of SDR holding on the balance sheet date amounted to SDR 109.5 million.

– *Participation in the IMF*

This claim represents the euro equivalent of Belgium's reserve tranche, i.e. the rights that the Belgian State has as a member of the IMF. These rights correspond to the difference between Belgium's quota in the IMF, namely SDR 4,605.2 million, and the Fund's holdings of euros with the Bank. They may be sold to the IMF at any time in order to obtain convertible currencies for financing a balance of payments deficit.

The change in the amount of these rights may also result from the granting of credit in euros by the IMF in favour of member countries faced with the same type of deficit, or from the repayment of such loans by those countries, as well as from euro transactions carried out by the Fund on its own behalf.

On the balance sheet date, the reserve tranche amounted to SDR 1,631.7 million, against SDR 1,303.8 million a year earlier.

– *Loans to the IMF*

These claims represent the equivalent of the loans granted by the Bank to the IMF in its own name, and of the Belgian State's claims on the IMF, in the event of use being made of the borrowing arrangement designed to strengthen the IMF's resources, namely the General Arrangements to Borrow and the New Arrangements to Borrow.

In the course of the year 2001, the Fund's liquidity position enabled it to meet its commitments without resorting to the borrowing agreements.

– *Loans to the PRGF Trust*

The amount shown under this sub-item is the equivalent of the SDRs which the Bank has lent to the Poverty Reduction and Growth Facility (PRGF) Trust Fund managed by the IMF. This credit facility, previously known as the Enhanced Structural Adjustment Facility (ESAF), is intended to support the efforts of low-income developing countries that commit themselves to macroeconomic and structural adjustment programmes. The resources lent to this Trust are used by the IMF to fund the principal of the loans granted to developing countries under this facility.

Pursuant to the lending agreement which was concluded on 2 July 1999, the PRGF Trust has a credit line with the Bank; on 4 December 2001 this line was increased from SDR 200 million to SDR 350 million. As a result of several drawings made in 2001, giving rise to transfers of USD to the IMF, the Bank's balances under this heading amounted to SDR 198 million on 31 December 2001, compared to SDR 148.8 million a year earlier.

– *Deposits with the IMF under the PRGF*

The amount shown is the equivalent of the SDRs that the Bank has paid into a special deposit account with the IMF as Belgium's share of the funding of the interest subsidies granted under the PRGF.

Three of the deposits in question, totalling SDR 100 million, have reached their expiry date. As at 31 December 2001, the balance of the deposits came to SDR 80 million.

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

The foreign currency assets held with non-residents of the euro area that are included under this sub-item are invested in sight deposits, term deposits, foreign securities and in the form of reverse repurchase agreements.

BREAKDOWN BY CURRENCY OF FOREIGN CURRENCY ASSETS WITH NON-RESIDENTS

(in millions)

	31/12/2001		31/12/2000	
	Holdings (in foreign currency terms)	Market value (in euros)	Holdings (in foreign currency terms)	Market value (in euros)
USD	7,687.0	8,722.4	7,108.7	7,639.6
JPY	88,151.5	764.3	48,058.6	449.5
CHF	53.5	36.0	51.0	33.5
Other		2.3		2.2
		9,525.0		8,124.8

During the year just ended, the main factors giving rise to changes in the volume and composition of these assets were:

- the transfers of USD to the IMF against SDRs under the loans to the PRGF Trust;
- the investment of foreign currencies borrowed under repurchase agreement transactions;
- income on portfolio investments;
- the increase in the market value of securities compared to the previous financial year, the counterpart of which is to be found in the revaluation accounts on the liabilities side.

In 2001 the Bank sold USD and JPY against euros in the market for an amount equivalent to € 1.1 billion; however, those sales had no influence on the foreign currency holdings since the USD and JPY sold were simultaneously repurchased spot and resold forward via swaps (see off-balance-sheet items).

BREAKDOWN OF FOREIGN CURRENCY ASSETS BY TYPE OF INVESTMENT

(millions of euros)

	31/12/2001	31/12/2000
Sight deposits	598.6	2.1
Term deposits	442.5	662.0
Reverse repurchase agreements	1,875.7	981.8
Securities	6,608.2	6,478.9
	9,525.0	8,124.8

Foreign currency assets are shown under this sub-item at their euro equivalent as calculated on the basis of market exchange rates on 28 December 2001. On the balance sheet closing date, the value of the securities at their market price was € 72.5 million more than their average historical

cost value owing to the sharp fall in yields on the US bond market. This net gain may be broken down into an unrealised gain of € 83.2 million, the counterpart to which is entered in item 12 "Revaluation accounts" of the liabilities, and an unrealised loss of € 10.7 million charged to the profit and loss account.

3. CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

This item comprises the foreign currency assets held with residents of the euro area in the form of term deposits, reverse repurchase agreements and securities.

BREAKDOWN BY CURRENCY OF FOREIGN CURRENCY ASSETS WITH RESIDENTS

(in millions)

	31/12/2001		31/12/2000	
	Holdings (in foreign currency terms)	Market value (in euros)	Holdings (in foreign currency terms)	Market value (in euros)
USD	680.0	771.7	140.0	150.4
JPY	3,159.6	27.4	33,000.5	308.7
		799.1		459.1

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

This heading is used to record assets in euros, in the form of sight or term deposits, reverse repurchase agreements with financial institutions situated outside the euro area or securities issued by non-residents of the euro area.

As at 31 December 2001, the balance under this heading amounted to € 7.6 million and consisted exclusively of holdings on term accounts.

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

This heading records credit extended to credit institutions resulting from the execution of the Eurosystem's monetary policy by the Bank.

The item is divided into various sub-items depending on the type of instrument used.

5.1. Main refinancing operations

This sub-item records the amount of liquidity provided to credit institutions by way of weekly 14-day tenders.

5.2. Longer-term refinancing operations

This sub-item records the amount of credit extended to credit institutions by way of monthly 3-month tenders.

5.3 Fine-tuning reverse operations

This sub-item records open market operations carried out on a non-regular basis, intended primarily to meet unexpected fluctuations in market liquidity. For instance, following the tragic events of 11 September 2001 in the United States, the Eurosystem carried out overnight fine-tuning operations on 12 and 13 September to provide liquidity in order to restore the normal operation of the markets.

5.4. Structural reverse operations

These are open market operations carried out with the primary intention of bringing about a lasting change in the structural liquidity position of the financial sector vis-à-vis the Eurosystem.

5.5. Marginal lending facility

A standing facility enabling counterparties to obtain overnight credit from the Bank at a pre-specified interest rate, against eligible collateral.

5.6. Credits related to marginal calls

Additional credit extended to credit institutions and resulting from the increase in the value of the securities pledged as collateral for other credits extended to these same institutions.

No such operations took place during the year just ended.

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

Credit balances on the Bank's current accounts (nostro accounts) held with foreign correspondents in the euro area.

7. SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

Portfolio of euro securities held for investment purposes and consisting solely of negotiable government stocks denominated in euros issued by Member States of the European Union and bonds issued by certain German credit institutions and backed by claims on the public sector (Öffentliche Pfandbriefe). On the balance sheet date their value at market prices was € 47.1 million more than their average historical cost value because of a fall in yields on the euro bond market. This net gain

may be broken down into an unrealised gain of € 49.3 million, the counterpart to which is entered in item 12 "Revaluation accounts" of the liabilities, and an unrealised loss of € 2.2 million charged to the profit and loss account.

8. INTRA-EUROSISTEM CLAIMS

8.1. Participating interest in ECB capital

The Bank's participating interest, which is fully paid, in the capital of the European Central Bank (€ 5 billion) totals € 143.3 million, or 2.8658% of that capital. This percentage has remained unchanged since 1999.

8.2 Claims equivalent to the transfer of foreign reserves

This sub-item shows the Bank's euro claim, amounting to € 1,432.9 million, on the ECB owing to the transfer of part of its foreign reserves to that institution at the beginning of 1999 (85% in foreign currencies and 15% in gold).

The part in foreign currencies is denominated to the extent of 90% in USD and 10% in JPY.

The claim in euros bears interest at the rate of 85% of the marginal rate charged on the main refinancing operations.

These transferred reserves continue to be managed by the Bank, but on behalf of the European Central Bank. They do not appear in the balance sheet but are recorded off-balance-sheet.

It did not prove to be necessary in 2001 to apply the mechanism for waiving an amount equivalent to 20% of the maximum claim in euros in the event of losses by the ECB, as the ECB's profit and loss account ended the year with a profit (see off-balance-sheet item "Agreement to cover potential loss from the ECB").

8.3. Other claims within the Eurosystem (net)

This sub-item is used to record the Bank's net claim, if any, on the European Central Bank resulting from the cross-border transactions carried out via TARGET and that relating to the correspondent accounts (see the explanatory note to sub-item 9.2 on the liabilities side).

This sub-item also records the claim on the ECB resulting from the mechanism for pooling and allocating monetary income in the Eurosystem. As at 31 December 2001, that claim totalled € 0.2 million (see the explanatory note to item I 4 of the profit and loss account).

