

# Report 2006

## Part 2 Activities, governance and annual accounts



# Foreword

by Guy Quaden, Governor



It is five years since the introduction of the first euro banknotes, which are now issued by the fourteen central banks of the Eurosystem, namely the European Central Bank (ECB) and – since Slovenia joined the euro area on 1 January 2007 – the thirteen national central banks (NCBs) of the countries which have adopted the euro.

The Eurosystem is an entity which has no equivalent anywhere in the world. The creation of the ECB certainly did not cast doubt on the usefulness of the NCBs. Quite the reverse. Luxembourg, the only country which did not have its own central bank, had to create one just before the transition to the single monetary policy.

In accordance with the Treaty on European Union, the ECB and the NCBs jointly issue the euro banknotes, hold and manage the official foreign exchange reserves of the Member States, ensure that the payment systems operate smoothly, and contribute towards the stability of the financial sector.

Apart from these shared functions, the NCBs are also frequently asked to take on other tasks in the public interest. That is certainly true in Belgium, where the duties entrusted to the Bank include the collection and processing of numerous national statistics, as well as the management of the Central Balance Sheet Office, two central credit registers (recording individual and corporate credit) and the interbank payment systems.

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The integration of the Bank into the Eurosystem has obviously influenced the life of our institution. I would like to draw attention briefly here to two changes which are not necessarily apparent to the outside world.

The first is due to the fundamental change in the actual role of the Bank, which now participates in the management of the world's second most important currency. The decisions taken in Frankfurt are passed on a collegiate basis by the ECB Executive Board and the governors of the NCBs of the Eurosystem. This means that every governor must be properly prepared to deal with all the issues considered at that level. They concern not only the common monetary policy but also the Eurosystem's other spheres of activity, such as financial stability and payment systems.

In recent years, the Bank has therefore extended and strengthened its analysis capacity, which was already well-established for Belgium. A large proportion of its staff are nowadays involved at various levels in the preparation of these decisions "taken in Frankfurt". The investment in resources is substantial, and so is the resulting enrichment of the job content of our employees.

The second change concerns operational aspects. One of the Eurosystem's basic operating principles is a high degree of decentralisation. The Bank, like its colleagues, therefore remains the contact point between Belgian financial institutions or economic agents and the Eurosystem. However, the concept of decentralisation has evolved since the Eurosystem was first formed.

To quote the words of the Eurosystem's mission statement, "We are committed to good governance and to performing our tasks effectively and efficiently, in a spirit of cooperation and team work". With that in mind, the central banks of the Eurosystem are becoming more specialised, and various activities are gradually being regrouped. That is reflected, in particular, in the development of joint projects and the exploitation of synergies.

The Bank plays a pioneering role here. I shall mention two practical examples.

The first concerns banknotes. The Bank has developed an IT tool which manages the flows of banknotes and coins both within the Bank and between the Bank and the financial institutions (or the cash transport firms). This application, called CASH, has yielded significant productivity gains and increased transaction security. The Bank makes this application available for use by the other central banks. In 2006 a partnership was concluded with the Nederlandsche Bank and the Banque centrale du Luxembourg, to be joined by the Bank of Finland in March 2007. The first two banks are already managing their flows of banknotes by means of this application, running on the Bank's IT infrastructure; the Bank of Finland will do so from 2008.

The second example concerns the implementation of monetary policy. The credit granted to financial institutions has to be backed by appropriate collateral. The Bank has developed a new IT system for the efficient management of that collateral. Based on the latest market standards, this platform – called ECMS (Euro Collateral Management System) – permits almost totally automated management of this collateral and improves the service provided for financial institutions. Its unique characteristics have aroused the interest of other central banks, and a partnership has been concluded here, too, between the Bank and the Nederlandsche Bank.

These examples demonstrate the Bank's desire to maintain and, if possible, improve still further the quality of the services which it provides for Belgium and for the Eurosystem by extensive use of the new technologies and dynamic management of its human resources, while keeping its costs under control, in particular via increased specialisation.

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As the corollary to their high degree of independence, central banks are required more than ever before to demonstrate the relevance of their objectives (monetary and financial stability); that is true, but they must also offer evidence of their performance of the important tasks entrusted to them by society. That is the spirit underlying the preparation of this report, which records the achievements of the past year.



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Economic theory identifies two main ways in which the authorities influence economic activity: fiscal policy and monetary policy. The first is the responsibility of the government, and enables it – by the interaction between public revenue and expenditure – to achieve its macroeconomic objectives and perform its tasks for the benefit of society. In the euro area, the second is entrusted to the Eurosystem<sup>(1)</sup> by the Maastricht Treaty. Its main objective is to safeguard price stability. In that way, it contributes towards growth and employment; indeed, a monetary policy which preserves the purchasing power of the currency is the only way to improve the economic prospects and the standard of living. Experience has shown that both a general and persistent increase in prices (inflation) and falling prices (deflation) are damaging, because they distort the information contained in the price system, alter the real value of contracts and savings, heighten uncertainty and therefore impair the efficient allocation of resources, investment and growth.

## 1.1 Institutional framework

The Bank is an integral part of the European System of Central Banks (ESCB) and thus of the Eurosystem. While the ESCB comprises all the central banks of the European Union (EU), the Eurosystem consists solely of the European Central Bank (ECB) and the national central banks (NCBs) of the Member States which have adopted the euro as their currency.

The Eurosystem's fundamental tasks are the definition and implementation of the euro area's monetary policy, the conduct of foreign exchange operations, the holding and management of the official foreign exchange reserves of the Member States and the promotion of the smooth operation of payment systems. The Eurosystem is also responsible for issuing euro banknotes and collecting statistical information.

The Bank takes part in the performance of these tasks and contributes to the attainment of the objectives assigned to the Eurosystem by the Treaty. The sharing of powers between the ECB and the NCBs is based on a high degree of decentralisation in the preparation and implementation of the single monetary policy. However, the decisions are centralised: they are taken by the ECB Governing Council. It comprises the six members of the ECB Executive Board, including the president and vice-president of the ECB,

and the governors of the NCBs of the euro area member countries, which now number thirteen since Slovenia adopted the euro on 1 January 2007.

## 1.2 Strategy and instruments

In order to anchor inflation expectations and make it easier for the public to judge its actions, the ECB Governing Council defined price stability as an increase in the Harmonised Index of Consumer Prices (HICP) in the euro area of below but close to 2 p.c. in the medium term. That definition offers an adequate buffer to safeguard against the risk of deflation, and also makes allowance for any bias in the HICP reading and inflation differentials within the euro area.

Apart from that definition, the Eurosystem strategy is based on analysis of all the available information, enabling the Governing Council to respond promptly to developments which threaten price stability. The analysis is based on a two-pillar structure corresponding to complementary ways of examining inflation and its causes: real and monetary:

- Economic analysis aims to determine the short- and medium-term risks to price stability. It is based on a wide range of economic advance indicators of the movement in prices in the euro area (unit labour costs and other price and cost indicators, measures of real activity, business and household surveys, etc.) and indicators concerning financial conditions (effective euro

(1) The Eurosystem is the central bank system of the euro area. It comprises the European Central Bank and the central banks of the Member States which have adopted the euro.

exchange rate, slope of the interest curve, bond yields, etc.). The Governing Council also bases its diagnosis on the macroeconomic projections produced by the Eurosystem.

- Monetary analysis aims to assess the medium- and long-term inflationary trends in the light of the link between money and prices over long periods. It is based on several indicators, such as the monetary aggregate M3, its components (banknotes and coins, sight deposits and short-term deposits, short-term negotiable instruments) and its counterparts, particularly credit.

The Eurosystem's monetary policy is an interest rate policy, like that of the Bank in Belgium before the start of Stage 3 of Economic and Monetary Union. That policy entails the adjustment of bank liquidity and the steering of very short-term interest rates on the money market, particularly the overnight interest rate which is the Eurosystem's principal operational target. Various instruments are used for this purpose (cf. point 1.4). The main ones are:

- market operations, including the weekly allocations of one-week credit, which play a key role;
- the standing facilities enabling credit institutions to withdraw or deposit funds overnight at pre-announced interest rates;
- the reserves which must be lodged with the central bank.

The reserve requirements and the euro banknote issuance monopoly conferred on the ECB and the NCBs by the Treaty oblige credit institutions to obtain liquidity from the Eurosystem. By adjusting the conditions for granting liquidity, the Eurosystem influences money market interest rates.

Monetary policy decisions are taken by the ECB Governing Council, which generally meets on alternate Thursdays in Frankfurt. That is the location for fixing the Eurosystem's main monetary policy indicator: the rate for granting one-week credit to credit institutions.

The Bank plays an active role in the Eurosystem. As a member of the Governing Council, the main decision-making body of the Eurosystem, the governor participates in all the decisions. In addition, the Bank is involved in the preparation of those decisions via the committees composed of experts from the ECB and the NCBs. The implementation of the Governing Council's decisions is decentralised, which means that the Bank is the "Eurosystem partner" of financial institutions located in Belgium.

Participation in the Eurosystem has therefore increased the Bank's influence over monetary matters. This new environment has also had a significant impact on its activities. For example, the Bank has considerably expanded its analysis capability in the areas where the Eurosystem is active.

However, although the Bank is closely involved in the operation of the Eurosystem, its activities are not confined to the tasks delegated to it in that connection, since it still performs a number of tasks entrusted to it at national level.

## 1.3 Preparation of the decisions

### 1.3.1 Research

In accordance with the Treaty establishing the European Community, the NCBs of the Eurosystem are closely involved in the preparation and implementation of the common monetary policy of the euro area. They therefore have to devote substantial efforts to research and analysis in order to enhance understanding of the monetary policy transmission mechanisms and their interactions with other economic policies, not only in the euro area in general but also in the national economies. The Bank fully supports these efforts, as is evident from its participation in the research and analysis work of the Eurosystem and the numerous publications which it issues, whether intended for specialists or for a wider public.

Thus, on the ESCB Monetary Policy Committee, the Bank is represented not only in the permanent working groups – such as those on public finances, econometric modelling, and the structural aspects of the member economies – but also in more specific projects such as those concerning the differences between the interest rate policies applied by financial and monetary institutions in the euro area, or the volume breakdown of foreign trade flows according to their destination.

Substantial resources are also devoted to participation in the research initiatives launched jointly by the ECB and the NCBs of the Eurosystem, in close collaboration with the academic world. In line with the work done from 2003 to 2005 by the Inflation Persistence Network, aimed at analysing price rigidity and the degree of inflation persistence, the Governing Council of the Eurosystem decided, in February 2006, to set up the Wage Dynamics Network, responsible for studying the dynamics of wages and labour costs in the euro area.



In addition, the Governing Council has set up a network to study the impact on household expenditure of fluctuations in the financial assets of households in the euro area countries.

During the year under review, the Bank published some further findings of the Inflation Persistence Network in the Economic Review and in its Working Paper Research series. In particular, the June 2006 issue of the Review shows that overall inflation and the underlying inflation trend show a similar degree of persistence in Belgium and the euro area. In the absence of any persistent inflation differential between Belgium and the euro area, the Eurosystem's monetary policy therefore seems well suited to Belgium's economic situation. As in 2005, a number of studies to which the Bank's experts contributed in this network were also presented at symposia and international conferences, and were published by the ECB and in various international scientific journals.

The Bank participates in the Euro Area Business Cycle Network. The outcome of collaboration between the Eurosystem and the Centre for Economic Policy Research (CEPR), this network, set up in 2002, promotes a better understanding of business cycles in the euro area. In August 2006, it organised a seminar entitled *Estimation and empirical validation of structural models for business cycle analysis*, where the Bank presented a paper which examined the business cycle in the United States and the euro area using dynamic stochastic general equilibrium models. In close collaboration with the ECB, the Bank has in fact specialised for a number of years in developing models of this type, which constitute a rigorous theoretical framework for the analysis of the behaviour of households and enterprises. The international symposium arranged by the Bank on 12 and 13 October 2006 on the subject of *Price and wage rigidities in an open economy* was the opportunity for presenting new developments in these models, including improvements to the description of the operation of the labour market.

Finally, every year, the Bank publishes in the Economic Review the results of the macroeconomic projections which it produces in the course of the spring and autumn forecasting exercises conducted by the ECB and the Eurosystem members. Since 2004, those results have comprised forecasts for the ensuing year in addition to estimates for the current year.

### 1.3.2 Statistical activities

The compilation of financial accounts is one of the traditional statistical activities of central banks. The Bank has compiled these accounts for Belgium for many years, and has extensive experience on the subject, plus one of the most comprehensive databases in Europe. On its website<sup>(1)</sup> and in its quarterly Statistical Bulletin, the Bank publishes quarterly summary tables accompanied by a commentary.

The quarterly financial accounts are submitted to the ECB, which uses them to produce the consolidated data at European level. They are also forwarded to Eurostat and the Organisation for Economic Cooperation and Development (OECD) to enable them to conduct their own research. Detailed information on certain sectors (general government and other financial institutions) or certain instruments (listed share issues) obtained from the financial accounts database are also sent to the ECB every quarter.

In recent years, much has been done to improve the quality of the data collected and augment the details on sectors and instruments. These improvements to the database have been mirrored in better communication of the information. Thus, since July 2006, the quarterly financial accounts have been published four months after the end of the quarter, with a commentary on the financial account for individuals.

Moreover, in the course of the Coordinated Compilation Exercise involving around sixty countries, the CBFA and the Bank have produced a series of indicators for Belgium which assess the strengths and weaknesses of the financial system (Financial Soundness Indicators). The International Monetary Fund (IMF) is currently assessing the results of that exercise.

## 1.4 Implementation of the decisions

In accordance with the harmonised conditions for the Eurosystem as a whole, the Bank maintains relations with credit institutions in Belgium in order to implement the various monetary policy instruments (cf. point 1.2).

The average number of Belgian participants in the main refinancing operations declined from six in 2005 to five in the year under review, owing to the transfer of the cash management of a Belgian subsidiary to its parent

(1) Cf. *Statistics – Statistical fields – Financial accounts*.

company in London. However, the share of Belgian credit institutions in the total allotted by the ECB increased from 7.8 to 9.2 p.c. over the same period. In 2006, the Belgian banks obtained between 17.4 and 39.1 billion during the main refinancing operations. The Belgian participants draw structurally more liquidity than is required to cover their needs. These surpluses are lent via TARGET to financial intermediaries in other euro area countries.

In addition, the monthly amount of the longer term refinancing operations increased from 30 to 40 billion euro. The participation of Belgian credit institutions in these operations expanded slightly from 1.5 p.c. to 1.7 p.c. of the total amount allocated.

The number of fine-tuning operations conducted by the Eurosystem also increased. It was up from nine in 2005 to eleven in 2006, namely four liquidity injection operations and seven liquidity withdrawals. The participation of Belgian credit institutions in the liquidity injection operations related on average to 2 p.c. of the total amount allotted. None of those institutions took part in the liquidity withdrawal operations.

The credit extended by the NCBs must be backed by appropriate collateral. Until 31 December 2006, the assets eligible for this purpose were divided into two separate lists. The first contained marketable debt certificates accepted throughout the euro area which satisfied the criteria set by the ECB. In the second list, each NCB was able to enter marketable or non-marketable assets of particular importance for the national financial market and governed by selection criteria approved by the ECB. Counterparties could use any of these assets domestically or on a cross-border basis. In January 2007, this system of two lists was replaced by a single list containing marketable or non-marketable assets satisfying standard criteria for the whole euro area. The list of non-marketable assets is not published, owing to their specific character.

On the operational front, since September 2006, the Bank has offered its counterparties a secure link enabling them to consult the details of the collateral lodged with the Bank and the progress of the processing of orders submitted.

Also, since July 2006, a theoretical valuation module managed by the Eurosystem permits daily valuation of the collateral if market prices are not available or not representative.

Finally, since January 2007, bank loans have also been acceptable as security.

## 1.5 Management of the foreign exchange reserves

### 1.5.1 Basic principles

The foreign exchange reserves shown on the Bank's balance sheet are Belgium's official exchange reserves. They consist of gold, gold claims, claims on the IMF and foreign currencies. The Bank holds and manages these reserves, and its own share in the reserves transferred to the ECB under Article 30 of the Protocol on the Statute of the ESCB and of the ECB.

Decisions on the management of the exchange reserves are taken at three different levels: strategic, tactical and routine.

At strategic level, the Board of Directors defines the general policy and medium- and long-term preferences as regards balancing risk against yield. Thus, it essentially determines the total amount of the foreign currency reserves, the currency mix, the duration (average maturity) of the portfolios, the permitted instruments and transactions, the criteria for selecting counterparties and the credit risk limits. These decisions are reflected in the formation of reference portfolios, for the purpose of measuring the results of active management, both tactical and routine, within the limits defined by the Board of Directors.

At tactical level, an investment committee determines the choice of short-term investments in the light of the current and predicted market situation.

Finally, the portfolio managers are in charge of the actual routine management of the portfolios.

The Middle Office maintains totally independent supervision over compliance with the instructions and directives issued by the Board of Directors and the investment committee. It also calculates the results of the active management.

In regard to the gold reserves, the Bank is a co-signatory to the Joint Statement on Gold of 8 March 2004, whereby fifteen European central banks agreed on the arrangements applicable to sales of gold effected between 27 September 2004 and 26 September 2009. During the past year, the Bank did not sell any gold.

### 1.5.2 Risk management

Management of the foreign exchange reserves exposes the Bank to market risks, credit risks and operating risks. The Bank has defined a policy which aims to limit these risks. It specifies the duration and currency mix of each portfolio by applying the "value at risk" method to assess the market risk (losses which could be generated by adverse movements in exchange rates and interest rates). It also conducts stress tests in order to estimate the potential losses in the event of a major market crisis.

In order to limit its credit risk (risk of losses which could result from payment default or deterioration in the credit quality of counterparties or issuers), the Bank gives preference to sovereign risk instruments and collateralised instruments, imposing strict limits on other investments,

especially bank deposits. It also demands a high rating for its investment instrument issuers and counterparties, while maximising the diversification of its investments. Its assessments are based on the Creditmetrics method.

In order to improve the return, a small part of the reserves is invested in corporate bonds. Specific rules have been drawn up for this type of issuer (minimum rating, diversification constraint, etc.) to limit the credit risk.

Finally, the Bank limits the operating risks by dividing its investment activities into three separate units: the Front Office is in charge of operations, the Back Office handles the settlement of transactions, and the Middle Office manages the risks. In 2006, a new portfolio management package went into production to improve risk management and monitoring, particularly the operating risks.

The Bank's financial stability activities encompass supervision, prevention and crisis management. In regard to supervision, the Bank focuses on systemic risks. It therefore concentrates on macroprudential analysis and examination of the resilience of the large infrastructures enabling the financial markets to operate. Preventive measures are based on a series of rules and standards aimed at fostering the security and efficiency of the financial system. Nevertheless, the authorities still have to prepare for possible financial disasters. The arrangements and structures established for that purpose come under crisis management.

In each of these three areas, the Bank coordinates its work with that of the international bodies or committees contributing to the maintenance of global financial stability. That work forms part of a long tradition of interaction between the Bank and international institutions.

## 2.1 Supervision

### 2.1.1 Macroprudential supervision

While the CBFA is in charge of the "microprudential" supervision of every financial institution in the banking and insurance sectors, the Bank is responsible for monitoring the stability of the financial system as a whole. That "macroprudential" supervision centres on systemic risk. This risk that a shock or development in one market segment might undermine the soundness of other economic or financial agents is due to the increasingly close interdependence between financial institutions, the financial markets and the other economic sectors.

In this connection, the Bank conducts an in-depth analysis of the factors determining the stability of the Belgian financial system, and publishes it annually in the Financial Stability Review.<sup>(1)</sup> In 2006, that study concerned recent developments on the international financial markets and the resulting risks, as well as changes in the financial situation of Belgian households and non-financial enterprises in 2005. Since the banking sector has become highly international in recent years, its changing risk profile was analysed in detail. Belgian financial institutions appear to have made further improvements to their ability to withstand shocks. In this they were aided by a generally benign economic and financial environment which enabled them to increase their fee income and limit the losses incurred on their loan portfolio.

Every six months, the Bank also publishes a paper entitled *Recent developments in the Belgian financial system*. In this paper, a set of tables and charts accompanied by a brief commentary describes the trends apparent in credit institutions, investment firms, investment consultancies, insurance companies, occupational pension providers and the securities markets.

To underpin its macroprudential analyses, the Bank also carried out research on specific topics, namely the microprudential basis of risk-taking, structural developments in the financial system, the impact of the institutional environment and regulatory measures on the operation of the markets, and the development of new financial instruments and techniques. During the year under review, the Bank's macroprudential research also looked at cross-border bank crisis management, the determinants and possibly pro-cyclical character of bank capital, the modelling of unspecified term deposits and the risk of corporate default, as well as the differences according to whether or not the banks have requested a rating.

In order to encourage discussion and cooperation between the prudential authorities and the financial markets, a number of these studies formed the subject of articles published in the Financial Stability Review, the Working Papers or specialist international journals.

(1) This review is available on the Bank's website.

## 2.1.2 Supervision of financial infrastructures

### PAYMENT SYSTEMS

The Bank itself operates the Electronic large-value interbank payment system (ELLIPS) and the Centre for Exchange and Clearing (CEC), which are the main Belgian interbank payment systems.<sup>(1)</sup> Supervision of ELLIPS consists essentially in examining how this system would react in exceptional situations. Thus, in 2006, the Bank analysed the consequences of various scenarios (bankruptcy of one participant, breakdown of a connection with TARGET, etc.) by conducting simulations based on real transactions. It also initiated the process of assessment of its Current Accounts application (RECOUR) on the basis of the Core Principles for Systemically Important Payment Systems. Finally, it studied the implications of the creation of the Single Euro Payments Area (SEPA) for payment instruments handled by the CEC.

The Bank also supervises Banksys. This company engages in numerous activities relating to payments in Belgium: it owns the Bancontact/Mister Cash payment system and the Proton electronic purse system, and manages the credit and debit card payment systems. The supervision procedure was refined in 2006. In addition, particularly close attention was paid to the supervision implications of the replacement of Bancontact/Mister Cash by Maestro, scheduled for 1 January 2008, and the consequences of the shareholdership restructuring. During the year under review, the Belgian banks did in fact sell Banksys to the French company Atos Origin.

The Bank is also involved in the oversight of Continuous Linked Settlement (CLS). This system of settling foreign exchange transactions, which is based on the principle of "payment against payment", guarantees that both legs of a foreign exchange transaction are settled simultaneously at CLS Bank, substantially reducing the risks. The oversight of this system is exercised jointly with the central banks whose currencies are processed by the system. Since the CLS Bank is based in New York, it is the local Federal Reserve Bank that is lead overseer.

### SECURITIES SETTLEMENT SYSTEMS

Euroclear Bank is an international central securities depository (CSD). Like Euroclear France, Euroclear Nederland, CRESTCo and, since January 2006, Euroclear Belgium – the former *Caisse interprofessionnelle de dépôts et de virements* (CIK) – this company is a subsidiary of the

holding company Euroclear s.a. (ESA) and uses the services which the latter provides. In Belgian law, this holding company is treated as a settlement institution and is subject to the supervision of the CBFA and the Bank.

Taking account of the services which ESA provides for the CSDs of the Euroclear group, the oversight and prudential supervision authorities of the countries concerned (Belgium, France, Netherlands and United Kingdom) concluded a cooperation agreement in 2005. The CBFA and the Bank were given responsibility for coordinating that cooperation between the authorities and their relations with the ESA holding company. These authorities assess the common services (risk management, etc.) which ESA provides for the CSDs of the Euroclear group and keep a close watch on the implementation of its business model. They also develop common procedures for dealing with a crisis.

Following the reorganisation of the Euroclear group, the Bank revised the protocol which it had concluded with Euroclear Bank in 2001, extended the protocol with the ESA holding company and strengthened the arrangements for conducting its oversight activities.

Finally, the Bank is involved in the joint oversight of LCH.Clearnet, a public limited liability company based in Paris which, as the central counterparty, settles transactions effected on Euronext Brussels.

### SWIFT

SWIFT offers highly secure services for the transmission of financial information between its members. This company provides a vital messaging service for the banking community throughout the world.

The oversight of SWIFT is organised jointly with other G10 central banks. Since SWIFT is based in Belgium, the Bank is the lead overseer. Its relations with SWIFT are governed by a specific protocol. The relationships between the Bank as lead overseer and the other G10 central banks are governed by cooperation agreements (memoranda of understanding) which the Bank concluded with each of those institutions. The SWIFT oversight arrangements and objectives were presented in the 2005 issue of the Financial Stability Review.

During 2006, various press articles referred to the role of the G10 central banks in general, and the Bank in particular, in the oversight of SWIFT. On 26 June 2006, the Bank published a press release clarifying that role. It is important to point out that the Bank oversees only those activities of SWIFT which are relevant for the maintenance

(1) Cf. point 3.2.

of financial stability. In particular, that oversight consists in monitoring and assessing the degree to which SWIFT sets up appropriate risk management structures and procedures, and risk management supervision, so that it effectively detects any problems which might arise for financial stability. The central banks are not responsible for monitoring the activities of SWIFT which have no financial stability implications. Consequently, the injunctions (subpoenas) imposed on SWIFT by the US Treasury are beyond the oversight powers of the Bank. Nor does the Bank have the authority to approve or prohibit SWIFT's compliance with those injunctions.

#### CONTRIBUTION TO THE PREPARATION OF STANDARDS

In 2006, three reports were published by the Committee on Payment and Settlement Systems (a global supervision and regulation committee in which the Bank participates).

The first is entitled *Cross-border collateral arrangements*. It specifies the requirements of central banks in respect of cross-border collateral for the loans which they grant.

The second, entitled *General guidance for national payment systems development*, was drafted jointly by the Committee on Payment and Settlement Systems, the IMF and the World Bank. It lists the guiding principles which should be respected by payment infrastructures set up in developing countries.

The third, entitled *General principles for international remittance services*, was produced jointly with the World Bank and published for the purpose of market consultation. It lists the guiding principles which payment systems should respect in regard to the generally small amount of funds which immigrants send back to their families in their country of origin.

#### 2.1.3 Cooperation with the CBFA

In the Financial Stability Committee (FSC), the Bank and the CBFA have adopted measures to step up their synergy in areas of mutual interest, in accordance with the law of 2 August 2002 on the supervision of the financial sector and on financial services. At operational level, this has been reflected in closer collaboration on IT systems, human resources, equipment and the supervision of payment, clearing and settlement systems. New cooperation agreements were also concluded in areas such as the processing of external information supplied by credit institutions, the management of documentation, and archives.

The coordination provided by the FSC has also improved the links between the microprudential supervision exercised by the CBFA and the macroprudential supervision which is the responsibility of the Bank. Thus, the FSC regularly examines the risks to the stability of the Belgian financial system and the main factors which could alter its characteristics. It also conducts periodic assessments of the effectiveness of measures aimed at ensuring that the Belgian authorities are prepared for any financial or operational crisis which might affect the financial sector (such as a terrorist attack or a pandemic).

In addition, the FSC coordinated the contribution of the Bank and the CBFA to the monitoring of the IMF's assessment of the robustness of the Belgian financial sector (FSAP). In this connection, the two institutions conducted stress tests, in close collaboration with the leading banks and insurance companies active in Belgium, in order to assess the resilience of these financial groups in the face of liquidity or interest rate shocks, or credit problems. The IMF welcomed the initiatives taken during the year under review by the FSC in regard to financial stability, and requested it to concentrate its attention on the change in the risk profile currently taking place in the Belgian financial system, and the challenges represented by the main changes to the regulations affecting the European financial sector (Directive 2004/39/EC on markets in financial instruments (MiFID), Basel II and Solvency II, SEPA project). In regard to payment and settlement systems, the FSC focused on the TARGET2 project which aims to establish a single IT platform for gross real time payments in the euro area by 2008, and on the interactions between this new common platform and the securities settlement systems. It also examined the SEPA project which is intended to create a Single Euro Payments Area by 2010.

A special website ([www.csf-cfs.be](http://www.csf-cfs.be)) was set up to raise the profile of the FSC's tasks and activities. Operational since 2 October 2006, this site describes not only the tasks and activities of the FSC but also those of the Financial Services Authority Supervisory Board (FSASB), the second body set up for the purpose of cooperation between the CBFA and the Bank by the law of 2 August 2002 on supervision of the financial sector and on financial services.

## 2.2 Preventive measures

The Bank's preventive activities take place within an international framework: the Bank takes part in the work of various G10 and EU bodies and committees specialising in the regulation and monitoring of the financial markets, and in those of the IMF.

### 2.2.1 European Union and Group of Ten

As part of the ESCB, the Bank is a member of the Banking Supervision Committee, in which the supervisors and central banks of the EU examine the macroprudential situation and structural developments within the European banking system. In particular, this committee contributes to the ECB's Financial Stability Review and to other Eurosystem publications on financial stability. In 2006, it also took part in exercises concerning the response to any financial crisis which might arise in Europe. In addition, it examined the implications of the Capital Requirements Directive for the economic cycle, the participation of the large European banks in the financing of investment capital firms, and ways of improving the stress tests conducted on the financial system. The Bank also took part in the work of the Committee of European Banking Supervisors (CEBS), which issues opinions on banking policies to the European Commission. In addition, the CEBS promotes cooperation between supervisors, the convergence of supervision practices in the EU and the joint implementation and proper application of the Community legislative framework. This committee's activities are currently centred on the implementation of the Capital Requirements Directive.

At G10 (BIS) level, the Bank took part in the work of the Committee on the Global Financial System, which covered in particular the structural changes in credit markets, the occupational pension and insurance sector, and the volatility of the financial markets. It also attended the Basel Committee on Banking Supervision, which concentrates mainly on the implementation of the revised framework for international convergence in regard to standards and the calculation of regulatory capital (Basel II accord).

### 2.2.2 International Monetary Fund

The Bank was involved in the preparation of the medium-term strategy launched in 2004 by the Managing Director for the evolving role of the IMF in an increasingly open global economy. As regards the representation and participation of the Fund members, the annual meeting in September 2006 approved a Board of Governors resolution providing the framework for modifications to the Fund's administrative structure in the coming years (cf. box 1).

In 2006, the essentially bilateral supervision which the Fund exercises over the economic situation of its members was accompanied by a multilateral consultation procedure. Thus, the euro area and the main countries concerned by this issue (China, Japan, Saudi Arabia and the United States) joined forces to promote the implementation of measures on which there is a consensus regarding the orderly correction of the current account imbalances of certain large economies.

In 2007, the Fund's economic supervision principles will be examined and, if appropriate, modified, particularly as regards the supervision of exchange rates. Ways of regularly establishing priorities in this connection will be examined. The International Monetary and Financial Committee, which exercises political supervision over the Fund's activities, could play a role here.