9. OTHER ASSETS

9.1 Coins of euro area

This sub-item is used to record the Bank's holding of Belgian and Luxembourg coins. The Belgian coins are put into circulation by the Bank on behalf of the Treasury. Under the terms of an agreement between the Minister of Finance and the Bank, the ceiling on the Bank's holding of Belgian coins is set at 10% of the coinage circulation on 31 December of the previous year; it amounted to € 59.7 million for the year 2001.

Special provisions govern the procedure for reimbursement in the event of the contractual limit being exceeded; these provisions did not need to be applied during the past financial year.

A Regulation of the Council of the European Union dated 13 December 1993 also imposes a limit on the central banks' holdings of national currencies issued by and credited to the Treasury. These holdings are not regarded as a credit to the public sector within the scope of Article 101 of the Treaty (formerly Article 104) when the amount of this holding is less than 10% of the daily coin circulation.

9.2. Tangible fixed assets

Land, buildings, plant, machinery and equipment, furniture and motor vehicles are carried in the accounts at their purchase value.

In 2001 the Bank's investment in fixed assets totalled € 28.5 million, including ancillary costs. Apart from land, they are written off entirely within the year in which they are acquired. In addition, an amount corresponding to the book value of assets disposed of or taken out of use has been deducted from the "Tangible fixed assets" account.

9.3. Other financial assets

This sub-item records the securities which the Bank holds as the counterpart to its capital, reserves and amortisation accounts. Under Article 29, point 4, of its Statutes, the Bank decides freely on the investments which it carries out to that end, after consultation with the Council of Regency and without prejudice to the regulations adopted by the ECB.

These investments consist primarily of negotiable government bonds, securities representing the capital of financial institutions governed by special legal provisions or guaranteed or controlled by the State, shares in the BIS in Basle and reverse repurchase agreements in the form of loans against the collateral of government bonds.

9.4. Off-balance-sheet instruments revaluation differences

This sub-item consists of any positive revaluation differences on forward foreign exchange transactions. These differences have their counterpart in the "Revaluation accounts" heading on the liabilities side.

9.5. Accruals and deferred expenditure

This sub-item comprises prepaid expenses, interest accrued but not yet received on securities and other assets.

9.6. Sundry

These are mainly trade and other receivables, stocks and work in progress in the Printing Works (excluding stocks of banknote paper for its own use) and a claim for an amount of € 15.3 million on the Central Bank of Luxembourg, bearing interest at 3%.

BALANCE SHEET

LIABILITIES

1. BANKNOTES IN CIRCULATION

The amount of banknotes in circulation was reduced to take account of the amount of the Belgian banknotes held by other national central banks of the Eurosystem (Art. 52 of the ESCB/ECB Statutes). These banknotes were in fact recorded as a debt to the Eurosystem (liabilities sub-item 9.2). As at 31 December 2001, the amount of these banknotes totalled € 218.2 million, against € 426.6 million at the end of 2000.

There has also been deducted from this item the theoretical amount of Belgian banknotes in circulation in the Grand Duchy of Luxembourg, which has been recorded under item 10.3 "Other liabilities, sundry". This amount, which totalled € 578.6 million in 2001, is calculated, pursuant to Article 1 e) of the Intergovernmental Agreement of 23 November 1998 between the two countries, on the basis of the outstanding amount of banknotes issued by the two central banks during the previous financial year and of the relationship between their paid-up subscriptions in the capital of the ECB.

The total amount of Belgian banknotes in circulation, expressed as a daily average, was € 11,896.0 million in 2001, against € 12,769.2 million in 2000, i.e. to a decline of 6.8%.

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

This item chiefly covers the balances held by financial institutions within the framework of the requirements of the minimum reserve system.

2.1. Current accounts (covering the minimum reserve system)

Accounts denominated in euros of the financial institutions which mainly serve to meet minimum reserve requirements. These requirements have to be respected over an average period of one month starting on the 24th of one month and ending on the 23rd of the following month.

2.2. Deposit facility

Standing facility allowing credit institutions to make 24-hour deposits with the Bank at a pre-specified interest rate.

2.3. Fixed-term deposits

Deposits made at the Bank for the purpose of absorbing market liquidity in connection with fine-tuning operations in the Eurosystem.

No such transactions took place during the year just ended.

2.4 Fine-tuning reverse operations

Other monetary policy transactions aimed at tightening liquidity.

No such transactions took place during the year just ended.

2.5. Deposits related to margin calls

Deposits made by credit institutions to compensate for the decrease in the value of securities pledged as collateral for other credits granted to these same institutions.

No such transactions took place during the year just ended.

3. OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

Liabilities to credit institutions which are not related to monetary policy operations.

These are mainly repurchase agreements relating to the management of the security portfolio in euros recorded in asset item 7.

4. LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO

4.1. Liabilities to general government

This item records the balances of the current accounts opened on behalf of the State and of general government. Pursuant to an agreement of 12 March 1999, the balance of the Treasury's current account bears interest, up to a maximum figure of € 50 million, at the marginal interest rate applying to the main refinancing operations.

4.2. Other liabilities

These are the current account balances held by financial intermediaries which do not have access to standing facilities.

5. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO

This item includes current accounts held by central banks, other banks, international and supranational institutions and other account holders outside the euro area.

6. LIABILITIES TO EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

The purpose of this item is principally to record repurchase agreements carried out with residents of the euro area.

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

This item records operations of the same type as those included under item 6 above, but carried out with counterparties situated outside the euro area.

	31/12/2001 (millions)		31/12/2000 (millions)	
	Liabilities (in foreign currency)	Market value (in euros)	Liabilities (in foreign currency)	Market value (in euros)
USD	1,647.2	1,869.0	914.4	982.7

8. COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

The amount shown under this item represents the countervalue of SDRs, converted to euros at the same rate as applies to the SDR assets, which should be returned to the IMF if the SDR is cancelled, if the SDR Department established by the IMF is closed or if Belgium decides to withdraw from it. This liability, of unlimited duration, amounts to SDR 485.2 million.

9. INTRA-EUROSISTEM LIABILITIES

9.1. Liabilities related to promissory notes backing the issuance of ECB debt certificates

This sub-item comprises, at their nominal value, the promissory notes issued by the Bank in favour of the ECB as a guarantee for debt certificates issued by that institution. During the past year, the ECB did not use this monetary policy instrument.

9.2. Other liabilities within the Eurosystem (net)

This sub-item records the Bank's net debt to the European Central Bank resulting from cross-border payments made via TARGET.

The net position vis-à-vis the European Central Bank bears interest at the marginal rate applying to the main refinancing operations.

The net debt resulting from payments made via correspondent accounts opened by the Bank with the NCBs of the Eurosystem are also recorded in this sub-item.

10. OTHER LIABILITIES

10.1. Off-balance-sheet instruments revaluation differences

Under this sub-item are recorded the negative revaluation differences on forward foreign exchange transactions. These differences have their counterpart in item 12, "Revaluation accounts". These differences relate to currency swap transactions the forward leg of which is recorded off-balance-sheet.

10.2. Accruals and deferred income

This sub-item contains the expenditure attributable to interest accrued but not yet paid as well as deferred income.

10.3 Sundry

The amounts recorded here are debts in respect of taxes and social contributions, the sums payable to the State for the year in question relating to the State's share in the Bank's income and expenses, the capital gains realised by the Bank on arbitrage transactions of gold assets against other external reserve components which are entered in a special unavailable reserve account (€ 177.1 million), and the non-interest-bearing debt arising from the recording in the balance sheet of the Central Bank of Luxembourg of the theoretical amount of Belgian banknotes in circulation in the Grand Duchy of Luxembourg (€ 578.6 million).

11. PROVISIONS

11.1 Provision for future exchange losses

Under the agreement of 8 July 1998 between the State and the Bank, the latter henceforth assumes all risks in respect of its transactions in connection with the autonomous management of its foreign currency holdings.

To cover the exchange risk on these holdings, the Bank has constituted a provision since 1998, composed largely of the foreign exchange gains (after tax) realised on positions in foreign currencies. This provision is added to the positive revaluation differences on foreign currencies to form a reserve fund to cover any foreign exchange losses realised or unrealised.

	<i>(millions of euros)</i>
Balance as at 31 December 2000	614.3
Write-back	–
Appropriation	141.8
Balance as at 31 December 2001	756.1

11.2. Provision for new premises

The purpose of this provision is to enable the Bank to cover its investments in real estate.

	<i>(millions of euros)</i>
Balance as at 31 December 2000	10.5
Write-back	-3.4
Appropriation	-
Balance as at 31 December 2001	7.1

11.3 Provision for contingencies

This provision includes the amounts for covering the following risks and costs:

	<i>(millions of euros)</i>
Provident Fund created at the end of 1957 in view of the risks inherent in the Bank's activity and of the fluctuations to which its results are subject:	328.6
Costs arising from the introduction of the euro:	
– information campaign on the euro	5.0
– transport, storage and sorting costs connected with the exchanging of Belgian bank-notes and coins against euros	29.7
Balance as at 31 December 2000	363.3
Write-back	-12.4
Appropriation	67.0
Balance as at 31 December 2001	417.9

The write-back concerns the expenditure on transport, storage and sorting costs connected with the exchanging of Belgian franc notes against euros and the costs of the information campaign on the euro.

The appropriation is intended to replenish the Provident Fund.

11.4. Provision for loss from the ECB

Potential loss from the ECB is covered by the general reserve fund of the ECB, pursuant to Article 33.2 of the Statutes of the ESCB/ECB and, if necessary, by the national central banks, in application of the covering mechanisms to which reference is made in the off-balance-sheet item "Agreement to cover potential loss from the ECB". No provision was made under this heading in 2001 since the ECB recorded a profit for the financial year.

12. REVALUATION ACCOUNTS

This item contains the positive exchange rate and price revaluation differences corresponding to the difference between, on the one hand, the market value, on the balance sheet date, of the net external reserve and security positions (other than the statutory portfolio) and, on the other hand, their value at historical cost price.

	Balance as at 31/12/2001	Balance as at 31/12/2000
<i>(millions of euros)</i>		
Positive foreign exchange revaluation differences on :		
– gold	2,253.8	2,071.7
– spot and forward positions in foreign currencies	1,689.1	1,630.3
– the net position in SDR	219.2	223.5
Positive price revaluation differences on :		
– securities in foreign currencies	83.2	126.4
– securities in euros (with the exception of statutory investments)	49.3	28.7
	4,294.6	4,080.6

13. CAPITAL AND RESERVE FUND

13.1. Capital

The share capital, of BEF 400 million (€ 9.9 million), is represented by 400,000 shares, 200,000 of which are registered and non-transferable shares recorded in the name of the State. The shares have no nominal value.

13.2. Reserve Fund

The Reserve Fund, provided under Article 46 of the Bank's Statutes, consists of the Statutory Reserve, the Extraordinary Reserve and the Amortisation Accounts reflecting the accumulated depreciation amount of Tangible Fixed Assets.

The increase in the Statutory Reserve is the result of the distribution of the profit for the previous year. The Amortisation Accounts for Tangible Fixed Assets show an increase of € 26 million, corresponding to the amount of investments made in 2001, less an amount equivalent to the book value of assets sold or no longer used. The tax-exempt part of the Extraordinary Reserve amounts to € 14.8 million.

14. PROFIT FOR THE YEAR

The profit for the year amounted to € 105.6 million, against € 98.7 million for the previous year.

PROFIT AND LOSS ACCOUNT

I PROCEEDS OF NET INTEREST-BEARING ASSETS

The net interest-bearing assets comprise the total amount of the assets and liabilities in foreign currencies and in euro, of which the income and expenses are subject to distribution between the State and the Bank in accordance with the conditions set forth under item VII "State share".

1. Interest income

Interest income consists of the income from credit transactions and investment operations in euros and that from investment operations in foreign currencies. Interest income also includes the interest on the claim on the ECB resulting from the transfer of external reserves.

The increase in these proceeds compared with the previous year is attributable to transactions in euros. On the other hand, the interest on foreign currency investments decreased substantially.

	31/12/2001	31/12/2000	Differences
	<i>(millions of euros)</i>		
Interest proceeds of assets in euros	805.3	684.9	+120.4
Interest proceeds of external assets	509.6	601.4	-91.8
Total	1,314.9	1,286.3	+28.6

1.1 Interest proceeds of assets in euros

These come from:

- credit transactions relating to monetary policy
- the securities portfolio in euro
- the dividend on the participation in the ECB's capital
- the remuneration on the claim arising from the transfer of external reserves to the ECB.

1.1.1 Credit transactions relating to monetary policy

The income from these transactions is up by € 53.3 million, essentially because of the increase in the average rate on the main refinancing operations and a slight rise in the average volume of the credit allocations compared to 2000.

1.1.2 Securities portfolio in euro

The interest income on securities in euro is also up by € 5.8 million compared to 2000, as a result of the rise in average interest rates.

1.1.3 Dividend on the participation in the ECB's capital

In 2001 the Bank collected a dividend of € 57.8 million on its participation in the capital of the ECB for the 2000 financial year; it had not received any dividend in 2000.

1.1.4 Income from the claim arising from the transfer of external reserves to the ECB

The Bank's claim on the ECB in respect of the external reserve holdings transferred bears interest at 85% of the marginal rate on the main refinancing operations. In consequence of the rise in the average marginal interest rate, that remuneration was € 3.5 million higher than in 2000.

1.2 Interest proceeds of external assets

These come from:

- the interest income on international cooperation transactions
- the interest income on investments.

1.2.1 Interest income on international cooperation transactions

The interest income on transactions relating to international cooperation, more particularly in connection with the IMF, was down by € 10.7 million in 2001 following a fall in the rate of interest payable on the resulting claims. The increase in the average volume of these claims partly offset that effect.

1.2.2 Interest income on investments

The interest income on investments in foreign currencies was down by € 79.5 million, mainly because of a fall in the dollar interest rates. That effect was partly offset by the appreciation of the dollar against the euro and the expansion in the average volume of investments.

2. Interest expenses

The interest expenses comprise expenses on liabilities in euros and expenses on liabilities in foreign currencies.

	31/12/2001	31/12/2000	Differences
	<i>(millions of euros)</i>		
Interest expenses on liabilities in euros	525.4	428.2	+97.2
Interest expenses on external liabilities	42.1	52.1	–10.0
	567.5	480.3	+87.2

2.1 Interest expenses on liabilities in euros

These come from:

- the monetary reserve accounts, deposit facility and other interest-bearing deposits
- net amounts owed to the ECB in connection with TARGET.

2.1.1 Monetary reserve accounts, deposit facility and other interest-bearing deposits

Compared to 2000, the interest expense is up by € 11 million, mainly because of the rise in the average rate of refinancing applied to these accounts. The reduction in their volume partly offset that effect.

2.1.2 Net amounts owed to the ECB in connection with Target

The growth in the volume of net debts relating to Target and the increase in the average refinancing rate caused the corresponding interest expenses to increase by € 86.2 million against 2000.

2.2 Interest expenses on external liabilities

These come from:

- repurchase agreement transactions in foreign currencies
- net use of assets in SDRs.

2.2.1 Repurchase agreement transactions in foreign currencies

The interest expenses on these transactions were slightly higher than in 2000 (€ 0.6 million), owing to the expansion in the average volume of these transactions, though that was largely offset by a significant reduction in the interest rates applied to them.

2.2.2 Use of the net assets in SDRs

The interest expense on the net liability in SDR was down by € 10.6 million in 2001, as a result of a decline in both the average volume of the SDR assets and the interest rate on the net use of the SDR assets.

3. Capital gains and losses on securities

During the financial period under review, net capital gains amounting to € 220.9 million were recorded, against net losses of € 14.3 million in 2000. The gains in 2001 came from profits realised on the sale of securities (€ 233.7 million) and negative revaluation differences (€ 12.8 million) charged to the profit and loss account.

It should be kept in mind that positive revaluation differences on securities (€ 132.4 million) are recorded in the revaluation accounts on the liabilities side of the balance sheet.

4. Allocation of monetary income from the ESCB

According to Article 32 of the Statutes of the ESCB/ECB, the amount of each national central bank's monetary income is equal to the annual income which it derives from its assets held as a counterpart to banknotes in circulation and deposit liabilities to credit institutions. The amount of each national central bank's monetary income is reduced by any interest paid by that central bank on its deposit liabilities to credit institutions.

Furthermore, the sum of the national central bank's monetary income in the Eurosystem is allocated to each national central bank in proportion to its share in the capital of the ECB, calculated without taking account of the amount subscribed by the central banks which are not part of the System; thus, the share allocated to the Bank is 3.5383%, while the Bank's statutory share is 2.8658%.

However, in accordance with Article 32.3 of the same statutes, the Governing Council has decided that, during the first three years of the third stage of the Monetary Union, monetary income will be calculated using an indirect method, excluding banknotes in circulation.

	<i>(millions of euros)</i>
<hr/>	
Net monetary income allocated to the Bank for the financial year 2001 :	
– transferred by the Bank to the Eurosystem	–1.0
– allocated to the Bank	1.2
Net monetary income	0.2

II FOREIGN EXCHANGE DIFFERENCE RESULTS

1. Foreign exchange difference results

This sub-item comprises foreign exchange difference results relating to the foreign currency transactions carried out by the Bank, either within the framework of its autonomous management or within the framework of international agreements which are binding on Belgium or of international cooperation agreements to which, subject to the approval of the Belgian State, Belgium is a party.

In the former case, the foreign exchange differences belong to the Bank, while in the latter case they go to the State.

Also recorded in this sub-item are any capital gains realised on gold sales.