Since the early repayment of loans by a number of major borrowers had reduced the Fund's income, an investment account of around 6 billion Special Drawing Rights (SDRs) – 6.8 billion euro – was opened during the year under review to limit the future impact of lending activity on income. Invested in top-grade government bonds, this account will provide a modest but stable addition to income in the long term. Belgium made a contribution of 225 million euro to the initial funding required, an amount representing 4.2 p.c. of its share in the IMF's capital. As in the case of the other credit transactions, it will receive interest on that amount at the rate applicable to the SDRs.

Finally, following approval of a Board of Governors resolution, Montenegro is about to become the 185th member of the IMF.



## Box 1 – Globalisation and international financial institutions

At the latest annual meeting of the IMF, held in Singapore in September 2006, the Board of Governors adopted a resolution organising the discussion which the Fund intends to hold on the representation and participation of its members, to reflect more closely the increased importance of certain countries in the global economy. Countries join the fund by making a capital subscription (quota). That quota determines the number of votes which the member has on the Board of Governors and on the Executive Board, the amount which it can borrow, its contribution to the loans granted and the allocation of the SDRs created by the Fund.

According to the framework defined in Singapore, the Fund's governance structures will be modified in the coming years to take account of the emergence of certain economies. In that context, the quotas of China, Mexico, South Korea and Turkey<sup>(1)</sup> have already been increased and the Board of Governors has undertaken to adopt a quota adjustment formula by no later than the spring 2008 meeting; the formula is to be approved at the next annual meeting following that Board. The EU decided to adopt a common position on the subject.

The Bank for International Settlements (BIS) expanded its Board of Directors to include the governors of the central banks of two emerging countries.

In addition, in January 2006, the G10 chairman launched a debate on the future of this forum. In view of economic globalisation, the fact that the G10's activities partly overlap with those of the Financial Stability Forum (FSF), and the proliferation of international meetings, there is a need to improve the organisation of international economic cooperation, and particularly to strengthen relations between the G10 and the FSF. In that context, the meeting of G10 ministers and governors in September 2006 decided to terminate the alternates' meetings, to enlarge the FSF and to hold informal discussions on international financial stability at the annual meeting of ministers and governors.

(1) Turkey is part of the IMF constituency headed by Belgium, the other members, ranked in order of the size of their quota, being Austria, Hungary, the Czech Republic, Belarus, Kazakhstan, Slovakia, Luxembourg and Slovenia.

## 2.3 Crisis management

### 2.3.1 Financial crises

An interdepartmental unit comprising representatives of various Bank services and departments is responsible for coordinating the Bank's response to any crisis affecting the financial situation of one or more financial institutions. In 2006, the unit continued making improvements to the operational and legal preparations for coping with that type of situation.

As regards collaboration and the exchange of information in the event of a financial crisis, practical arrangements were made at various levels. Taking account of the close links between the Dutch and Belgian financial systems, due in particular to the presence of certain financial institutions in both countries, the Bank concluded a new cooperation agreement with the CBFA and the Nederlandsche

Bank in 2006 on the management of financial crises, supplementing the memorandum of agreement concluded with the CBFA in 2004 and the one concluded with FPS Finance in 2005. In the event of a crisis involving one of the large financial groups mentioned, a crisis management committee comprising representatives of the three authorities will be convened. It will be responsible for arranging consultation and coordination of the various authorities, preparing decisions and maintaining contact with the institution in distress and with the market counterparties. The cooperation agreement also specifies that the financial institution concerned must be able to supply immediately the information needed for effective management of the crisis. The three authorities are thus stepping up their cross-border cooperation in accordance with the new EU directive on capital requirements.

The Deposits and Financial Instruments Protection Fund is responsible for paying compensation, within certain limits, to savers and investors who suffer a loss as a



## Box 2 – Financial crisis management exercises

Various exercises simulating financial crises affecting the financial systems of a number of EU Member States have been conducted over the past two years, in order to test the agreements concluded between the various national authorities (central banks, banking supervisors and finance ministries) for the purpose of facilitating crisis management.

During the year under review, the Bank took part in two European financial crisis management exercises. The first was organised under the aegis of the EU's Economic and Financial Committee. Conducted in April 2006, it tested the principles enshrined in the agreement – in force since 1 July 2005 – on cooperation between EU bank supervisors, central banks and finance ministries in a financial crisis situation. National representatives of each of these authorities took part in this exercise in Frankfurt. It was found that the agreements concluded within the EU do indeed improve the crisis management mechanisms. Moreover, at the request of the EU Council, the Economic and Financial Committee has been given the task of updating the general principles for the resolution of financial crises which may affect the EU, with due regard for the lessons drawn from this exercise.

The second exercise in which the Bank took part was organised in May 2006 by the Eurosystem to check its crisis management procedures. The scenario on which it was based had repercussions on all central bank functions, including the management of monetary policy operations, the management and oversight of market infrastructures, and the maintenance of the stability of each national financial system (taking account of the risks of contagion throughout the euro area). The exercise, which involved all the central banks of the Eurosystem, was conducted on a decentralised basis to make it more realistic and to check the means of communication between central banks. It demonstrated the Eurosystem's ability to manage effectively situations which could produce systemic effects, and led to improvements in the Eurosystem's crisis management procedures.

Such exercises can be used to assess the response of national authorities in charge of resolving a financial crisis featuring systemic aspects. They also aim to reinforce national authority networks and augment their effectiveness. In so far as they may help to reduce the response and coordination time required to manage a crisis, they constantly strengthen the crisis management mechanisms.

result of the failure of a credit institution or investment firm. This Fund is directed by a Board of Directors comprising representatives of the public authorities, credit institutions and investment firms. The Bank is in charge of its day-to-day management. It publishes an annual report on its activities, which is available on the Internet ([www.fondsdeprotection.be](http://www.fondsdeprotection.be)).

### 2.3.2 Operational crises

On 18 October 2004, the FSC adopted a series of recommendations aimed at strengthening the stability of the financial system by ensuring that the operators and functions identified as critical from the point of view of the functioning of the Belgian financial system adopt the provisions necessary for the continuity of their activities. It entrusted their implementation to a Permanent Monitoring Entity (PME).

In 2006, the PME continued developing and testing its escalation and communication procedure in case of an operational event affecting business continuity which could have a serious adverse effect on the smooth operation of the Belgian financial system (natural disaster, terrorist act, pandemic, etc.).

In collaboration with the critical parties in the financial sector and the police authorities, it also developed a standard protocol which those parties can sign with the local police service for the area where they are based, to enable them to gain access, in the event of a serious incident, to emergency premises in a secure zone determined by the police. The Bank has already signed such a protocol with the Brussels-Ixelles police district.

In addition, discussions continued on the possible establishment of emergency plans in the event of prolonged interruption of the operation of certain critical functions,

such as those performed by Banksys, or the ELLIPS and CEC payment systems. The PME also organised an information meeting on the risks of interruption of telecommunications, attended by telecommunications operators and the critical institutions and infrastructures. Finally, an information session was devoted to the risk of a pandemic in order to clarify this question, including the FSC's intended approach and role in that regard.

It was agreed that the FSC website would be used as an instrument for communication with the financial sector in the event of a significant operational crisis affecting one or more critical institutions or infrastructures. As in other countries, restricted access space intended – respectively for the critical institutions and infrastructures and for the financial authorities – is provided on this website alongside the space accessible to the public.

This restricted access space can also be used to provide the critical institutions and infrastructures with relevant information even in the absence of a crisis affecting business continuity.

The Bank shares with the other central banks of the Eurosystem the right to issue euro banknotes. For Belgium, it is also responsible for placing the banknotes and coins in circulation, and for their withdrawal from circulation and quality checks.

In addition, it manages the Belgian interbank payment systems. These are ELLIPS, the Belgian component of the European gross real-time settlement system for euro payments (TARGET), the CEC which handles the clearing of small-value payments, and the Clearing House which organises the settlement of several thousand cheques for large amounts.

Finally, it manages a system for the settlement of fixed-interest securities and a system which presents commercial bills automatically for collection, and makes out protests in the event of default.

## 3.1 Notes and coins

### 3.1.1 Banknote printing

In 2006, as in previous years, the Bank printed its quota of euro banknotes in accordance with the Eurosystem production plan. Those banknotes conformed fully to the ECB's quality and security standards. They were delivered on time.

### 3.1.2 Circulation of notes and coins

In accordance with the principle of decentralisation of the Eurosystem's operations, the NCBs of the euro area are responsible for placing the banknotes in circulation, and for their withdrawal from circulation and quality checks.

The coins are issued by the Member States, subject to the ECB's approval of their total amount. In Belgium, it is the Bank that places the coins in circulation on behalf of the State.

### BANKNOTES

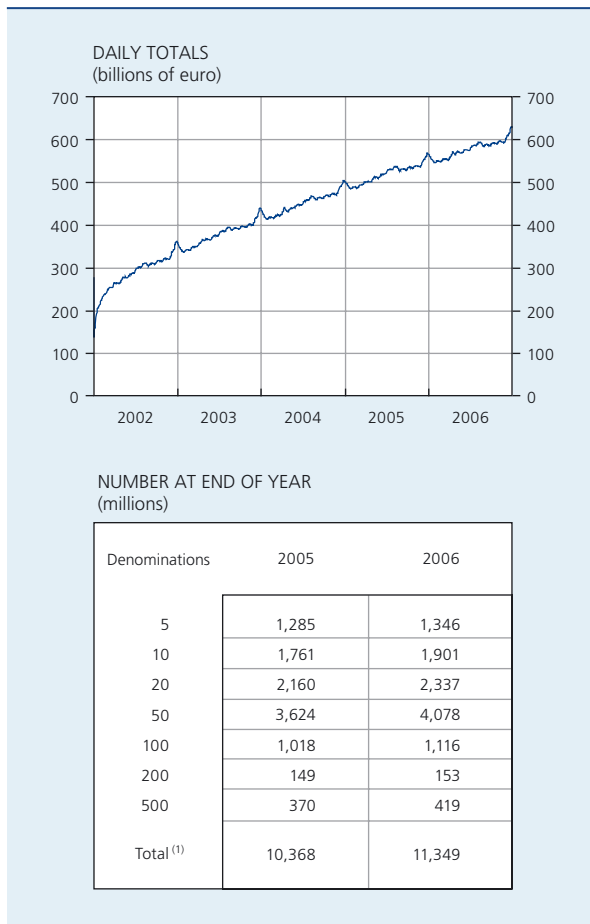
The amount of banknotes in circulation in the euro area continued to increase in 2006, except for the seasonal fluctuations (in January and August). During the year, the value of the banknotes in circulation increased from 565.2 to 628.2 billion euro, representing a rise of 11.2 p.c. Their number was up by 9.5 p.c. to reach 11.3 billion at the end of December. Demand for the 500 euro notes remained very strong, with an increase of 13.2 p.c. to 419.4 million notes at the end of the year. The number of 50 and 100 euro notes in circulation also grew significantly, by 12.5 and 9.6 p.c. respectively. The number of 10 and 20 euro notes in circulation was up by around 8 p.c. In contrast, demand for the other denominations grew by less than 5 p.c. This growth is due not only to demand for banknotes in connection with transactions within the euro area, but also to growing international demand. Hoarding by the public, encouraged partly by the current low level of interest rates, is another explanatory factor.

In contrast to what has happened in other years, the net amount of banknotes actually placed in circulation<sup>(1)</sup> by the Bank was less negative, and there was a net increase in the 5, 20 and 50 euro notes placed in circulation.

Withdrawals and payments effected at the Bank concerned a total of over 2 billion banknotes, 4.5 p.c. more than in 2005. The arrangements for withdrawing and paying in banknotes and coins are governed by contracts

(1) Difference between banknote withdrawals and payments at the Bank's counters.

**CHART 1** BANKNOTES IN CIRCULATION



Source : ECB.

(1) The total may differ from the sum of the items, owing to rounding.

between the Bank and the credit institutions. The latter can choose between:

- a free basic service allowing them to withdraw and pay in banknotes in batches of one denomination;
- the cash centre service, for which a fee is payable, allowing them to withdraw and pay in cash in packs containing different denominations.

Individuals and non-financial enterprises can also exchange euro banknotes at the public counters<sup>(1)</sup>.

## COINS

In 2006, the total amount of coins in circulation in the euro area increased, after falling slightly in January, to reach 17.9 billion euro at the end of the period, against 16.6 billion euro a year earlier, a rise of 7.4 p.c.

(1) The branch addresses and opening hours are listed in Annex 4.

**TABLE 1** BELGIAN FRANC BANKNOTES AND COINS NOT PRESENTED FOR EXCHANGE<sup>(1)</sup>

Face value (Belgian franc)	Amounts (millions of euro)		2006 as p.c. of 2000
	2000	2006	
0.50	8.5	7.1	83.9
1	49.8	20.7	41.8
5	86.7	31.5	36.3
20	200.9	74.9	37.3
50	237.7	53.9	22.6
<i>Total coins<sup>(2)</sup></i>	<i>583.6</i>	<i>188.0</i>	<i>32.2</i>
100	254.6	24.8	9.7
200	164.0	13.6	8.3
500	388.8	12.6	3.2
1,000	1,809.6	27.6	1.5
2,000	4,044.8	59.5	1.5
10,000	6,812.1	50.1	0.7
<i>Total banknotes<sup>(2)</sup></i>	<i>13,474.0</i>	<i>188.2</i>	<i>1.4</i>
<b>Overall total<sup>(2)</sup></b>	<b>14,057.6</b>	<b>376.2</b>	<b>2.7</b>

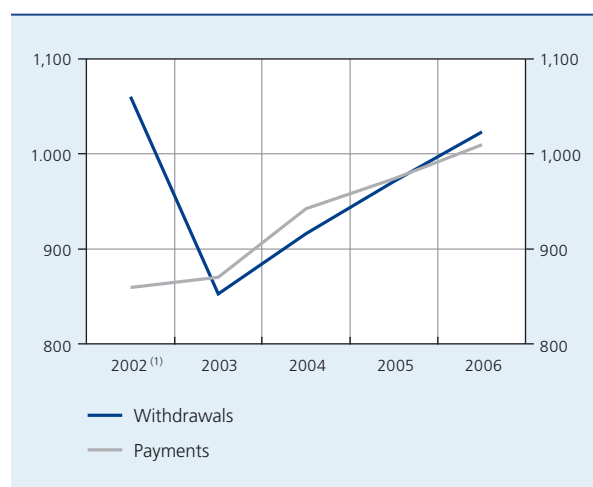
Source : NBB.

(1) Ceased to be legal tender on 1 March 2002.

(2) The total may differ from the sum of the items owing to rounding.