The amount of the sub-item comprises the results of the foreign exchange differences realised on the sale of dollars (€ 212.6 million) and of yens (€ 23.7 million), on transactions in SDRs (€ 44.4 million) and the capital gains on sales of gold to the Belgian Royal Mint (€ 0.3 million).

2. Provision for future foreign exchange losses

The changes in the provision for future foreign exchange losses (see liabilities item 11.1) are recorded in this item.

III COMMISSION

The commission received as a remuneration for the Bank's services as financial intermediary as well as the commission paid by the Bank for financial services rendered by third parties to the Bank are contained in this item.

IV AMOUNTS RECOVERED FROM THIRD PARTIES

These are amounts recovered from third parties in respect of supplying goods and rendering services in various fields such as:

- the Central Balance Sheet Office, the Central Offices for Credit to Individuals and to Enterprises;
- the Currency and Bond centres;
- the securities settlement system;
- the payment systems: TARGET, ELLIPS, CEC and the Clearing House;
- the central processing of commercial bills;
- work done by the Printing Works;
- services rendered by the General Statistics Department.

V PROCEEDS FROM STATUTORY INVESTMENTS

The proceeds from bills and securities acquired in representation of the capital, reserves and amortisation accounts are at the Bank's free disposal, in accordance with Article 29 paragraph 3 of the law of 22 February 1998 establishing the Organic Statute of the Bank.

The increase in these proceeds is mainly due to the expansion of the securities portfolio following the transfer to the reserve fund at the end of the preceding financial year, the effect of which more than offsets the effect of the decline in interest income following the reduction in rates on the Belgian capital market.

VI OTHER PROCEEDS

The other proceeds consist of those from the disposal of used equipment and furniture, the sale of premises and other exceptional proceeds.

VII STATE SHARE

1. Proceeds from net interest-bearing assets (Article 29)

By virtue of Article 29 of the above-mentioned law, the net financial proceeds in excess of 3% of the difference between the average amount, calculated on an annual basis, of the Bank's interest-bearing assets and remunerated liabilities shall be assigned to the State. These proceeds do not therefore include the funds which go to the Treasury in the distribution of the net profit.

Net financial proceeds shall mean:

- 1° the share of monetary income allocated to the Bank in accordance with Article 32.5 of the Statutes of the ESCB;
- 2° the share of the ECB's net profit allocated to the Bank in accordance with Article 33.1 of the Statutes of the ESCB;
- 3° the proceeds of the Bank's interest-bearing assets and its financial management transactions, less the financial charges in respect of the remunerated liabilities and the financial management transactions not connected with the asset and liability items forming the basis for calculation of the proceeds referred to in 1° and 2° above.

2. Proceeds fully assigned to the State

This item contains proceeds from assets which are the counterpart of deposits, other than those included in liability item 4.1, made within the framework of various particular agreements between the Belgian State and other states.

Furthermore, by virtue of Article 30 of the law of 22 February 1998 establishing the Organic Statute of the Bank, the net income from the assets forming the counterpart to the capital gains obtained by the Bank through arbitrage transactions of assets in gold against other external reserve elements, entered in a special unavailable reserve account, is also assigned to the State.

Finally, the Bank pays annually to the Treasury, in accordance with the law of 2 January 1991, a sum of € 24.4 million to compensate for the additional expenses resulting for the latter from the conversion of the Treasury's consolidated debt to the Bank into freely negotiable securities.

3. Foreign exchange difference results

In accordance with Article 9 of the law of 22 February 1998 establishing the Bank's Organic Statutes, the international monetary cooperation agreements or operations which the bank carries out on behalf of the State or with its explicit approval are guaranteed by the State. Consequently, the foreign exchange gains realised on these operations accrue entirely to the State. The amount in question is € 44.4 million on SDR operations. The capital gain of € 0.3 million realised on the sale of gold to the Belgian Royal Mint (Article 37 of the Bank's Organic Law) also accrues to the State.

VIII TRANSFER TO THE UNAVAILABLE RESERVE OF CAPITAL GAINS ON GOLD

In this item is recorded the transfer to the special unavailable reserve account of the capital gains obtained on arbitrages of gold assets against other external reserve elements, in accordance with Article 30 of the Organic Law of the Bank.

IX GENERAL EXPENSES**1. Remuneration and social costs**

These costs comprise the remuneration and social costs of the staff, the Board of Directors, National Employment Office trainees, temporary staff and students, and also the pensions of former members of the Board of Directors and the attendance fees of the members of the supervisory bodies.

2. Other expenses

This item consists mainly of operating expenses relating to the repair and maintenance of premises, the manufacture and processing of banknotes, IT expenses and expenditure in respect of staff hired from employment agencies.

X EXCEPTIONAL COSTS

This item includes the expenses relating to the exchange of Belgian banknotes and coins for euros and the information campaign about the euro.

XI DEPRECIATION OF TANGIBLE FIXED ASSETS

The depreciation applied as at 31 December 2001 covers the following investments:

	<i>(millions of euros)</i>
New premises and technical installations	3.5
Renovation of premises	5.1
Software and hardware	6.2
Equipment for the Printing Works	3.2
Equipment for processing banknotes and coins	5.5
Other equipment and furniture	5.0
Total	28.5

XII PROVISIONS

The changes in the following provisions are recorded in this item:

1. provisions for new premises (see liabilities item 11.2)
2. provision for contingencies (see liabilities item 11.3)

XIII TAXES AND DUES

This item covers, in addition to corporation tax, the withholding tax on income from financial assets and the withholding tax on income from immovable assets, the non-deductible part of VAT and regional, provincial and municipal taxes.

The Bank shows in its accounts as costs relating to the year all taxes, whatever their nature, payable by it, less any tax repayments received during the same year. If, at the close of the year, the estimated amount of corporation tax shown under this heading exceeds imputable advance payments and withholding taxes, the additional amount due is recorded under the balance sheet sub-item 10.3 "Other liabilities, sundry"; in the opposite case, the surplus is shown under the sub-item 9.6 "Other assets, sundry".

OFF-BALANCE-SHEET ITEMS

FORWARD TRANSACTIONS IN FOREIGN CURRENCIES AND IN EUROS

As at 31 December 2001, the forward position consists of swap transactions; the breakdown is as follows:

	<i>(millions)</i>	
	In foreign currency	In euros
forward claims		
– in euros		1,123.9
– in USD	94.4	107.1
forward liabilities		
– in USD	916.0	1,039.4
– in JPY	23,000.0	199.4

These swap transactions in foreign currencies were concluded for the major part against euros. The forward claims and liabilities in foreign currencies were revalued in euros at the same exchange rates as those used for spot holdings in foreign currencies.

During the financial year, the Bank sold spot dollars and yens for the equivalent of 1.1 billion euros. The dollars and yens were simultaneously repurchased against euros (spot leg of the swaps) and resold forward against euros. This spot currency selling and the systematic renewal at maturity of the forward leg of the currency swaps enabled the Bank to maintain the gross volume of its investments in foreign currencies while reducing the exchange risk to which it is exposed.

FORWARD TRANSACTIONS IN INTEREST RATES AND FIXED-INCOME SECURITIES

At the end of the financial year, the Bank holds a short position in futures in US government securities and a long position in 3-month euro-dollar rate futures. These contracts were revalued at market price. As at 31 December 2001, their net value is € 209.7 million.

The transactions in futures are intended to facilitate the management of the modified duration of the foreign currency portfolios.

LIABILITIES WHICH COULD LEAD TO A CREDIT RISK*(millions of euros)*

Commitments towards international institutions	498.6
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This item records the undertaking entered into by the Bank to lend SDR 350 million (€ 498.6 million) to the PRGF Trust. The amount of the drawings remaining open is SDR 152.0 million (€ 216.5 million). This loan is guaranteed by the Belgian State.

VALUABLES AND CLAIMS ENTRUSTED TO THE INSTITUTION*(millions of euros)*

For encashment	0.4
Assets managed on behalf of the Treasury	89.3
Assets managed on behalf of the ECB	1,630.4

This last sub-item contains the nominal value at the market rate of the external reserves managed by the Bank on behalf of the ECB.

(millions of euros)

Custody deposits	303,079.6
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This item consists mainly of the nominal amount of securities (Treasury certificates, linear bonds, securities resulting from the splitting of linear bonds, Treasury bills, certificates of deposit and certain classical loans) recorded under the securities settlement system and held on behalf of third parties.

CAPITAL TO BE PAID UP ON SHARES OF THE BIS

The BIS shares held by the Bank are paid up to the extent of 25%. The amount shown under this item is that of uncalled capital, totalling USD 111.8 million, converted at the dollar exchange rate as at 28 December 2001, namely € 126.9 million.