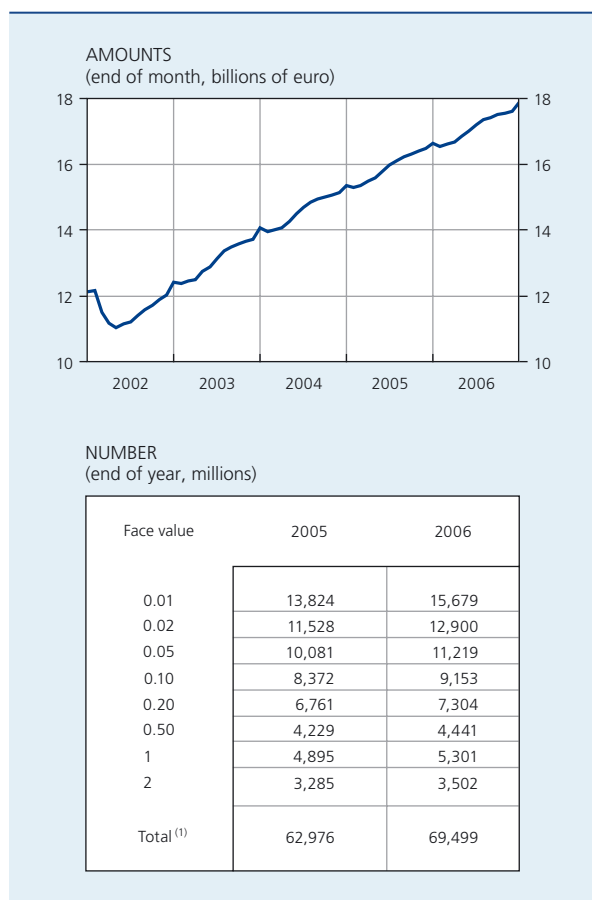
**CHART 2** BANKNOTE WITHDRAWALS AND PAYMENTS AT THE BANK

(millions of banknotes)



Source : NBB.

(1) In 2002, the amounts withdrawn comprised "front-loading" of 266 million banknotes.

**CHART 3** COINS IN CIRCULATION

Source : ECB.

(1) The total may differ from the sum of the items owing to rounding.

The number of coins in circulation increased by 10.4 p.c., from 63 billion at the end of 2005 to 69.5 billion at the end of 2006.

The value of coins placed in circulation in Belgium was up by 13 p.c. with an 11.5 p.c. increase in volume. Withdrawals and payments effected at the Bank concerned a total of almost 600 million coins.

As in the case of banknotes, transactions at the Bank's counters are governed by contracts with financial institutions. Only a basic service is available: coins can be withdrawn and paid in only in the form of standard cartridges containing coins of the same face value. As with banknotes, individuals and non-financial enterprises can exchange euro coins at the public counters<sup>(1)</sup>.

(1) The branch addresses and opening hours are shown in Annex 4.

### 3.1.3 Control of the quality of banknotes in circulation and prevention of counterfeiting

#### RECYCLING OF BANKNOTES BY THE COMMERCIAL BANKS

On 16 December 2004, the ECB Governing Council adopted a framework for the detection of counterfeits and the sorting of banknotes by quality by credit institutions and other professional cash handlers. They cannot return banknotes to circulation unless their authenticity and quality are duly verified. If the notes are returned to circulation by automatic cash dispensers, that verification must be carried out using processing machines tested by a Eurosystem central bank. Banknotes verified without the aid of machines can only be returned to circulation at the counter.

Implementation of the ECB framework has been left to the NCBs. Thus, the Bank incorporated the obligations incumbent on professionals in the contracts concluded with commercial banks for banknote withdrawals and payments at its counters.

Furthermore, the Royal Decree of 5 April 2006 implementing the law of 12 May 2004 on protection against counterfeiting requires banks and other professionals (such as cash transport firms) to carry out a series of detection measures. In particular, they must designate a single contact point and produce a memorandum stating their policy on the subject. In collaboration with the CBFA and the Belgian Royal Mint, the Bank ensures that these provisions are implemented.

#### RECYCLING OF BANKNOTES BY THE NATIONAL BANK

Although commercial banks are authorised to recycle banknotes under the conditions stated above, the NCBs of the euro area remain responsible for the quality of the banknotes in circulation: in 2006, they thus sorted over 31 billion banknotes. In Belgium, 1 billion notes were processed. Just over 180 million of them were considered unfit for returning to circulation and were destroyed.

During the year under review, 16,576 forgeries were discovered in Belgium, a decline of 26.5 p.c. against 2005 and 19.2 p.c. against 2001, the last full year in which banknotes denominated in francs were still legal tender. The 50 euro note is still the most commonly forged, followed by the 20 euro and 100 euro notes.

**TABLE 2** COUNTERFEIT BANKNOTES DISCOVERED IN BELGIUM

Denomination	Number		Percentages of the total	
	2005	2006	2005	2006
5 .....	115	103	0.5	0.6
10 .....	857	714	3.8	4.3
20 .....	2,288	2,622	10.2	15.8
50 .....	16,487	8,658	73.2	52.2
100 .....	1,301	2,490	5.8	15.0
200 .....	1,292	1,427	5.7	8.6
500 .....	198	562	0.9	3.4
<b>Total</b> .....	<b>22,538</b>	<b>16,576</b>	<b>100.0</b>	<b>100.0</b>

Source: BNB.

## 3.2 Book money

### 3.2.1 Large-value payments

The ELLIPS interbank system, the Belgian component of TARGET operated by the Bank, mainly handles large-value payments. In 2006, the daily average number of payments handled by ELLIPS increased by 3.5 p.c. to 11,315 payments. In value, these payments were up by 15.5 p.c., thus reaching a daily average of 138.7 billion euro.

The daily average number of payments effected by credit institutions based in Belgium declined by 0.5 p.c. in 2006 to 3,203 transactions. Their amount dropped to 13.7 billion euro per day, 4.5 p.c. down against 2005.

The daily average number of payments effected by ELLIPS with banks established abroad and participating in TARGET increased by 11.1 p.c. in the case of incoming payments, and declined by 1.6 p.c. for outgoing payments. The respective totals thus averaged 4,511 and 3,602 transactions per day. In value, the daily average of these payments increased by over 18.2 p.c. to 62.5 billion euro, for both incoming and outgoing payments.

Belgium is the fifth largest user of TARGET in value terms and the sixth largest in terms of the number of transactions.

In 2006, TARGET handled an average of 326,196 payments per day, totalling 2,092.3 billion euro. The daily average of national payments was 10.6 p.c. higher at

251,617 transactions. In value, the daily average of these payments increased by 8.5 p.c. to 1,367.7 billion euro. The daily average number of cross-border payments was up by 8.4 p.c., at 74,580 transactions. The daily average value of these payments increased by 13 p.c. to 724.6 billion euro.

More detailed statistical information may be found in the ELLIPS annual report, available on the website [www.paymentsystems.be](http://www.paymentsystems.be). The ECB's website ([www.ecb.int](http://www.ecb.int)) gives additional information on TARGET.

From November 2007, TARGET will be gradually replaced by TARGET2, a new system using a technical platform common to the participating central banks. The banks will join the system in successive waves of countries. Belgium, which is part of the second wave, is expected to allow its banks to join in February 2008.

During the year under review, the project made significant progress in regard to price structure, funding, legal and practical conditions of participation, and certification tests. A tool (TARGET2 Test Related Information System – T2TRIS) facilitating the exchange of information during the tests is now accessible on the internet.

The project is being conducted in close collaboration with the banking sector, at both European and national level. At Belgian level, a working group (TARGET2 User Group) comprising the Bank and other parties involved in this transition meets frequently to ensure a smooth transition to TARGET2.

### 3.2.2 Small-value payments

For the exchange and settlement of small-value payments (transfers, cheques, bank cards, domiciliations, etc.), credit institutions use a fully automated system operated by the Bank and managed by an interbank organisation, the Centre for Exchange and Clearing (CEC), a non-profit organisation. The Bank also operates a Clearing House which handles the physical exchange of the residual quantity of cheques of large amounts.

During the past year, the CEC handled an average of 3,879,597 payments per day, totalling 2,687 million euro. In 2006, the CEC thus handled 99.7 p.c. of the number of interbank payments, but that represented just 1.9 p.c. in terms of value. The average number of payments handled per day increased by 1.9 p.c., while the amounts were up by 6.2 p.c.

**TABLE 3** ACTIVITY OF TARGET AND OF THE BELGIAN INTERBANK PAYMENT SYSTEMS  
(daily averages)

	Number in thousands		Percentage change	Amounts in billions of euro		Percentage change
	2005	2006		2005	2006	
<b>TARGET</b>						
National payments . . . . .	227.5	251.6	10.6	1,261.0	1,367.7	8.5
Cross-border payments . . . . .	68.8	74.6	8.4	641.3	724.6	13.0
<b>ELLIPS</b>						
National payments . . . . .	3.2	3.2	-0.5	14.3	13.7	-4.5
Incoming payments <sup>(1)</sup> . . . . .	4.1	4.5	11.1	52.9	62.5	18.2
Outgoing payments <sup>(2)</sup> . . . . .	3.7	3.6	-1.6	52.9	62.5	18.2
<b>CEC</b> . . . . .	3,806.5	3,879.6	1.9	2.5	2.7	6.2
<b>Clearing house</b> . . . . .	2.3	2.0	-11.8	0.2	0.2	1.2

Sources: NBB and ECB.

(1) From other central banks participating in TARGET.

(2) To other central banks participating in TARGET.

Pending a European interbank solution, the CEC is preparing to handle transfers and automatic collection (domiciliations) in the new format associated with the SEPA project. The necessary modifications will be operational from 2008, in accordance with the project timetable.

The banks can now only use the Clearing House for exchanging cheques for large amounts. In 2006, the Clearing House handled 2,043 cheques per day, for a value of 197 million euro. This represents a decline of 11.8 p.c. in volume and an increase of 1.2 p.c. in value.

### Box 3 – Single Euro Payments Area

As part of the process launched in Lisbon in March 2000 to strengthen the competitiveness of the European economy, the banking sector undertook to create a Single Euro Payments Area, SEPA, in order to enable individuals, firms and public authorities to effect their payments anywhere in the European Union<sup>(1)</sup> just as easily as in their own country.

In February 2006, the ECB published a report spelling out the aims and timetable for the project<sup>(2)</sup>. The plan is that, from January 2008, consumers, firms and public authorities will be able to use, alongside their national model, a single European model for transfers and domiciliations, and that the technical barriers hampering cross-border acceptance of bank cards at EPOS terminals and cash dispensers will be eliminated. By the end of 2010, the great majority of cashless payments will be made by means of SEPA payment instruments. In order to achieve these aims, the banking sector set up the European Payments Council<sup>(3)</sup>, which is preparing the necessary interbank agreements.

(1) And in Iceland, Liechtenstein, Norway and Switzerland.

(2) Towards a Single Euro Payments Area, Objectives and Deadlines, ECB, February 2006.

(3) [www.europeanpaymentscouncil.eu](http://www.europeanpaymentscouncil.eu)



Otherwise, in so far as the starting situations vary, the transition is being organised mainly at national level, with the aid of the NCBs. In Belgium, interbank coordination is managed by Febelfin, in close collaboration with the Bank. The Belgian plan for the transition to SEPA has to be approved by the SEPA Forum. Chaired by the governor of the Bank and composed of representatives of Febelfin, the large banks, the Post Office and Banksys, this forum validates the decisions applicable to the banking sector as a whole. The aim is to ensure that the switch to SEPA takes place while safeguarding or even improving the high degree of efficiency achieved by current payment systems.

Finally, since the new payment instruments will ultimately be used by everyone (consumers, firms and public authorities), it is crucial that the project should be well received. The Bank therefore initiated the creation of a third pillar in the Steering Committee on the Future of Means of Payment, namely the working group on Implementation of SEPA payment instruments at every level in society. This group, chaired by the Bank, aims to make all sectors aware of the effects of SEPA, to inform them of the project's progress and to coordinate its implementation.

### 3.3 Securities and commercial bills

#### 3.3.1 Securities

The Royal Decree of 12 January 2006 designated the Bank and Euroclear Belgium (the former CIK, integrated into the Euroclear group in 2006) as entities for the settlement of dematerialised corporate bonds, referred to in section 485 of the Companies Code.

The Bank's system is also included on the list of eligible systems for monetary policy operations.

The nominal value of securities registered in accounts totalled 315.2 billion euro as at 31 December 2006, a rise of 4.9 p.c. against the previous year. Securities issued by the Belgian State account for 83 p.c. of that total.

Primary market activity expanded, since the gross nominal amount issued via the Bank's system came to 250.9 billion euro, compared to 231 billion in 2005. While State issues were down, those of other issuers increased. Growth was particularly strong in the case of long-term securities: issues currently exceed 12 billion euro.

On the secondary market, OLO transactions expanded strongly and the nominal amount handled was far in excess of the previous records. Similarly, transactions in Treasury certificates were up by more than 20 p.c. in terms of the nominal amounts handled.

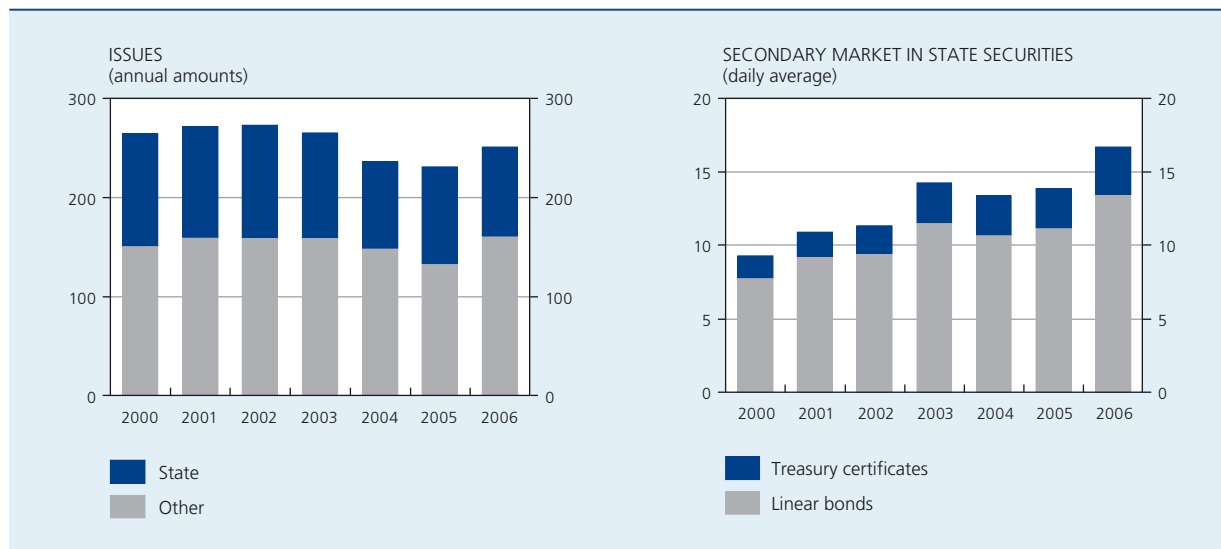
Since September 2006, participants have been able to monitor the progress of their instructions and their securities positions more or less in real time. Hardly any investment is necessary for consulting this information, since it is obtained via the internet. Called WIROW, the application concerned forms part of the Bank's Financial Markets Department portal; it also supplies information on current account transactions and balances, and on securities pledged or reserved in connection with monetary policy.

In February, there was a meeting with the main banks acting as domicile bank for issuers not participating in the system. A presentation was given on the system procedures and the amendments to legislation relating to Belgian securities. There was also a fruitful discussion on ways of improving the system's efficiency.

Like the ECB and other central banks, the Bank is taking part in the STEP (Short Term European Paper) project, launched by an association of intermediaries active on the market in short-term issues, in order to foster the integration of European markets in short-term securities. The intention is to grant a label to issuance programmes meeting a set of criteria specified in a market convention. The Bank will check compliance with the conditions for granting this label in respect of issues placed via its settlement system. At a later stage, it will supply the ECB with statistics on these issues. The ECB will aggregate the Member States' data and publish them on its website.



**CHART 4** ACTIVITIES OF THE SECURITIES SETTLEMENT SYSTEM  
(billions of euro)



Source : NBB.

## Box 4 – Securities processing

Equities and bonds are sold via a financial intermediary – a credit institution or investment firm – which handles the trading on the financial markets (stock markets or electronic trading systems).

Purchases and sales can then undergo clearing: the net position of each party is calculated per counterparty and per security. This operation takes place in a clearing house, which often also acts as the central counterparty and guarantees the successful completion of the transactions. The leading European clearing group is LCH.Clearnet, a company created by merging the London Clearing House with that of the Paris Stock Exchange (Clearnet).

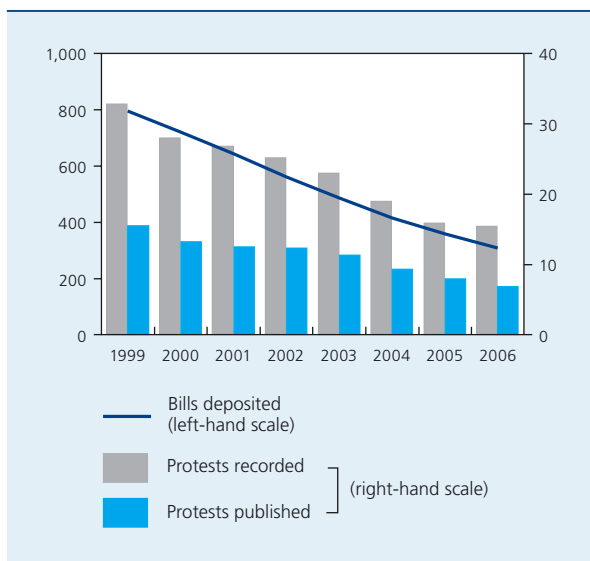
Finally, in the last stage of the process, the actual transfer of the securities and cash is effected as a book entry in the securities accounts and cash accounts. This operation is carried out by a delivery versus payment system called a central securities depository (CSD) or securities settlement system (SSS). This system effects the account transfers, arranging for the securities to be delivered simultaneously with the payment (delivery versus payment). It therefore plays a vital role, since it is at this stage that the ownership is transferred. These systems deal only with financial intermediaries; they are therefore not in direct contact with individuals. Euroclear and Clearstream are the only two delivery versus payment systems on a global scale. The first was set up in Brussels by an American bank while the second, based in Luxembourg, was formed by merging the German stock market operator and the Luxembourg company Cedel (Central Securities Delivery System).

Each country has at least one national delivery versus payment system. Two entities perform that function in Belgium: Euroclear Belgium – the former CIK – and the Bank. The system managed by the Bank was created specifically for dematerialised government securities, but the scope of its activities was later extended to other types of issuers and securities.

### 3.3.2 Commercial bills

Commercial bills domiciled with credit institutions represented in the Clearing House are handled centrally by the Bank, which retains them and presents them for collection by an automated process on behalf of the creditors.

**CHART 5** ACTIVITIES OF THE CENTRALISED PROCESSING OF COMMERCIAL BILLS SYSTEM  
(thousands)



Source : NBB.

The number of commercial bills handled by the system for the Centralised Processing of Commercial Bills has continued to decline, falling from 357,736 units in 2005 to 307,906 in 2006, a reduction of around 14 p.c.

A new agreement between the Bank and the credit institutions, governing the system's operating procedures, was signed during the year. That agreement will enter into force in September 2007; it can be renewed annually up to 2011.

In connection with the future Single Euro Payments Area (SEPA), the Bank is examining in collaboration with the credit institutions the arrangements for dismantling the Centralised Processing of Commercial Bills system, as commercial bills will not be included in the range of SEPA payment instruments.

In addition to presenting bills for payment, and in accordance with the law which confers on it the role of central depositary of documents of protest, the Bank also takes on the administrative work of preparing protests in cases of payment default. In 2006, over 4 p.c. of the bills presented for payment remained unpaid; thus, 15,405 protests were formally drawn up by the bailiffs. Of these, over half were paid before the publication date, thus avoiding publication.

# 4.

Apart from its role in monetary policy, banknote issuance and financial stability, in particular, functions which are at the heart of modern central banks, the Bank performs other services for the community. These functions, which are influenced by national characteristics, are highly developed in Belgium and represent a substantial proportion of the Bank's activities.

The Bank collects and analyses the majority of the country's economic and financial statistics. It also manages the Central Balance Sheet Office, where all companies file their annual accounts, and two central credit registers, the Central Corporate Credit Register and the Central Individual Credit Register. Most of these tasks were entrusted to it by the legislator. On the basis of the information and data thus at its disposal, the Bank conducts a series of surveys on the economy and on certain sectors of activity.

## 4.1 Macroeconomic aspects

### 4.1.1 Research and analysis

The Bank's expertise is requested by national and international official bodies on economic and financial questions extending far beyond its own area of specialisation: the examination of monetary policy transmission mechanisms in Belgium and in the euro area (cf. point 1.3.1).

The Belgian public authorities gave the Bank a leading role in the High Council of Finance, particularly in the Study Group on Ageing and in the Public Sector Borrowing Requirement section. Pursuant to decrees passed by the King on 5 August 2006, these bodies are chaired by the governor and the vice-governor respectively. The first examines the impact of ageing on the Belgian economy, and particularly on public finances, while the second issues opinions and recommendations on the short- and long-term fiscal policy stance of the federal government and the governments of the other entities. Under the said provisions, one of the Bank's directors is a member of the Study Group on Ageing and three directors are members of the Public Sector Borrowing Requirement section.

One member of the Bank's board of directors was reappointed as vice-chairman of the High Council of Employment in 2006. The recommendations of that advisory body on employment policy constitute a benchmark for the authorities and the social partners.

The Bank also contributes to various working groups, including those of the Central Economic Council and the National Accounts Institute. At the request of the Minister for Economic Affairs and Energy, it was given the task of organising a working group on the economic aspects of the preliminary report of the Energy 2030 Commission.

In April, the Minister for Economic Affairs and Energy asked the Bank to submit an opinion on a draft amendment to the Royal Decree of 4 August 1992 on consumer credit costs, rates, duration and repayment terms. That amendment was promulgated on 19 October 2006.

As well as maintaining close contact with the economic and financial world, the Bank makes its expertise available in the service of the community, in its relations with international institutions – such as the OECD, the IMF, the EU and the BIS – in the course of consultations or meetings of their committees and working groups.

Thus, it assisted the Belgian government in a series of examinations conducted by the OECD with a view to publication of the biennial study of the Belgian economy, which was published in March 2007. It also took part in that organisation's discussions on the economic outlook and various international economic and monetary questions. As every year, it assisted the IMF at the time of the annual consultation conducted in Belgium under Article IV of the Fund's Statutes. The conclusions of that exercise were published on 15 November 2006.

In regard to the EU, the Bank's participation in the Economic and Financial Committee and the Economic Policy Committee gives it a say in the discussion of important European macroeconomic questions. These two committees prepare analyses and formulate advice for the Ecofin Council and the Eurogroup. In addition, the Bank contributes to the working groups which the EU's Economic Policy Committee has set up to study the output gap, the labour market, public finances, and the progress of the structural reforms.

Furthermore, its macroeconomic expertise is sought by the BIS, particularly in the Working Group on Domestic Monetary Policy and at the time of the spring and autumn meetings of central bank economists. In 2006, the Bank's contributions at those meetings concerned wage moderation and the links between excess liquidity and asset price booms. Via the work of the Irving Fisher Committee, it took part in compiling the report on inflation measurement.

In order to perform its various economic and financial tasks effectively, the Bank has to monitor developments in macroeconomic research. Its training and recruitment policy contributes towards that aim. Close cooperation with the universities is also vital. In this context, there have been numerous initiatives since the Bank joined the Eurosystem. Thus, every two years the Bank organises a research programme with the main Belgian universities, followed by an international scientific symposium to present the results. It sets up macroeconomic seminars with various universities, directs internship programmes and calls on academic experts to manage certain research projects.

On 12 and 13 October 2006, the Bank staged an international scientific conference on *Price and wage rigidities in an open economy*. That conference was successful both in terms of the size of the international audience which attended and the quality of the papers presented, particularly those which represented the culmination of the research programme launched two years earlier by the Bank in association with the academic world. In particular, that programme led to significant progress in the design of dynamic stochastic general equilibrium models (cf. point 1.3.1), the analysis of pricing mechanisms in Belgium and in the euro area, and the understanding of wage differentiation in Belgium between industrial sectors, notably in terms of their relative profitability. Some of this research is of direct interest for the work to be done by the Bank in the Wage Dynamics Network which has just been set up by the Eurosystem (cf. point 1.3.1). The conference contributions were published in the Bank's Working Papers. A new research programme will

be launched at the beginning of 2007 and will form the subject of an international scientific conference in 2008. At the beginning of 2007, the Bank launched a new research programme on the topic: *Towards an integrated Macro-Finance Model for Monetary Policy Analysis*, the results of which will be presented at the international scientific conference scheduled for 23 and 24 October 2008.

At the same time, in collaboration with several Belgian universities – KU Leuven, UCL and ULB – the Bank has continued to organise specialist seminars on monetary and macroeconomic questions. Launched in 2003, this initiative aims to stimulate economic research in these areas, both at the Bank and in Belgian universities, attracting internationally renowned speakers. Their expertise is also used for the management of the research projects in the said universities or at the Bank. Three seminars were held in 2006.

For the third year running, the Bank organised an internship programme for young Belgian researchers wishing to build up their knowledge of macroeconomic, monetary and financial questions: once again, four projects were selected for this programme. A number of internships funded in previous years led to the publication of articles in the Working Papers series in 2006.

This desire to stimulate macroeconomic research and analysis is accompanied by an active publication policy. In that regard, the Bank launched the Research and Document series of Working Papers in 2000. Shortly afterwards, the editorial policy of the Economic Review was modified: the review is now also published in English and the articles are signed. Since 1999, the Annual Report has been issued in two parts, so that one part could be devoted exclusively to economic and financial developments in Belgium and throughout the world, thus providing even better, more detailed information. In 2004, with the ECB, the BIS and the other central banks of the G10 member countries, the Bank was involved in the launch of a new scientific publication devoted to the theoretical and practical activities of central banks, the International Journal of Central Banking. For a number of years now, it has also published Belgian Prime News, in collaboration with FPS Finance and a number of primary dealers. Finally, it encourages its researchers to present their work at national and international conferences, and to publish it in leading journals.

During the year under review, the Bank's greater openness to economic research was reflected in a change to its recruitment policy. In order to gain the benefit of high level expertise in the priority subjects, a number of

permanent posts have now been converted to temporary posts with a maximum term of two years. This change allows the research teams to become more international. In the next two years, these appointments should produce progress on the subject of wage dynamics and the impact of foreign direct investment on the Belgian economy.

The Economic Review provides information on economic, financial and monetary developments. Apart from the articles already mentioned, concerning the activities of the Eurosystem, the Review addressed a series of topics specific to Belgium in 2006: the new consumer price index and the first ten years of the harmonised index; the costs, advantages and disadvantages of the various means of payment; the role of equities in corporate finance; the financial situation of non-financial corporations; working times and working arrangements; the social balance sheet of firms, and the redistributive character of taxes and social contributions. Various international questions were also mentioned: the broad trends in the EU budget and the monetary policy implications of globalisation.

The Working Papers are intended for a more specialist readership than the Economic Review, with a greater interest in economic research. Apart from the eight Working Papers on financial stability and microeconomic information, twenty-one issues were published in 2006: twelve of them contained the papers presented at the international scientific conference on 12 and 13 October, and nine presented the results of the Research Department's macroeconomic studies. These included contributions to the Inflation Persistence Network (cf. point 1.3.1) and studies relating to research into cyclical indicators useful for forecasting growth, budget sustainability, and the impact of the straight-line reductions in employers' social security contributions and of various alternative funding methods.

During the year under review, the Bank also conducted research published by other institutions at conferences organised by them or in their scientific journals. This work concerned public finances, inflation measurement, the labour market and the history of the Bank, European monetary integration and international monetary cooperation.

#### 4.1.2 Statistics

##### NATIONAL ACCOUNTS AND BUSINESS SURVEYS

The volume estimates were significantly improved, bringing them more into line with international standards. This revision concerned three elements:

- changes to the methodology used for the estimates in education. Previously, the volume of education services produced was estimated as the sum of the deflated costs; according to the new methodology, output is estimated using a direct volume indicator (number of pupil-hours per type of education and per region);
- a detailed quality check which, in certain cases, entailed adjustments to the series on output, intermediate consumption and value added at 2000 prices;
- conversion of series expressed in prices of a fixed base year into series expressed in the previous year's prices.

Absent since 2004 on account of database problems, the statistics on the volume of labour (number of hours worked by employees) were reincorporated in the annual national accounts.

The sample of firms taking part in the business surveys was enlarged in the Brussels region; as a result, it will be possible to produce a business barometer for the capital comparable to those already available for the Flemish and Walloon regions.

### Box 5 – Central Server for Statistical Reporting

The Central Server for Statistical Reporting – or CSSR – is an IT tool developed by the Bank which facilitates the transmission and receipt of statistical information via the internet. This application, made available to both financial and non-financial enterprises, offers the highest standards of security while remaining easy to use.

The CSSR is already in use for the majority of the statistical topics requiring the collection of data from declarants. Thus, it is used to collect the necessary information for compiling the balance of payments and, since 1 October, for the Intrastat foreign trade declarations. It is also the channel for the coordinated collection of prudential and statistical information.

## FOREIGN TRADE

The part of the foreign trade statistics concerning intra-Community movements of goods is based on the Intrastat declarations which Belgian firms have to submit to the Bank once the annual amount of their imports or exports of goods exceeds a certain threshold.

The 2005 European legislation significantly reduced the number of Intrastat declarations while maintaining the quality of the foreign trade statistics. In January 2006, the coverage rate having been cut from 99 p.c. to 97 p.c. of the total value of intra-EU trade, the Belgian declaration thresholds were raised from 250,000 euros to 1,000,000 euros for exports and from 250,000 to 400,000 euros for imports. Seven thousand additional firms thus became exempt from submitting declarations in Belgium.

Since 1 October 2006, the foreign trade statistics have been collected via the CSSR (Central Server for Statistical Reporting), promoting electronic declaration. Since 1 January 2007, this transmission method has become compulsory for declarations of more than fifteen lines, and during 2007 the electronic transmission of Extrastat customs data via the PLDA system (Paperless Douane et Accises) will begin.

The Bank also took part in the Eurostat working groups. In 2007, the main project concerned simplification of the Intrastat system. Several ways of continuing to ease the administrative burden on firms were examined, including increasing the declaration thresholds and introducing a Single Flow system, whereby firms need only declare a single flow of goods. That flow (dispatches or arrivals) is yet to be determined at European level.

## BALANCE OF PAYMENTS

A new system for collecting the source data needed to compile the balance of payments and other related statistics<sup>(1)</sup> has been implemented.

Collection is modulated according to the type of declarant or the field of activity. The data are collected direct from the economic agents, in some cases by sampling and in totally dematerialised form using the CSSR.

To ease the transition, the old collection system based on a census of payments through credit institutions was maintained in simplified form in 2006.

The new collection system also led to development of a new application for the production of the final statistics.

In regard to the statistics to be produced and the methodological framework, the European system was modified by the establishment of a more detailed breakdown of the balance of payments components to improve consistency with the account for the rest of the world.