AGREEMENT TO COVER POTENTIAL LOSSES FROM THE ECB

For the period 1999-2001, potential losses from the European Central Bank were to be covered in the following order:

1. the loss may be offset against the general reserve fund of the ECB;
2. if necessary, following a decision by the Governing Council of the ECB, a loss shall be offset against the monetary income for the relevant financial year in proportion to and up to the amounts allocated to the NCBs;
3. any balance, by virtue of the same decision, in the following way:
 - a) in the first instance by waiving a part of the original value of the NCBs' claims on the ECB, equivalent to the amount of the foreign reserves transferred to the ECB. The maximum waiver must not exceed:
 - the amount of unrealised losses which arise on the foreign currency and gold positions;
 - an amount which would reduce the aforesaid claim to below 80% of its original value; in the Bank's case, this waiver would be subject to a maximum of € 286.6 million;
 - b) any remaining loss may be offset against a direct charge on income, apportioned in accordance with the ECB's capital key, accruing to participating NCBs from national banknotes in circulation, subject to the limitation that no such direct charge on any one NCB may exceed that NCB's income from national banknotes (seigniorage income).

Brussels, 20 February 2002

SOCIAL BALANCE SHEET AS AT 31 DECEMBER 2001

1. STATUS OF EMPLOYEES

A. EMPLOYEES RECORDED IN THE STAFF REGISTER

			2001		2000	
1. During the financial year under review and the previous financial year	1. Full-time	2. Part-time	3. Total (T) of total in full-time equivalents (FTE)		4. Total (T) of total in full-time equivalents (FTE)	
Average number of employees	2,237.14	656.33	2,713.238 (FTE)		2,665.67 (FTE)	
Actual number of hours worked	3,326,367	696,408	4,022,775	(T)	3,974,123	(T)
Staff costs (<i>in thousands of euro</i>)	155,066	26,570	181,636	(T)	172,467	(T)
Benefits in addition to salary (<i>in thousands of euro</i>)	–	–	4,062	(T)	4,709	(T)

2. As of year-end	1. Full-time	2. Part-time	3. Total (T) in full-time equivalents	
a. Number of employees recorded on the staff register	2,299	620	2,750.98	
b. By type of employment contract				
Open-ended contract	2,038	606	2,480.28	
Term contract	209	12	217.30	
Contract for clearly defined work	–	–	–	
Substitute contract	52	2	53.40	
c. By gender				
Men	1,634	123	1,727.30	
Women	665	497	1,023.68	
d. By professional category				
Board of Directors and advisors	14	1	14.90	
White-collar workers	1,797	467	2,141.66	
Blue-collar workers	427	150	531.82	
Other	61	2	62.60	

B. TEMPORARY STAFF AND OTHER PERSONS PLACED AT THE DISPOSAL OF THE ENTERPRISE

During the financial year	1. Staff	2. Persons placed at the disposal of the enterprise
Average number of persons employed	31.08	25.58
Actual number of hours worked	49,573	40,800
Cost to the enterprise (<i>in thousands of euro</i>)	1,100	2,820

2. TABLE SHOWING STAFF MOVEMENTS DURING THE FINANCIAL YEAR

A. ENTRIES INTO EMPLOYMENT

		2001		
		1. Full-time	2. Part-time	3. Total in full-time equivalents
a. Number of employees added to the staff register during the financial year		776	13	785.40
b. By type of employment contract				
	Open-ended contract	80	2	81.60
	Term contract	626	9	632.50
	Employment for clearly defined work	–	–	–
	Substitute contract	70	2	71.30
c. By gender and level of education				
Men :	Primary	8	–	8
	Secondary	240	2	241.60
	Further (non-university)	40	–	40
	University	24	1	24.80
Women :	Primary	12	2	13.70
	Secondary	347	6	351
	Further (non-university)	73	2	74.30
	University	32	–	32

B. DEPARTURES

		2001		
		1. Full-time	2. Part-time	3. Total in full-time equivalents
a. Number of employees the date of whose end of contract was recorded in the staff register this financial year		683	31	702.36
b. By type of employment contract				
	Open-ended contract	66	21	79.06
	Term contract	558	6	561.70
	Contract for clearly defined work	–	–	–
	Substitute contract	59	4	61.60
c. By gender and level of education				
Men :	Primary	9	–	9
	Secondary	228	3	230.50
	Further (non-university)	29	1	29.80
	University	21	1	21.60
Women :	Primary	15	4	17.46
	Secondary	308	18	318
	Further (non-university)	48	4	51
	University	25	–	25
d. According to reason for departure				
	Retirement	52	18	62.86
	Early retirement	–	–	–
	Dismissal	7	–	7
	Other reasons	624	13	632.50
of which: the number of employees remaining self-employed on at least a half-time basis and continuing to provide services to the enterprise		–	–	–

3. SITUATION CONCERNING THE USE, DURING THE FINANCIAL YEAR, OF MEASURES TO ENCOURAGE EMPLOYMENT

MEASURES TO ENCOURAGE EMPLOYMENT

	2001		
	Number of employees concerned		3. Financial advantage (In thousands of euro)
	1. Number	2. In full-time equivalents	
1. Measures carrying a financial advantage ¹			
1.9. Complete career interruption	45	17.94	29
1.10. Reduction of working time (part-time career break)	78	22.18	6
2. Other measures			
2.3. Work placements for young people	11	10.60	
2.6. Successive fixed term employment contracts	148	146.80	
Number of employees involved in one or more measures to encourage employment:			
– total for the financial year	282	197.52	
– total for the previous financial year	272	151.85	

¹ Financial advantage for the employer with regard to the holder of the job or his replacement.

4. INFORMATION ON TRAINING FOR EMPLOYEES DURING THE FINANCIAL YEAR

	1. Number of employees concerned	2. Number of training hours followed	3. Cost to the enterprise (In thousands of euro)
Total number of training initiatives undertaken by the enterprise			
– Men	1,209	47,334	4,192
– Women	702	22,218	1,968

AUDITORS' REPORT ON THE ANNUAL ACCOUNTS SUBMITTED TO THE COUNCIL OF REGENCY OF THE NATIONAL BANK OF BELGIUM

ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2001

In accordance with legal and statutory requirements, we are reporting to you on the completion of the mandate which you have entrusted to us.

We have audited the financial statements as of and for the year ended December 31, 2001 with a balance sheet total of € 31,202,962 (000) and a profit for the year of € 105,574 (000). These financial statements have been prepared under the responsibility of the Board of Directors of the National Bank of Belgium. In addition we have carried out the specific additional audit procedures required by the Company law.

UNQUALIFIED AUDIT OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the standards of the «Institut des Reviseurs d'Entreprises-Instituut der Bedrijfsrevisoren». Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to the annual accounts of the National Bank of Belgium.

In accordance with these standards we have considered the National Bank of Belgium's administrative and accounting organisation as well as its internal control procedures. The National Bank of Belgium's management has provided us with all explanations and information which we required for our audit. We examined, on a test basis, evidence supporting the amounts in the financial statements. We assessed the accounting policies used and significant accounting estimates made by the National Bank of Belgium, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, taking into account the prevailing legal and regulatory requirements, the financial statements present fairly the National Bank of Belgium's net worth and financial position as of December 31, 2001 and the results of its operations for the year then ended and the disclosures made in the notes to the financial statements are adequate.

ADDITIONAL ASSERTIONS

As required by generally accepted auditing standards the following additional assertions are provided. These assertions do not alter our audit opinion on the financial statements.

- The appropriation of results proposed to the general meeting complies with the organic law and the statutory provisions.

- There are no transactions undertaken or decisions taken in violation of the organic law, the statutes or Company Law, which we have to report to you.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained and the financial statements have been prepared in accordance with the applicable legal and regulatory requirements.

Brussels, 11 February 2002

The Joint Auditors

Pierre P. Berger,
associate of
KPMG Bedrijfsrevisoren b.c.v.

Danielle J. Jacobs,
associate of
Deloitte & Touche Bedrijfsrevisoren b.c.v.

Report of the Board of Censors

REPORT OF THE BOARD OF CENSORS

The powers and composition of the Board of Censors are specified in point 4.3.

In accordance with the Statutes of the Bank, the censors supervised the implementation of the 2001 budget and the preparation of the 2002 budget, in particular on the basis of a report by Mrs De Wachter, Vice-governor.

During the eight meetings which they held this year, they also exchanged opinions on various aspects of the management of the Bank, on the basis of reports.

Thus, Mr Quaden, governor, presented the financial and economic situation of the country. He also commented on the Bank's 2000 Report.

Other more specific subjects were also addressed:

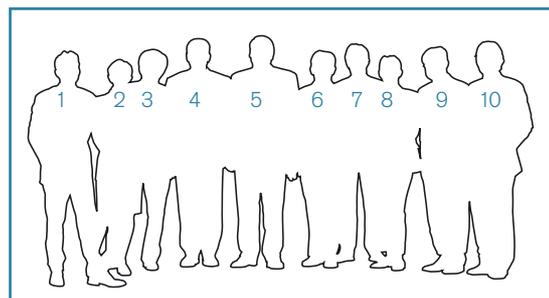
- internal audit: the operating audit, financial audit and compliance audit functions were grouped together in the Internal Audit Service and formed the subject of an "Audit Charter";
- prevention of money laundering: a programme to raise general awareness and train counter staff was prepared in anticipation of the period of the changeover to the euro;
- internal control systems: these systems (particularly the business recovery plan, the IT contingency plan and the segregation of functions in the Financial Markets Department) are currently undergoing changes at the Bank (see point 2.4).
- monetary circulation and cashless payments: there was a presentation describing the Bank's role in this; the censors also visited the Printing Works and the Central Cash Office to see the technological developments taking place in these areas.