Since 2006, the global external position has been allocated geographically. Furthermore, an additional sectoral breakdown was introduced for both the global external position and the balance of payments. The Bank also took part in an ad hoc exercise conducted by the ESCB to assess the possibility of using sources other than payments (in this case, customs data) to measure the share of the euro as an invoicing currency.

Finally, the work of revising the IMF Balance of Payments Manual and the OECD Benchmark Definition of Foreign Direct Investment continued, with the Bank playing a particularly active part in the latter case.

## COORDINATION OF STATISTICAL AND PRUDENTIAL INFORMATION

The CBFA and the Bank consult one another regularly to coordinate as far as possible the forms which companies in the financial sector have to submit to the statistical and prudential authorities. The aim is to minimise the administrative burden associated with the declarations, and to harmonise the concepts and definitions.

These efforts have resulted in standardisation of a large part of the forms which credit institutions, insurance companies and occupational pension providers have to complete, while taking account of the requirements of the authorities concerned. Each authority thus receives all the information it requires for the proper performance of its tasks, and only that information.

## CIRCULATION

The Bank publishes the following statistics:

- weekly: indicators relating to the Belgian economy; new tables and charts were added to this publication, to increase the synergy with Belgostat;
- monthly: press releases on the findings of the business surveys;
- quarterly: a statistical bulletin in which some of the tables are updated monthly;

(1) I.e. the global external position, international trade in services and foreign direct investment, including the statistics on the activities of foreign subsidiaries.

- at various intervals: (on behalf of the NAI) the national and regional foreign trade statistics and the national and regional accounts.

The Bank also responds as promptly as possible to requests for particular statistical data submitted (usually by universities) via its *Datashop*.

All the Bank's publications can be consulted on its website, which was revamped in 2006. This website, which offers facilities for taking out subscriptions in electronic form or on paper, gives access to Belgostat, a statistical database offering multiple functionalities, regularly adjusted in line with new technologies and users' requirements. Thus, new software (Beyond 20/20) made available to the public offers a multidimensional presentation of the foreign trade statistics and the uses-resources tables of the national accounts. In addition, the main page for access to the statistics has been rearranged to group together the various products and timetables. Belgostat contains a wide range of economic and financial statistics updated several times a day.

## 4.2 Microeconomic aspects

### 4.2.1 Central Balance Sheet Office

The majority of Belgian companies whose liability is limited to the contribution of the shareholders or partners are required to publish their annual accounts each year; if appropriate, they must also publish consolidated annual accounts. A functional unit of the Bank, the Central Balance Sheet Office, is responsible for making sure that this information is collected, processed and made available to the public as stipulated by law. From the 2006 financial year, large and very large non-profit associations and private foundations must also file their annual accounts with the Central Balance Sheet Office.

The number of sets of accounts filed was slightly higher than in 2005: 323,761 sets of annual accounts were filed in 2006, compared to 317,454 in 2005. As the period during which no extra charge is imposed for late submission was reduced from nine months to eight in 2006, the number of submissions recorded in the first eight months of this year was 25 p.c. higher than in the same period in 2005. The law of 27 December 2005, which passes on to the companies which are late in filing their annual accounts the costs incurred by the federal authorities in tracing and monitoring companies in difficulty, has therefore definitely speeded up the circulation of information.

Since May 2005, annual accounts drawn up according to a standard model (full or abbreviated format) can be submitted electronically via the Bank's internet application. Its functionalities were further extended in 2006, to make it more user-friendly:

- To guarantee data security and integrity, access to the internet filing application is subject to the use of a digital certificate or electronic signature. Since March 2006, the person filing the accounts has been able to use the authentication certificate which appears on the electronic identity card held by over four million Belgians. At the end of 2006, 12 p.c. of persons filing accounts via the internet made use of that certificate.
- Acceptance of a set of annual accounts filed via the internet is subject to payment of the filing charge. Since June 2006, it has been possible to pay not only by bank or credit card, but also by transfer. By the end of 2006, one-third of internet submissions were paid for in that way.

The number of subscriptions for consultation of the images of the annual accounts via the internet declined slightly in 2006 and totalled 1,700. That fall is due to the other applications offered by the private sector and certain professional institutes, using the images of the annual accounts which the Central Balance Sheet Office circulates by CD-ROM in accordance with the law. Conversely, the number of on-line consultations increased by 5 p.c., demonstrating the users' interest in this service.

In October 2006, the Central Balance Sheet Office launched a massive publicity campaign to inform both professionals and the general public about the changes to be made in the submission procedure from April 2007:

- Pursuant to the First EU Company Law Directive, amended in July 2003, electronic filing will become the standard procedure and submission on paper will be the exception. To encourage this change and give companies the benefit of the improved submission procedure, the charges for filing accounts via the internet will be reduced. Since filing on disk is not regarded as "electronic filing", that medium – which is rapidly becoming obsolete – will no longer be accepted.
- Annual accounts drawn up according to the full or abbreviated format and submitted via the internet as a structured file will have to adopt the XBRL standard format.
- Consolidated annual accounts and those which are not drawn up in accordance with the standard format can be filed in PDF format in accordance with the First EU Directive.

Finally, the images of the annual accounts for the past five years and the current year will soon be available on line free of charge. The Central Balance Sheet Office is examining the possibility of making the “company profile” available on the internet; this profile compares the financial situation of the company with that of its sector of activity over a number of years.

#### 4.2.2 Central Corporate Credit Register

The Central Corporate Credit Register records, by beneficiary (resident and non-resident natural and legal persons), credit facilities of 25,000 euro or more granted for business purposes by credit institutions, and supplier credit and guarantees granted by insurance undertakings with approval for these activities. For the participants, this information is important for the assessment of their credit risk.

At the end of December 2006, this central register had recorded 334,913 credit beneficiaries (of whom 3.1 p.c. were non-resident) and 733,188 loans or credit lines. Chart 6 shows the movement since 1999 in the credit lines opened by credit institutions for residents, and the amounts used. On 31 December 2006, the total amount of credit facilities opened stood at 248 billion euro, against 228.9 billion euro at the end of the preceding year, an increase of 8.3 p.c.

As part of the cooperation between seven central credit registers in the EU (Austria, Belgium, France, Germany Italy, Portugal and Spain), the Bank also recorded data on the foreign debts of 1,128 Belgian companies totalling 18.2 billion euro at the end of September 2006.

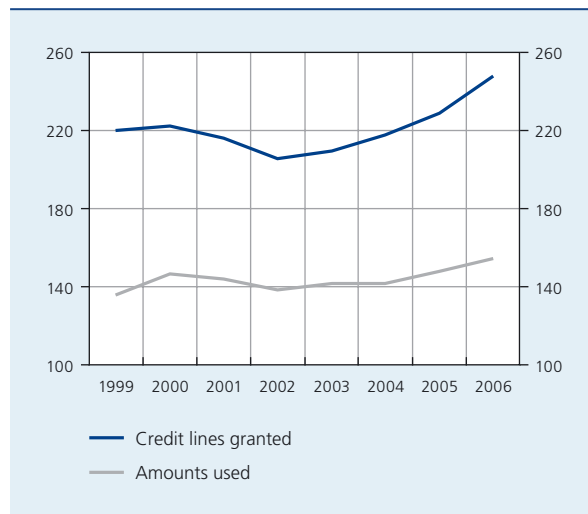
A Central Register renovation project was presented to the participants during the year under review. It is to be adopted in 2007.

#### 4.2.3 Central Individual Credit Register

Created as part of the policy for the prevention of excessive debt, the Central Individual Credit Register records consumer credit and mortgage loan contracts concluded by individuals for private purposes. Since 2003, it has recorded all current contracts, regardless of whether they give rise to arrears of payment. Lenders must consult the register before granting credit; this gives them a fuller picture of the financial liabilities and solvency of their potential customers.

(1) Including those settled during the year.

**CHART 6** CREDIT LINES GRANTED TO RESIDENTS BY CREDIT INSTITUTIONS AND AMOUNTS OF CREDIT USED  
(end of period, billions of euro)



Source : NBB.

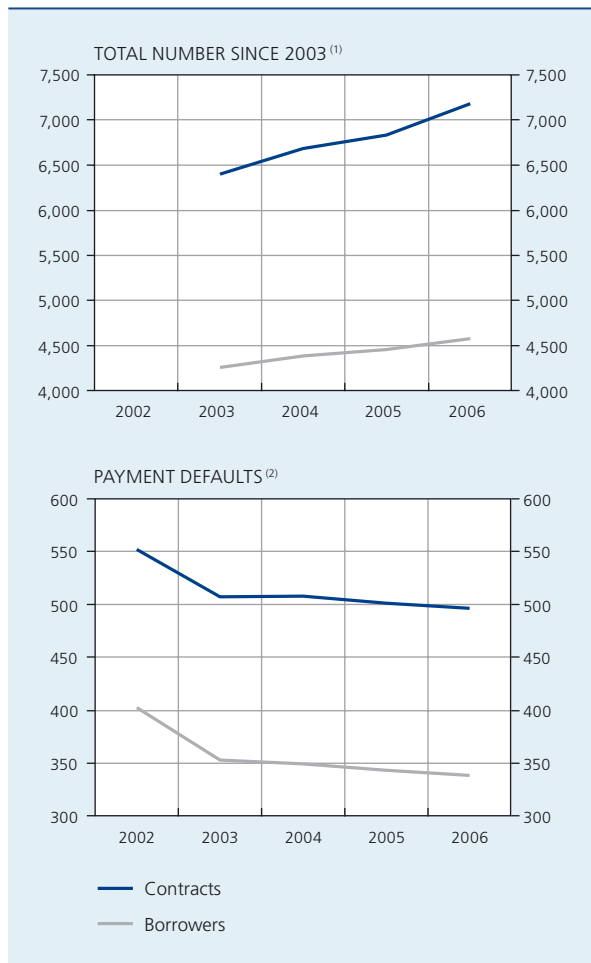
While the number of loans and borrowers recorded is increasing, the number of commitments not honoured and the number of persons defaulting on their payments is declining. At the end of 2006, the Central Register recorded 7.2 million credit contracts (+5.1 p.c. against 2005) concluded by 4.6 million persons (+2.7 p.c.), i.e. 55 p.c. of the adult population. Since 2003 there has been a decline in the number of unresolved instances of default and the number of defaulting borrowers. The numbers continued to fall in 2006, dropping to 492,177 contracts<sup>(1)</sup> and 337,755 persons (-1.8 p.c. and -1.5 p.c. respectively compared to 2005). The “positive” Central Register therefore appears to be making a real contribution to the prevention of excessive debt.

In 2006, lenders consulted the records on 9.7 million occasions. This was 6.6 p.c. more than in 2005, due entirely to the increase in the number of group consultations effected for the purpose of managing existing loans. At 7.3 million, the number of individual consultations prompted by a new loan application remained relatively stable. In 7.9 p.c. of cases, the checks concerned persons recorded for at least one instance of payment arrears.

At the end of the year under review, the database of non-regulated registrations recorded 106,143 defaulting borrowers and 112,125 payment defaults. This database records individuals’ arrears of payment in the case of current accounts, cards, and consumer credit or mortgage loan contracts not covered by the law on the Central Register.



**CHART 7** ACTIVITIES OF THE CENTRAL INDIVIDUAL CREDIT REGISTER  
(thousands of borrowers or contracts)



Source : NBB.

(1) In 2002, the Central Register recorded only payment defaults.

(2) Including those settled during the year.

In line with the trend of the past four years, the number of persons requesting access to their personal data increased in 2006, reaching 117,450. In view of this constant rise, the Bank is taking steps to ensure that, by the end of 2007, borrowers can also access the personal data concerning them via the internet, by using their electronic identity card.

A statistical brochure with details of the Central Individual Credit Register data as at 31 December 2006 is available on the Bank's website. <sup>(1)</sup>

#### 4.2.4 Microeconomic analysis

The Bank's microeconomic research has enabled it to contribute towards the assessment of the economic importance of certain branches of activity. In 2006, that information concerned the liberalisation of the electricity sector, consumer credit, the research and development efforts of the pharmaceutical sector and the value added created by port activities. The information was published in the Energy Review, the Economic Review and the Working Papers series respectively.

As every year, the Bank also analysed developments concerning non-financial enterprises on the basis of the annual accounts, and examined the situation of the Flemish maritime ports and the Autonomous Port of Liège. In the case of these ports, a "flash estimate" is now produced for a series of key variables.

(1) Cf. *Central Credit Register – Credits to individuals – Statistics*.

In the process of European integration, monetary functions have been transferred to the authority of the Eurosystem, and central banks have become more independent. In this context, the Bank is more conscious than ever of its duty to keep the public informed of its actions and decisions.

The process of European integration has not destroyed all the links which the Bank maintained with the government in the days when monetary functions (monetary policy and the issuance of notes and coins) were closely connected with national policies. Thus, it still acts as State Cashier and is still in charge of the routine management of the Securities Regulation Fund. In addition, it contributes towards monitoring the financial embargos applied at international level and participates in technical assistance missions in its own specialist area.

## 5.1 Information

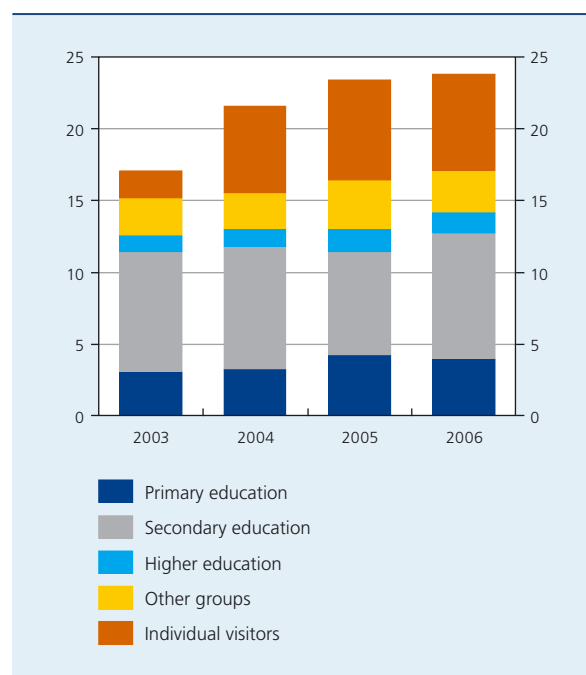
The desire to explain its main tasks to various audiences determines the choice of communication tools used by the Bank. Thus, a campaign to inform business leaders and the general public is being prepared. A film will soon be made available to schools, and a new brochure will be published in response to more general needs.

Relations with the press are one of the priorities of the Bank's communication policy. In 2006, no fewer than eight press conferences were held to present important publications such as the Annual Report, the Financial Stability Review, and the economic projections for Belgium. There were around thirty interviews with the governor and other members of the Board of Directors. There is contact dozens of times a day with the press and the general public, by telephone or by mail.

Secondary schools and families are the target public for the Bank's museum, which welcomed almost 24,000 visitors in 2006. The museum is maintaining and diversifying its attractions by joining the Brussels Museum Council network and taking an active part in major events in the life of the museums and Belgian cultural activities in general (Springtime at the museums, "Amusée vous" project launched to accompany music festivals, "Tom and Charlotte" programme for children, etc.). A new guide for teachers was published in 2006, and new facilities have been set up.

The Bank's Business Recovery Plan incorporates a number of elements concerning communication; the tests conducted on the subject in 2006 permitted assessment

**CHART 8** VISITORS TO THE BANK'S MUSEUM  
(thousands)



Source : NBB.

of the operation of the existing crisis website and call centres.

The Eurosystem central banks' communication policy now comprises significant elements in common: the ECB and the Bank were both represented at the European Parliament's open days in Brussels, and the Bank took part in the activities of the Eurosystem's working group on communication concerning banknotes. In 2006, that group held joint meetings with the task force responsible for the euro publicity campaigns in the new EU Member States. The prospect of introduction of the euro in Slovenia was the occasion for updating the information material on banknotes and coins, while a new range of products was developed. A quality survey on the subject led to the development of a new common vocabulary for describing the security features, and creation of a special style for effective communication regarding banknotes. There was also an exchange of information on the publicity campaigns planned by the new Member States on the introduction of the euro. Finally, a new task force is devising a communication policy designed to strengthen the sense of belonging among staff of the institutions concerned in the network of central banks making up the Eurosystem.

## 5.2 Scientific library

The Bank has one of the best-stocked libraries in the country in terms of economic and financial material. It contains the latest Belgian and foreign publications, plus extensive electronic databases. The library has reference works covering a broad spectrum of economic analysis and research, relating both to the recent past and to earlier times. A team of information officers assists visitors in their search for documentation. The library also provides the public with access to part of the CBFA's collection. It participates in the Belgian network of university libraries, and particularly in its loan system. Its catalogue is available for consultation on the Bank's website.

## 5.3 State Cashier

In 2006, in collaboration with FPS Finance and the Court of Audit of Belgium, the procedure for monitoring matured securities and coupons was revised in order to enhance its efficiency. Securities are now systematically scanned and FPS Finance conducts a monthly check.

In December 2006, the Bank's Securities Settlement System took charge of managing the issue of the first dematerialised State bond. For this new type of State

bond, the Bank continues to provide the services relating to registration in the Public Debt Ledger for customers who so request.

In preparation for the dematerialisation of bearer securities, the Bank is currently participating in various working groups set up by the Demat task force (co-chaired by Febelfin and the FEB). The dematerialisation of bearer securities will modify the procedure for processing government bonds and lottery loans, and the method of looking after the securities for the Caisse des Dépôts et Consignations.

## 5.4 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 continued to decline, falling from 200.3 million euro in 2005 to 181.5 million euro in 2006. Negotiations concerning the inclusion of government bonds in the continuous market are currently in progress between Euronext, the Securities Regulation Fund and the liquidity providers, namely the companies Van der Moolen and Binck, which have already been stimulating the continuous market since the beginning of April 2005.

The Securities Regulation Fund is also one of the two Belgian market organisers. In that capacity, it draws up the market rules applicable to the off-exchange market in linear bonds, split securities and Treasury certificates, and supervises compliance with the rules. In addition, it ensures market transparency by publishing reference prices and rates, and the actual market volumes. Finally, on behalf of the CBFA which carries ultimate responsibility, it supervises compliance with the rules on public order and the reporting rules relating to transactions effected on the market. The CBFA monitors the way in which the Securities Regulation Fund performs its tasks as the market organiser.

This supervision structure is to be reorganised to some extent on account of the implementation of the MiFID Directive, scheduled for entry into force on 1 November 2007.

## 5.5 Financial embargoes

As it has done for a number of years now, the Bank provided the Treasury with legal advice to assist it in its activity of monitoring the implementation of financial embargoes: freezing of funds, other financial assets or economic resources of individuals or legal entities mentioned by the relevant legislation.

Within the framework of the United Nations and the EU, such embargos were applied to the Taliban of Afghanistan, the Al-Qaeda network and other terrorist organisations, and to certain nationals of Burma/Myanmar, the Democratic Republic of Congo, the Ivory Coast, Iraq, Lebanon, Liberia, Montenegro, Serbia, Somalia, Sudan, Syria and Zimbabwe.

## 5.6 Technical assistance

Though its long-term commitment is not in doubt, the Bank was less active in providing technical assistance for the Banque Centrale du Congo in 2006, as a series of training sessions planned at Kinshasa were postponed to 2007 pending the elections in 2006.

With the support of the federal authorities, the Bank launched a training programme for printers at the Banque Centrale du Congo, due to end in June 2007, while proceeding with the printing of the 10,000 CDF and 20,000 CDF banknotes. Those notes will not be delivered until the IMF has given its opinion, and subject to the approval of FPS Foreign Affairs, Foreign Trade and Development Cooperation. The Bank is ready to help the Banque Centrale du Congo to organise the circulation of the new denominations and to launch the necessary advertising campaign.



The Bank pays close attention to the management of its human resources, the quality and efficiency of the services which it offers, and its cost control. Thus, it has adopted a medium-term plan for the renovation and rationalisation of facilities at its headquarters.

## 6.1 Strategic guidelines

Since 2005, each department has had a master plan comprising a series of objectives and action plans for the period 2005-2009. These plans place the emphasis on increasing the specialisation of the ESCB's activities, improving the services provided and controlling the costs.

During 2006, the Bank reinforced its applications for international position by concluding agreements with other Eurosystem central banks on the shared use of its application for banknote processing (CASH SSP) and management of collateral for monetary operations (ECMS: Euro Collateral Management System). These services will come into use in 2007. Contact was also established in regard to the collection of statistical data.

The year 2005 had seen the introduction of a new IT management system, called IT Governance. In 2006, a system based on the same principles was introduced for real estate projects. Known as ET Governance, it uses a combination of economic and technical criteria to determine the extent to which each real estate project meets the Bank's needs and fits into its strategy. The system makes it possible to optimise human, technical and financial resources while maximising value added. In this connection, a consultation body has been set up, covering all the departments concerned.

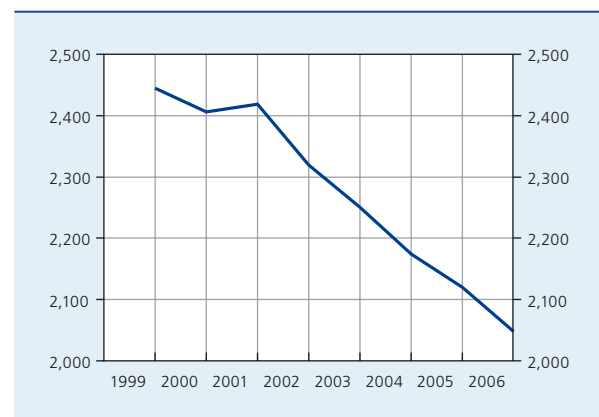
IT Governance and ET Governance were used to draw up the 2007 budget.

## 6.2 Human resources

As at 31 December 2006, the Bank employed 2,048 people in terms of full-time equivalents, of whom 355 were managerial and supervisory staff and 1,693 clerical staff. The workforce declined by 72 units compared to the previous year. Most of the reductions concerned clerical staff. However, the Bank had to resort to the labour market to fill a number of posts. Thus, in 2006 it took on five university graduates.

Women account for 37 p.c. of the workforce. Over half of them work part-time, as do 36 p.c. of the workforce as a whole. The Bank aims to offer its staff the opportunity to harmonise their work with their private life.

**CHART 9** PERMANENT STAFF  
(end of period, full-time equivalents)



Source : NBB.

Under the master plans, the workforce will continue to decline in the years ahead. Natural wastage will be sufficient to meet the target.

In the face of the new challenges entailed in the changing staff requirements, the Human Resources department undertook a review which led to an action plan designed to augment its efficiency.

On 30 March, a new collective labour agreement was signed for the period 2005-2006 in the public credit institutions sector, of which the Bank forms part. It contains provisions on job security, older workers, time credit and training. In regard to labour negotiations, the Bank is guided by the desire to maintain competitive working conditions in a changing legal and social context. Thus, it conducted negotiations with workers' representatives concerning the conditions on which staff can retire from the Bank. A new pension plan is being drawn up to ensure total conformity with the law on supplementary pensions and the law against discrimination, which prohibits any differential treatment, including on grounds of age.

In the years ahead, the Bank intends to continue modernising the assessment and promotion systems applicable to managerial, supervisory and clerical staff. Negotiations are now in progress with the workers' representatives regarding a new promotion system to increase the motivation of clerical staff, based on a balanced set of criteria, such as seniority, performance and skills.

As stipulated by the law of 2 August 2002 on the supervision of the financial sector and on financial services, the Bank is continuing to seek synergy with the CBFA, particularly in regard to human resources management. A joint action plan for that purpose was presented to the Financial Stability Committee.

### 6.3 Information technology resources

Apart from the developments covered in the preceding chapters, the main events concerning information technology in 2006 may be summarised as follows:

- The Bank plays a key role in the international team set up to pilot the ESCB XML Data Integration (EXDI) project, which aims to interconnect the ESCB applications via a joint platform. EXDI forms the basis of the Service Oriented Architecture which facilitates the interconnection of the applications and overcomes the constraints of geographical location.

- The Bank created the CashSSP platform to give the Nederlandsche Bank and the Banque centrale du Luxembourg access to its applications for managing banknotes and coins paid in.
- It installed a software package to manage its portfolios and foreign exchange transactions. In 2007, that package will also be used to manage transactions effected on behalf of customers.
- Since the beginning of 2006, the balance of payments data have been processed by a new IT application. In the first half of 2007, an application will go into production to handle the business surveys.
- The Central Corporate Credit Register modified its internal application in order to be able to use the new company identifiers, while the module for the centralised processing of commercial bills was brought into line with its Business Recovery Plan.
- Enterprise resource planning software now manages incoming orders and invoices, while budget monitoring has been incorporated in the existing module. In addition, the general introduction of the document management system is continuing, and integration of the "Collaboration" software is in progress.
- As every year, the emergency infrastructure intended to ensure the continuing operation of the IT systems was tested. The Bank decided to site the IT infrastructure of its back-up centre and its emergency centre on the premises of a service company specialising in IT emergency facilities, away from the centre of Brussels.

### 6.4 Premises

Examination of the renovation and rationalisation of buildings and technical installations at the Bank's headquarters continued in 2006. It forms part of a premises master plan which sets two long-term goals: to reduce the cost and size of the office space by making better use of space, and to improve energy efficiency and staff comfort by thorough refurbishment of the oldest buildings. Since the staff will not be transferred elsewhere during the work, this project can only be carried out in stages, and will extend over an eight-year period.

The Bank endeavours to save energy and respect the environment. It has applied to the Brussels Capital region for award of the "eco-dynamic" label.

In Arlon, the building housing the Bank's former branch was sold following a public sale procedure.



# 1.

The Bank's governance statement, describing its special legal framework as well as its operating rules and the powers of its organs, may be found in Annex 3 to this report and on the Bank's website.<sup>(1)</sup> The Bank's governance in 2006 is described below.

## 1.1 Governor

Mr Guy Quaden has held the office of governor since 1 March 1999. Mr Quaden's term of office was renewed for a further five years by Royal Decree dated 22 December 2003, taking effect on 1 March 2004. The governor's curriculum vitae is available on the Bank's website.

The governor can prove ownership of fifty registered shares in the Bank, as required by Article 34, 3° of the Statutes. He holds no share options and no rights to acquire shares. During the past year, he has not purchased or sold any Bank shares or other financial instruments relating to such shares.

He also holds the following offices:

- Member of the Governing Council and of the General Council of the ECB;
- Director of the Bank for International Settlements;
- Governor of the International Monetary Fund;
- Alternate Governor of the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation;
- Chairman of the Financial Stability Committee, the Supervisory Board of the Financial Services Authority, the Professional Association of Public Credit Institutions and the Study Group on Ageing (High Council of Finance);
- Vice-chairman of the High Council of Finance;
- Member of the Bureau of the High Council of Finance, member of the Board of Directors of the National Accounts Institute and of the Carnegie Hero Fund Administrative Committee.

## 1.2 Board of Directors

The Board of Directors met fifty-eight times in 2006.

Members:

	Term of office expiry date
Mr Guy Quaden Governor	28 February 2009
Mr Luc Coene Vice governor – Secretary	3 August 2009
Mrs Marcia De Wachter Director	28 February 2011
Mr Jan Smets Director	28 February 2011
Mrs Françoise Masai Director	28 February 2011
Mr Jean Hilgers Director – Treasurer	28 February 2011
Mr Peter Praet Director	29 October 2012 <sup>(2)</sup>
Mr Norbert De Batselier Director	31 August 2012 <sup>(3)</sup>

(1) Cf. *Our enterprise – Our activities – Governance statement*.

(2) By a Royal Decree dated 12 July 2006, Mr Peter Praet's term of office as a director was renewed for a six-year period from 30 October 2006.

(3) By a Royal Decree dated 12 July 2006, Mr Norbert De Batselier was appointed as a director for a six-year term from 1 September 2006.

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

On 31 August 2006, Mr Jean-Pierre Pauwels resigned the directorship which he had held for twenty-five years. Mr Pauwels holds a master's degree in business engineering and a doctorate in economics. Apart from his professional duties at the Bank, he taught at the Vrije Universiteit Brussel and at the Université Libre de Bruxelles, and held posts in various other institutions. The Bank bade farewell to a man with a strong personality, who was noted for his perceptiveness and his stimulating ideas. In recognition of Mr Pauwels' many qualities, His Majesty the King awarded him the honorary title of Grand Officer of the Order of Leopold II. Mr De Batselier, who holds a degree in economics, was appointed by the King on the proposal of the Council of Regency to replace him.

Each of the directors can prove ownership of twenty-five registered shares in the Bank, as required by Article 34, 3° of the Statutes. Mr De Batselier, appointed as a director from 1 September 2006, proved ownership of twenty-five registered shares in the month after taking up his post. The directors do not hold any share options or any rights to acquire shares. During the past year, with the exception of Mr De Batselier who bought twenty-five shares to fulfil the statutory obligation mentioned above, they have not purchased or sold any Bank shares or other financial instruments relating to such shares.

The vice-governor and the directors also hold the following offices:

#### **Mr Coene**

- Member of the EU Economic and Financial Committee, the ECB International Relations Committee, the Financial Stability Committee, the High Council of Finance and its Bureau;
- Alternate member of the Governing Council and General Council of the ECB, the G10 Committee of Governors and the International Monetary and Financial Committee;
- Head of the "Public sector borrowing requirement" section of the High Council of Finance.

#### **Mrs De Wachter**

- Member of the Board of Directors of the CBFA, the Financial Stability Committee, the Belgian Institute of Public Finances and the Insurance Commission;
- Alternate member of the General Committee of the Professional Association of Public Credit Institutions;
- Adviser to the BIS Financial Stability Institute.

#### **Mr Smets**

- Chairman of the Belgian Financial Forum Steering Committee and the Irving Fisher Committee on Central Bank Statistics;
- Vice-chairman of the High Council of Employment;
- Director of the Belgian Institute of Public Finances;
- Alternate director of the BIS;
- Member of the Financial Stability Committee, the Securities Regulation Fund Committee, the Board of Directors of the Deposits and Financial Instruments Protection Fund, the Administrative Board of the National Accounts Institute, the Study Group on Ageing (High Council of Finance), the OECD Economic Policy Committee and the Editorial Board of the International Journal of Central Banking.

#### **Mrs Masai**

- Chairman of the Administrative Board of the Credit and Debt Observatory;
- Member of the CBFA Board of Directors, the Financial Stability Committee, the Administrative Board of the Ageing Fund and the Administrative Board of the Royal Institute of International Relations.

#### **Mr Hilgers**

Member of the Financial Stability Committee, the Securities Regulation Fund Committee, the Board of Directors of the Deposits and Financial Instruments Protection Fund, the Belgian Institute of Public Finances, and the High Council of Finance "Public sector borrowing requirement" section.