Finally, as every year, the Internal Audit Service presented its programme of work to the censors and informed it of the progress made.

BOARD OF CENSORS



- Baron Buysse, President (5)
- Ph. Grulois, Secretary (4)
- M. Charloreaux (6)
- H. Verwilst (10)
- P.-F. Smets (3)
- R. Branson (9)
- J.-F. Hoffelt (1)
- M. Durez (2)
- G. Haaze (7)
- D. Janssen (8)



Annexes

LAW OF 10 DECEMBER 2001 ON THE FINAL CHANGEOVER TO THE EURO

(Moniteur belge / Belgisch Staatsblad of 20 December 2001)

CHAPTER I

GENERAL PROVISION

Art. 1. – This law regulates a matter referred to in Article 78 of the Constitution.

CHAPTER II

ABOLITION OF THE LEGAL TENDER STATUS OF BANKNOTES DENOMINATED IN BELGIAN FRANCS

Art. 2. – Banknotes denominated in Belgian francs shall cease to be legal tender on 1 March 2002.

Banknotes denominated in Belgian francs shall be exchanged free of charge, and without any limit on time or amount, at the counters of the National Bank of Belgium.

In cases where the exchange by the National Bank of Belgium of banknotes denominated in Belgian francs takes place after payment to the Treasury of the corresponding value of the banknotes not presented for exchange, that exchange shall be effected for the account of the Treasury.

CHAPTER III

ABOLITION OF THE LEGAL TENDER STATUS OF COINS DENOMINATED IN BELGIAN FRANCS OR IN CENTIMES ISSUED BY THE TREASURY

Art. 3. – Coins denominated in Belgian francs or in centimes issued by the Treasury shall cease to be legal tender on 1 March 2002.

Coins denominated in Belgian francs or in centimes shall be exchanged free of charge and without any limit on quantity until 31 December 2004 at the counters of the National Bank of Belgium and the Post Office for the account of the Treasury.

After that date, such coins shall no longer be exchanged.

The exchange referred to in paragraph 2 concerns only coins issued pursuant to Article 1 paragraph 1 of the law of 12 June 1930 on the creation of a Monetary Fund, and being legal tender on 1 January 2002.

CHAPTER IV

UNLIMITED ACCEPTANCE OF COINS DENOMINATED IN EURO OR IN CENT

Art. 4. – The National Bank of Belgium and the Post Office shall be required to accept without any limit on quantity coins denominated in euro or in cent, having the status of legal tender.

CHAPTER V

PROVISIONS CONCERNING THE ORGANIC STATUTE AND THE ACTIVITIES OF THE NATIONAL BANK OF BELGIUM

Art. 5. – Notwithstanding the first sentence of Article 30, paragraph 1 of the law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, the capital gain of 177,114,565.58 euro realised on the sale of assets in the form of gold to the European Central Bank shall be paid to the State, which shall allocate that sum to the financing of the Ageing Fund.

Art. 6. – The Bank shall maintain the quality of the banknotes in circulation.

That task constitutes the performance of a public service within the meaning of Article 10 of the law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.

CHAPTER VI

MODIFICATION OF THE LAW OF 12 JUNE 1930 ON THE CREATION OF A MONETARY FUND AND OF THE LAW OF 4 APRIL 1995 LAYING DOWN FISCAL AND FINANCIAL PROVISIONS

Art. 7. – In the law of 12 June 1930 on the creation of a Monetary Fund, “Chapter I. Coinage” is deleted.

Art. 8. – Article 1 of the same law, modified by the laws of 30 October and 22 December 1998 and by the Royal Decree of 26 March 2001, is replaced by the following provision:

“Article 1. – The King shall issue coins denominated in euro and in cent for circulation.

He shall determine the technical specifications of the coins which are not harmonised by the Council of the European Union.

The Minister of Finance shall determine, according to requirements, the quantities of each category of coins; however, the total coin issue must not exceed the issue volume approved by the European Central Bank”.

Art. 9. – Article 2 of the same law, modified by the laws of 23 December 1988 and 30 October 1998, is replaced by the following provision:

“Art. 2. – The King may issue coins made of precious metal with an intrinsic value substantially in excess of their face value and coins which are sold at an issue price substantially higher than their face value; however, the total coin issue must not exceed the issue volume approved by the European Central Bank.

The Minister of Finance shall fix the issue price of the coins referred to in paragraph 1”.

Art. 10. – In Article 3, paragraph 2 of the same law, re-established by the law of 4 April 1995, the word “coinage” is replaced by the word “coins”.

Art. 11. – In Article 4 of the same law, modified by the laws of 4 April 1995, 30 October 1998 and 4 February 1999, the following changes are made:

- 1° in paragraph 1, 1°, and 2°, and in paragraph 2, 2° and 3°, the word “coinage” is replaced by the word “coins” wherever it occurs;
- 2° in paragraph 2, 1°, the words “national coingages” are replaced by the words “coins referred to in Article 1”;
- 3° paragraph 3, 1°, is replaced by the following text: “1° the portfolio of bonds referred to in Article 6”;
- 4° in paragraph 3, 3°, the word “coinage” is replaced by the word “coins”.

Art. 12. – In Article 6 of the same law, replaced by the law of 4 April 1995, the word “coinage” is replaced by the word “coins”.

Art. 13. – In the same law, “Chapter III. Metal coins denominated in ecus”, inserted by the Royal Decree n° 509 of 5 February 1987, is deleted.

Art. 14. – Article 50, 1°, of the law of 4 April 1995 laying down fiscal and financial provisions is replaced by the following text:

“1° “manufacture of coins for the account of the Monetary Fund”: the manufacture of coins the issue of which is referred to in Article 1, paragraph 1 of the law of 12 June 1930 on the creation of a Monetary Fund”.

Art. 15. – In Article 51 of the same law the following amendments are made:

- 1° paragraph 1, 1°, is replaced by the following text:
“1° the manufacture of coins for the account of the Monetary Fund”;
- 2° in paragraph 1, 3°, the word “coinage” is replaced by the word “coins”;
- 3° paragraph 2 is replaced by the following paragraph:
“The manufacture of coins for the account of the Monetary Fund shall always take priority over other assignments”.

Art. 16. – In Article 55, paragraph 2, 2°, of the same law, the number “48” is replaced by the number “51”.

Art. 17. – Article 57, 1°, of the same law is replaced by the following text:

“1° revenues from the manufacture of coins for the account of the Monetary Fund”.

Art. 18. – Article 58 of the same law is replaced by the following provision:

“Art. 58. – If commemorative tokens, medals or coins as referred to in Article 2, paragraph 1 of the law of 12 June 1930 on the creation of a Monetary Fund are issued on the occasion of national or international events, the King may decide by decree discussed in the Council of Ministers that the net proceeds from such issues shall be transferred, in whole or in part, to the public institutions, non-profit associations or public utilities which He shall designate and which contribute directly to the attainment of the objectives pursued in connection with such events. For the purpose of calculating the net proceeds, account shall be taken of the market value on the day of purchase of the metals used, and of the manufacturing and distribution costs.”

CHAPTER VII

PENAL SANCTIONS FOR THE PROTECTION OF BANKNOTES AND COINS HAVING LEGAL TENDER STATUS

Art. 19. – In Book II, Title III, of the Penal Code, a Chapter *IIbis* is inserted, comprising Articles 178*bis* and 178*ter*, worded as follows:

“Chapter *IIbis*. – Protection of banknotes and coins having legal tender status”

Art. 20. – In the same Code, an Article 178*bis* is inserted, worded as follows:

“Art. 178*bis*. Anyone who issues a banknote or coin for public circulation as a means of payment without being authorised to do so by the competent authority shall be punished by imprisonment for one month to one year and a fine of 50 to 10,000 euro, or either one of these penalties”.

Art. 21. – In the same Code, an Article 178*ter* is inserted, worded as follows:

“Art. 178*ter*. Anyone who knowingly uses a banknote or coin which is legal tender in Belgium or another country as the medium for an advertisement or any other message, or anyone who knowingly renders it more difficult for such a banknote or coin to be used as a means of payment by damaging, defacing or altering it, or rendering it unfit in any way whatsoever, shall be punished by imprisonment for one week to three months and a fine of 26 to 1,000 euro, or either one of these penalties.”

CHAPTER VIII

PROVISIONS ON TRADE PRACTICES, INFORMATION AND CONSUMER PROTECTION

Art. 22. – § 1. In Article 4 of the law of 14 July 1991 on trade practices, information and consumer protection, modified by the law of 30 October 1998 on the euro, the following changes are made:

1° in paragraph 1, the words “in Belgian francs” are replaced by the words “in euro”;

2° paragraph 2 is deleted.

§ 2. The same article is supplemented by the following paragraph:

“Notwithstanding paragraph 1, the King may, for the products and services, and categories of products and services, which He designates, authorise the indication of prices or charges in euro before 1 January 2002, in accordance with the conditions and arrangements which He shall determine.”

Art. 23. – Notwithstanding Article 52, § 1er, paragraph 1 of the same law, for the winter of 2002, the offers for sale and the sales referred to in Article 49 may take place only during the period from 19 January 2002 to 16 February 2002 inclusive.

Art. 24. – Notwithstanding Article 53, § 1er, paragraph 1 of the same law, the waiting period preceding the 2002 winter sales shall run from 10 December 2001 to 18 January 2002 inclusive.

CHAPTER IX

THE MARKING OF CERTAIN BANKNOTES DENOMINATED IN BELGIAN FRANCS

Art. 25. – The King may, after consulting the National Bank of Belgium, authorise those categories of economic agents which He shall determine to mark, from 1 January 2002, the banknote denominations of 500, 1,000, 2,000 and 10,000 Belgian francs to be withdrawn from circulation by means of a sign the characteristics of which He shall determine. The banknotes thus marked shall thereafter be payable only at the counters of the National Bank of Belgium.

CHAPTER X

MODIFICATION OF THE LAW OF 1 MARCH 1961 CONCERNING THE INTRODUCTION INTO NATIONAL LAW OF THE UNIFORM LAW ON CHEQUES, AND ITS IMPLEMENTATION

Art. 26. – Article 36*bis* of the law of 1 March 1961 concerning the introduction into national law of the uniform law on cheques, and its implementation, inserted by the law of 20 October 1998 on the euro, is replaced by the following provision:

“Art. 36*bis*. – In the absence of any indication of the monetary unit on a cheque issued and payable in Belgium, the amount of a cheque issued on or after 1 January 2002 shall be deemed to be denominated in euro.”

CHAPTER XI

FISCAL PROVISIONS

Art. 27. – Article 125 of the Tax Law similar to stamp duty, replaced by the law of 13 August 1947, is replaced by the following provision:

“Art. 125. § 1. The tax shall be payable no later than the last working day of the month following that in which the transaction was effected.

The tax shall be paid by payment or transfer into the bank account of the competent office.

On the day of payment, the taxpayer shall lodge with that office a declaration indicating the basis for collection of the tax and all the information necessary for its determination.

§ 2. If the tax has not been paid by the deadline specified in paragraph 1, interest shall be due automatically from the date on which the payment was due.

If the declaration has not been lodged by the specified deadline, a fine shall be incurred of 12.50 euro per week's delay. Part of a week shall count as a full week.

Any inaccuracy or omission found in the declaration referred to in paragraph 1, and the absence of the statement provided in Article 127, shall be punished by a fine equal to five times the duty evaded, subject to a minimum of 250 euro.

§ 3. The information to be notified in the declaration referred to in paragraph 1 and the competent office shall be determined by the King.”

Art. 28. – Article 127 of the same Law is replaced by the following provision:

“Art. 127. No later than the working day following the day on which the transaction is executed, the intermediary must issue each principal with a statement indicating the names of the beneficiary and the intermediary, specification of the transactions, their amount or value, and the amount of the tax due.”

Art. 29. – Article 128 of the same Law is replaced by the following provision:

“Art. 128. The statement provided in Article 127 shall be numbered according to one or more uninterrupted series of numbers and made out in duplicate.

The duplicate of the statement may, however, be replaced by a listing produced on a day-to-day basis, numbered according to an uninterrupted series of numbers and containing the following particulars:

- a) statement date;
- b) statement number;
- c) identification of the principal and the intermediary;
- d) specification of the transactions;
- e) the amount or value of the transactions;
- f) the amount of the tax charged on stock market transactions or carry-overs;
- g) in case the statement is cancelled, the reference of the cancelled statement opposite the indication of the cancellation slip.”

Art. 30. – Article 129-1 of the same Law, renumbered by the law of 13 August 1947, is rescinded.

Art. 31. – Article 129-2 of the same Law, inserted by the law of 13 August 1947 and modified by the law of 22 July 1993, becomes Article 129, with the proviso that in this article the words “Articles 127, 128 and 129 1” are replaced by the words “Articles 127 and 128”.

Art. 32. – Article 130-1 of the same Law, renumbered and modified by the law of 13 August 1947, is replaced by the following provision:

“Art. 130-1. The duplicate statements, or the listings taking their place, and the statements concerning transactions effected by intermediaries for their own account must be preserved for six years as from their date.

In the event of cessation of business, these documents may be destroyed sooner, with the prior consent of the competent regional director of value-added tax, registration and property.”

Art. 33. – Article 130-2 of the same Law, inserted by the law of 13 August 1947 and modified by the laws of 22 March 1965, 22 December 1989 and 22 July 1993, is replaced by the following provision:

“Art. 130-2. – Intermediaries must provide, without having to move, at the request of any official of the authority responsible for value-added tax, registration and property, holding the grade of inspector or above, duplicates of the statements or the listings taking their place, the statements relating to transactions effected for their own account, their books, contracts and all other documents relating to those of their transactions which concern public funds, failing which the penalty for each infringement shall be a fine of 250 to 2,500 euro.”

Art. 34. – Article 131 of the same Law, modified by Royal Decree n° 264 of 27 March 1936 and the law of 22 July 1993, is replaced by the following provision:

“Art. 131. Any contravention of the obligation to keep and preserve the duplicate statements or the listings which take their place, provided in Article 28, shall be punishable by a fine of 250 to 2,500 euro.

Furthermore, all offenders shall be jointly and severally liable for the duties evaded, subject to appeal if appropriate”.

Art. 35. – Article 136, paragraph 1 of the same Law, replaced by the law of 2 July 1930, is replaced by the following paragraph:

“The tax shall be refunded:

- 1° if the tax paid represents a sum in excess of the tax due on the transaction;
- 2° if the withdrawal, modification or correction of stock market prices has led to the cancellation or amendment of the statement originally issued”.

Art. 36. – In Article 143 of the same Code, replaced by Article 54 of the law of 13 August 1947 and modified by Article 60 of the same law, the words “Articles 124, 125, 126-2, 127, 128, 129-1, 129-2, 130-1, 130-2, 131 and 136” are replaced by the words “Articles 124, 125, 126-2, 127, 128, 129, 130-1, 130-2, 131 and 136”.

CHAPTER XII

TRANSITIONAL, RESCISSORY AND MISCELLANEOUS PROVISIONS

Art. 37. – Anyone who, before 1 January 2002, knowingly uses or accepts as means of payment banknotes or coins denominated in euro or in cent shall be punished by imprisonment for one week to three months and a fine of 26 to 1,000 Belgian francs, or either one of these penalties.

The banknotes and coins used or intended for committing this infringement shall be confiscated.

Book I of the Penal Code, without the exception of Chapter VII and Article 85, shall apply to the infringement referred to in paragraph 1.

Art. 38. – In Article 5, paragraph 2 of the law of 23 December 1998 laying down provisions on monetary status, the National Bank of Belgium, monetary policy and the Monetary Fund, replaced by the law of 30 October 1988, the words “The coinage” are replaced by the words “The coins denominated in francs or in centimes”.

Art. 39. – The following are rescinded:

- 1° article 2 of the law of 30 December 1885 approving the act of 12 December 1885 whereby Belgium acceded to the monetary agreement concluded in Paris, on 6 November 1885, between France, Greece, Italy and Switzerland, and to the annexed arrangement and declaration;
- 2° the law of 20 August 1891 suspending minting and refining operations;
- 3° the law of 28 July 1893 prohibiting the importation of foreign coinage;
- 4° the law of 19 July 1895 on the prohibition of foreign coinage and the right to exchange national coinage;

- 5° article 3 of the law of 8 May 1924 on movement, and melting down of metal coins, amended by the law of 6 July 1978;
- 6° the law of 3 July 1956 on the abolition of fractions of a franc in public accounting;
- 7° articles 4 and 6 of the law of 23 December 1988 laying down provisions on monetary status, the National Bank of Belgium, monetary policy and the Monetary Fund;
- 8° chapter I of the same law;
- 9° article 76 of the programme law of 2 January 2001.

Art. 40. – Articles 2, 3, 4, 7 to 15, 17, 19 to 21, 22 § 1, 26 to 36 and 39, 1° to 7° enter into force on 1 January 2002.

Articles 22 § 2, 24, 25 and 37 enter into force on the date of publication of this law in the *Moniteur belge/Belgisch Staatsblad*.

Article 22, § 2 ceases to apply on 1 January 2002.

Article 39, 8° enters into force on 1 March 2002.

DIVIDEND

	2001	2000	1999	1998	1997
Net dividend allocated per share	47.25	46.10	44.90	44.37	44.00
Withholding tax deducted per share	15.75	15.37	14.97	14.79	14.67
Gross dividend allocated per share	63.00	61.47	59.87	59.16	58.67

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2001

(Pursuant to Article 4, § 2, paragraph 2 of the law of 2 March 1989 concerning the disclosure of major shareholdings in companies listed on the Stock Exchange.)

Holder of voting rights:	Belgian State, represented by the Minister of Finance
Number of securities representing the capital:	200,000
Proportion of the capital:	50 p.c.

COMPARISON OF BALANCE SHEETS AS AT 31 DECEMBER

(before distribution of profit)

ASSETS

(thousands of euro)

	2001	2000	1999	1998 ¹
1. Gold and gold receivables	2,613,494	2,431,485	2,402,507	2,346,536
2. Claims on non-euro area residents denominated in foreign currency	12,780,672	10,740,780	10,885,054	10,897,610
2.1 Receivables from the IMF	3,255,684	2,615,983	2,807,152	2,362,680
2.2 Balances with banks and security investments, external loans and other external assets	9,524,988	8,124,797	8,077,902	8,534,930
3. Claims on euro area residents denominated in foreign currency	799,055	459,103	138,167	47,467
4. Claims on non-euro area residents denominated in euro	7,610	9,456	9,071	927,644
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	7,570,189	15,441,034	20,456,952	4,587,717
5.1 Main refinancing operations	7,500,000	14,811,034	5,436,956	4,584,171
5.2 Longer-term refinancing operations	70,189	630,000	15,015,000	
5.3 Fine-tuning reverse operations	–	–	–	
5.4 Structural reverse operations	–	–	–	
5.5 Marginal lending facility	–	–	4,996	3,546
5.6 Credits related to margin calls	–	–	–	
6. Other claims on euro area credit institutions denominated in euro	220	313	1,288	392,134
7. Securities of euro area residents denominated in euro	3,621,955	3,629,307	3,683,056	3,779,431
8. Intra-Eurosystem claims	1,576,431	1,576,611	1,576,362	143,290
8.1 Participating interest in ECB capital	143,290	143,290	143,290	143,290
8.2 Claims equivalent to the transfer of foreign currency reserves	1,432,900	1,432,900	1,432,900	
8.3 Other claims within the Eurosystem (net)	241	421	172	–
9. Other assets	2,233,336	2,226,502	2,159,269	2,029,800
9.1 Coins of euro area	26,408	6,795	9,966	5,688
9.2 Tangible and intangible fixed assets	352,518	326,607	320,235	311,618
9.3 Other financial assets	1,438,009	1,359,671	1,325,696	1,324,743
9.4 Off-balance sheet instruments revaluation differences	–	996	–	–
9.5 Accruals and deferred expenditure	242,864	309,114	308,924	257,057
9.6 Sundry	173,537	223,319	194,448	130,694
TOTAL ASSETS	31,202,962	36,514,591	41,311,726	25,151,629

¹ Opening balance sheet as at 1 January 1999 in which the balance sheet items as at 31 December 1998 were rearranged and revalued corresponding to the accounting rules established in the guideline of the European Central Bank of 1 December 1998.

LIABILITIES*(thousands of euro)*

	2001	2000	1999	1998 ¹
1. Banknotes in circulation	8,627,226	12,905,356	12,947,255	11,971,273
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	5,945,181	7,129,800	3,509,187	6,916,380
2.1 Current accounts (covering the minimum reserve system)	5,922,368	7,129,800	3,458,846	6,910,381
2.2 Deposit facility	22,813	–	50,341	5,999
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	–	–		
4. Liabilities to other euro area residents denominated in euro	127,485	83,479	95,880	168,724
4.1 General government	118,528	62,176	64,270	88,688
4.2 Other liabilities	8,957	21,303	31,610	80,036
5. Liabilities to non-euro area residents denominated in euro	80,691	179,736	337,368	165,397
6. Liabilities to euro area residents denominated in foreign currency	–	–	–	–
7. Liabilities to non-euro area residents denominated in foreign currency	1,869,018	982,736	569,854	108,725
8. Counterpart of special drawing rights allocated by the IMF	691,238	679,386	662,349	584,459
9. Intra-Eurosystem liabilities	5,168,960	6,536,213	16,275,947	1,988
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates	–	–	–	–
9.2 Other liabilities within the Eurosystem (net)	5,168,960	6,536,213	16,275,947	1,988
10. Other liabilities	1,652,207	1,481,878	1,046,929	899,155
10.1 Off-balance sheet instruments revaluation differences	8,159	–	10,049	22,810
10.2 Accruals and deferred income	7,702	14,279	8,523	8,681
10.3 Sundry	1,636,346	1,467,599	1,028,357	867,664
11. Provisions	1,181,106	988,156	798,141	676,674
11.1 For future exchange losses	756,120	614,320	441,120	327,219
11.2 For new premises	7,060	10,540	19,040	34,630
11.3 For contingencies	417,926	363,296	330,003	314,825
11.4 For loss from the ECB	–	–	7,978	–
12. Revaluation accounts	4,294,569	4,080,642	3,674,206	2,298,241
13. Capital and reserve fund	1,459,707	1,368,499	1,337,721	1,324,586
13.1 Capital	9,916	9,916	9,916	9,916
13.2 Reserve fund:				
Statutory reserve	96,975	93,287	89,580	85,864
Extraordinary reserve	1,014,616	953,116	932,616	932,616
Amortisation accounts in respect of tangible fixed assets	338,200	312,180	305,609	296,190
14. Profit for the year	105,574	98,710	56,889	36,027
TOTAL LIABILITIES	31,202,962	36,514,591	41,311,726	25,151,629

¹ Opening balance sheet as at 1 January 1999 in which the balance sheet items as at 31 December 1998 were rearranged and revalued corresponding to the accounting rules established in the guideline of the European Central Bank of 1 December 1998.

COMPARISON OF THE PROFIT AND LOSS ACCOUNTS AS AT 31 DECEMBER

<i>(thousands of euro)</i>	2001	2000	1999	1998
I. Proceeds of net interest-bearing assets	968,528	792,153	349,234	667,633
1. Interest income	1,314,870	1,286,299	900,427	851,180
2. Interest expenses (-)	-567,480	-480,303	-321,109	-228,891
3. Capital gains (-losses (-)) on securities	220,895	-14,271	-222,278	45,344
4. Allocation of monetary income from the Eurosystem	243	428	172	
5. Appropriation to the provision for covering losses from the ECB (-)	-	-	-7,978	
II. Foreign exchange difference results	139,957	200,223	260,956	153,975
1. Foreign exchange difference results	281,757	373,423	374,856	481,194
2. Write-back of provision for future exchange losses (appropriation (-))	-141,800	-173,200	-113,900	-327,219
III. Commission	2,591	3,531	2,576	2,514
1. Commission received	4,320	5,041	3,251	3,509
2. Commission paid (-)	-1,729	-1,510	-675	-995
IV. Amounts recovered from third parties	61,714	53,426	50,553	49,184
V. Proceeds from statutory investments	98,409	95,004	95,857	105,893
VI. Other proceeds	4,822	2,555	404	7,953
VII. State share (-)	-648,656	-495,640	-123,526	-338,330
1. Proceeds from net interest-bearing assets (art. 29)	-558,351	-369,752	-86,121	-218,124
2. Proceeds fully assigned to the State	-45,548	-41,931	-29,981	-117,713
3. Foreign exchange difference results	-44,757	-83,957	-7,424	-2,493
VIII. Transfer to the unavailable reserve of capital gains on gold (-)	-	-	-177,115	-
IX. General expenses (-)	-237,067	-233,022	-213,580	-215,825
1. Remuneration and social costs	-191,118	-185,791	-175,277	-172,487
2. Other expenses	-45,949	-47,231	-38,303	-43,338
X. Exceptional costs (-)	-11,327	-12,508	-28,192	-52,580
XI. Depreciation of tangible fixed assets (-)	-28,499	-29,415	-30,456	-22,874
XII. Provisions	-51,150	-24,793	411	-22,261
1. Write-back of provisions for new premises (appropriation (-))	3,480	8,500	15,590	-3,669
2. Write-back of provisions for contingencies (appropriation (-))	-54,630	-33,293	-15,179	-18,592
XIII. Taxes and dues (-)	-193,748	-252,804	-130,233	-299,255
NET PROFIT FOR THE FINANCIAL YEAR	105,574	98,710	56,889	36,027

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ABBREVIATIONS

ECB	European Central Bank
ERP	Enterprise Resource Planning
NCB	National Central Bank
BIS	Bank for International Settlements
CEC	Centre for Exchange and Clearing
Ecofin	Council of Ministers of Economic Affairs and Finance of the European Union
ELLIPS	Electronic Large Value Interbank Payment System
IMF	International Monetary Fund
OECD	Organisation for Economic Cooperation and Development
SME	Small and medium-sized enterprises
ESCB	European System of Central Banks
ESA 95	European System of Accounts 1995
TARGET	Trans-European Automated Real-time Gross Settlement Express Transfer
EU	European Union

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