#### **Mr Praet**

- Member of the CBFA Board of Directors, the Financial Stability Committee, the High Council of Finance "Public sector borrowing requirement" section, the Bureau of the High Council of Finance, Working Group n° 3 of the OECD Economic Policy Committee, the ECB Banking Supervision Committee, the Committee of European Banking Supervisors, the Committee on the Global Financial System, the Basel Committee on Banking Supervision and the Committee on Payment and Settlement Systems;
- Alternate director of the BIS;
- Co-chairman of the Basel Committee on Banking Supervision Research Task Force;
- Alternate member of the G10 Board of Governors and the International Monetary and Financial Committee;
- Member of the board of the Brussels European and Global Economic Laboratory (BRUEGEL) and the European Policy Centre.
- Director of the XBRL Belgique non-profit organisation.



## Mr De Batselier

Member of the Financial Stability Committee, the High Council of Finance and its "Public sector borrowing requirement" section.

## 1.3 Council of Regency

The Council of Regency is composed of the governor, the directors and ten regents.

Regents :

	Term of office expiry date
Mr Noël Devisch <sup>(1)</sup>	30 March 2009
Mr Christian Dumolin <sup>(2)</sup>	30 March 2009
Mr Gérald Frère <sup>(2)</sup>	26 March 2007
Mr Jacques Forest <sup>(1)</sup>	31 March 2008
Mr Luc Cortebееck <sup>(3)</sup>	30 March 2009
Mrs Martine Durez <sup>(2)</sup>	26 March 2007
Mr André Mordant <sup>(3)</sup>	26 March 2007
Mr Rudi Thomaes <sup>(1)</sup>	30 March 2009
Mr Christian Van Thillo <sup>(2)</sup>	31 March 2008
Mr Didier Matray <sup>(2)</sup>	31 March 2008

The ordinary general meeting on 27 March 2006 renewed the terms of office of Messrs Luc Cortebееck, Noël Devisch, Rudi Thomaes and Christian Dumolin, regents. These terms of office will expire at the close of the ordinary general meeting in 2009.

In practice, the Council of Regency meets at least three times a month, except during July and August, when it meets only once. It met thirty-two times in 2006.

## 1.4 Board of Censors

Members:

	Term of office expiry date
Baron Paul Buysse	26 March 2007
Mr Philippe Grulois	30 March 2009
Mr Maurice Charloteaux	26 March 2007
Mr Rik Branson	31 March 2008
Mr Jean-François Hoffelt	30 March 2009
Mr Guy Haaze	31 March 2008
Mr Bernard Jurion	30 March 2009
Mr Luc Carsauw	26 March 2007
Mrs Michèle Detaille	31 March 2008
Mr Michel Moll	31 March 2008

The ordinary general meeting on 27 March 2006 renewed the terms of office of Messrs Philippe Grulois, Jean-François Hoffelt and Bernard Jurion, censors. These terms of office will expire at the close of the ordinary general meeting in 2009.

The Board of Censors met eight times in 2006.

## 1.5 Disclosure of posts held and assets

The members of the Board of Directors and the regents and censors are subject to the obligations arising from the laws of 2 May 1995 and 26 June 2004 concerning the disclosure of posts held and assets.

They duly lodged with the registry of the Court of Audit of Belgium a written statement disclosing all the offices, directorships or professional posts held in 2005. Those required to do so in 2006 also lodged a statement of their assets.

## 1.6 Prevention of market abuse

In 2006, the Bank took the measures necessitated by the entry into force of Article 25bis of the law of 2 August 2002 on the supervision of the financial sector and on financial services, and the Royal Decree of 5 August 2006 on market abuse. In particular, it compiled a list of insiders and informed the members of its organs and its staff of their obligations under these regulations.

(1) Regents chosen on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders.

(2) Regents chosen on the proposal of the Minister of Finance.

(3) Regents chosen on the proposal of the most representative labour organisations.

## 1.7 Committee for the budget and directors' remuneration

In 2006, the Committee for the budget and directors' remuneration was composed as follows:

- Chairman: Mr Luc Coene, vice-governor;
- Mr Christian Dumolin, regent;
- Mr Gérald Frère, regent;
- Baron Paul Buysse, censor;
- Mr Philippe Grulois, censor;
- Mr Jean-Pierre Arnoldi, representative of the Minister of Finance.

This committee met once in 2006.

Since 14 February 2007, this Committee has been replaced by the Budget Committee and the Remuneration Committee.

The Budget Committee is composed as follows:

- Chairman: Baron Paul Buysse, censor;
- Mr Luc Coene, vice-governor;
- Mr Christian Dumolin, regent;
- Mr Gérald Frère, regent;
- Mr Philippe Grulois, censor;
- Mr Jean-Pierre Arnoldi, representative of the Minister of Finance.

The Remuneration Committee is composed as follows:

- Chairman: Mr Gérald Frère, regent;
- Mr Christian Dumolin, regent;
- Baron Paul Buysse, censor;
- Mr Philippe Grulois, censor;
- Mr Jean-Pierre Arnoldi, representative of the Minister of Finance.

## 1.8 Internal audit

In 2006, the Bank's Internal Audit service underwent external assessment in regard to both its tasks within the ESCB and its internal tasks. The aim was to verify whether, in accordance with the requirement of the ECB Governing

Council, the internal audit activities comply with international standards of professional practice and the code of ethics drawn up by the Institute of Internal Auditors. The report produced as a result of that assessment contains a series of recommendations. It was presented to the Board of Censors and the Board of Directors, and forwarded to the ECB.

## 1.9 General meeting

At the ordinary general meeting held on 27 March 2006, the governor reported on the operations of the financial year 2005 and read out the report of the Works Council on the annual information. The members of the Board of Directors answered numerous questions. The shareholders present then conducted the necessary elections to renew the expiring terms of office of regents and censors. The minutes of this meeting are available on the Bank's website.

## 1.10 Representative of the Minister of Finance

Since 1 September 2005, the post of representative of the Minister of Finance has been filled by Mr Jean-Pierre Arnoldi, Treasury director general.

## 1.11 Auditor

The firm Ernst & Young Bedrijfsrevisoren/Réviseurs d'Entreprises, represented by Mr Marc Van Steenvoort, acts as the Bank's auditor and was appointed by the ordinary general meeting on 29 March 2005 for a renewable term of three years.

### Box 6 – Legal proceedings

On 2 February 2006, the Brussels Commercial Court passed judgment in the action against the Bank brought by a group of shareholders seeking cancellation of the decision by the Council of Regency which, at the end of the 2003 financial year, approved an additional write-back on the provision for future foreign exchange losses,



supplementing the write-back necessary to cover the exchange losses for the year, and approved the inclusion of that additional write-back in the rule on allocation between the Bank and the State, laid down in Article 29 of the Organic Law and in Article 53 of the Bank's Statutes.

The Commercial Court declared the action unfounded and dismissed the shareholders' claims.

It confirmed that the additional write-back, intended to adjust the amount of the provision in line with the foreign exchange risk, does constitute financial income which should be included in the calculations under the rule whereby net financial income in excess of 3 p.c. of the Bank's net interest-earning assets accrues to the State. Considering that the State is indeed acting as a sovereign state, and not as a shareholder, in claiming part of the income from the financial assets held by the Bank as a central bank, the Court ruled that the inclusion of the amount of the write-back on the provision in the sharing of the financial income between the Bank and the State is not in breach of either the Organic Law or the Bank's Statutes. Contrary to what the applicant shareholders claimed, it considered that the resulting allocation to the State is not against the interests of society nor is it inequitable, and stated that the resulting imbalance alleged by the applicants is due essentially to the special rights and corresponding obligations which the Bank derives from its status as a bank of issue and from the tasks entrusted to it as a member of the ESCB. The Commercial Court concluded that it was inappropriate to cancel the Council of Regency's decision.

Some of the applicant shareholders lodged an appeal against the judgment on 2 February 2006. The date of the hearing has not yet been fixed.

Two other legal actions continued in 2006.

One, brought by a group of shareholders on 8 January 2004 before the Brussels Commercial Court, seeks a judgment ordering the Bank and the State jointly, or in solidum, to pay the applicants the sum of € 9,333.67 per share in the Bank, plus interest.<sup>(1)</sup> The shareholders claim that, between 1996 and 2002, the State wrongfully appropriated the capital gains realised by the Bank on the sale of gold reserves.

The Bank considers that this action is unfounded, in particular because it ignores the special rules laid down by the Organic Law and the Statutes, excluding the capital gains on gold from the allocation to shareholders.

The hearing took place on 1 and 8 December 2006. The case is in deliberation.

Another appeal was brought by a group of shareholders before the Brussels Court of Appeal, against the ruling handed down by the Brussels Commercial Court on 27 October 2005. The date of the hearing has not yet been fixed.

The applicant shareholders claimed that the Bank has lost its right of issue and that it should therefore distribute its reserve funds.

The Brussels Commercial Court confirmed the point of view which the Bank and the ECB have always maintained, namely that, since the start of monetary union, the Bank shares the right of issue with the ECB and the NCBs of the other countries which have adopted the euro. The Bank therefore still holds the right of issue and there is consequently no reason to liquidate its reserve fund. That position was already confirmed in 2003 by the Court of Arbitration, the country's supreme constitutional authority.

(1) The amount claimed in the initial citation was € 5,784 per share. The applicants put it up to € 9,333.67 per share during the proceedings.

## 1.12 Organisation chart<sup>(1)</sup>



\* Is also secretary of the Bank.  
 \*\* Is also treasurer of the Bank.  
 \*\*\* Reports to the governor.

(1) Situation on 31 January 2007.

1.12.1 Departments and services<sup>(1)</sup>**Communication and Secretariat Department** – Mr Ph. QUINTIN, Assistant Director

Department Advisor	Mr L. AELES
Head of division	Mr Y. RANDAXHE
Communication	
Head	Mrs K. BOSMAN, Head of division
Head of division	Mr J.-P. GILLIJNS
Publishing and Documents	
Head	Mr M. ZWAENPOEL, Inspector General
Secretariat	
Head	Mr M. VAN CAMPEN, Inspector General
Heads of division	Mrs G. VAN HOVE, Messrs J. CALLEBAUT, R. DE PUTTER, Ph. JOURQUIN

**Controlling Department** – Mr D. OOMS, Department Advisor

Head of division	Mr R. VAN KEYMEULEN
Central Procurement Administration Unit	
Heads of division	Messrs T. PLASSCHAERT, M. JOOS
Accounting	
Head	Mr L. HENRY, Inspector General
Head of division	Mr M. HINCK
Strategy and Organisation	
Head	Mr H. DEVRIESE, Inspector General
Inspector General	Mr R. COLSON
Heads of division	Mr Ph. BOGAERT, Mrs A.-M. LEJEUNE, Messrs R. VANDEN EYNDE, É. CHARTIER

**Currency in Circulation and Provincial Branches Department** – Mr M. SIMAL, Advisor to the Board of Directors

Department Advisor	Mr J. HELFGOTT
Central Cash Office	
Currency coordinator	Mr M. VAN BAELEN
Heads of division	Messrs M. VANVOOREN, G. PIROT, S. VAN DE VELDE

(1) Situation on 31 January 2007.

Provincial branches

Antwerp

Administrator  
Heads of division

Mr L. MUYLAERT, Inspector General  
Messrs M. DE GEYTER, F. VAN NIEUWENHOVE

Ghent

Manager

Mr W. SCHEPENS, Principal Editor

Hasselt

Manager

Mr G. VOS, Principal head of section

Kortrijk

Agent  
Head of division

Mr J. VICTOR, Inspector General  
Mr J. PANNEEL

Liège

Administrator  
Head of division

Mr R. HAENECOUR, Head of division  
Mrs N. ANTOINE

Mons

Agent

Mr A. BEELE, Head of division

Namur

Manager

Mr Ph. LAMBERT, Chief clerk

**Facility Management Department** – Mr L. GHEKIERE, Advisor to the Board of Directors

Head of division

Mr D. VANDE PUTTE

Equipment and Techniques

Head  
Head of division

Mr R. VAN CAUWENBERGE, Head of division  
Mr H. DE TROYER

Security and Supervision

Head  
Head of division

Mr J.-P. DE JONGE, Inspector General  
Mr E. MAES

General Services

Head

Mr D. BOSSIN, Head of division

**Financial Markets Department** – Mrs A. VAN DEN BERGE, Assistant Director

Securities Regulation Fund

Inspector General

Mr H. SMISSAERT

Intervention Fund

Department Advisor

Mr H. DEBREMAEKER

Back Office		
Head		Mrs S. MASKENS, Head of division
Head of division		Mr Ch. STAS
Front Office		
Head		Mr E. DE KOKER, Inspector General
Heads of division		Messrs Y. PIRLET, M. RUBENS, P. DEMARSIN, A. JACQUES, S. LONGUEVILLE, Mrs A. COPPERMAN
Middle Office		
Head		Mr É. LAVIGNE, Inspector General
Heads of division		Mrs M. HUART, Mr J. DHONDT
Cashless Payments		
Cashless payments coordinator		Mr A. VAES
Heads of division		Messrs J. VERMEULEN, P. LAGAERT
Securities		
Head		Mr L. JANSSENS, Inspector General
Head of division		Mr L. EICHER

**General Statistics Department** – Mr R. ACX, Inspector General

Inspector General		Mr Gh. POULLET
Research and Development Unit		
Heads of division		Messrs J. PALATE, F. OSAER
Balance of Payments		
Head		Mr R. DE BOECK, Inspector General
Heads of division		Messrs Ph. LAMBOT, P. D'HAVÉ, B. VEREERTBRUGGHEN, P. SPELEERS, A. PETERS
External Trade Statistics		
Head		Mr P. BOBYR, Inspector General
Financial and Economic Statistics		
Head		Mr P. CREVITS, Head of division
Heads of division		Messrs M. MATTENS, D. GOSSET, J. LIBENS, G. DETOMBE, J. WIELEMANS, H. SAUVENIÈRE, O. COENE, C. MODART Mesdames A. MULKAY, O. BIernaUX, C. RIGO Mr E. DEBISSCHOP, Mesdames M. LEJEUNE, I. BRUMAGNE
Statistical Information Systems		
Head		Mr J. DECUYPER, Head of division

**Human Resources Department** – Mr R. TROGH, Assistant Director, Head of personnel

Wages and Social Affairs Administration

Head Mr A. REITER, Inspector General  
Head of division Mr P. VAN GYSEGEM

Human Resources Policy and Collective Agreements

Head Mrs J. ROUMA, Inspector General  
Department Advisor Mr R. VAN KEYMEULEN  
Heads of division Messrs G. VAN CAMP, J. DEVARREWAERE,  
F. MARANNES

Training

Head Mr J.-L. LION, Inspector General  
Heads of division Mr L. LAGAE, Mrs S. ZONIOS

Human Resources Management

Head Mr P. TACK, Inspector General  
Heads of division Mesdames M. LIEVENS, E. LIEBAUT

**International Cooperation and Financial Stability Department** – Mr Th. TIMMERMANS, Assistant Director

Department Advisors Mr J. PISSENS, Mrs J. MITCHELL  
Inspectors General Messrs B. GROETEMBRIL, D. SLAATS  
Heads of division Mrs G. BIRON,  
Messrs B. BOURTEMBOURG, G. TEMMERMAN

**IT Department** – Mr J.-P. HOYOS, Assistant Director

Department Advisor Mr G. VANGHELUWE

IT Support and Finance Unit

Inspector General Mr G. DUMAY

Data Security Management

Head of division Mr L. DELAISSE

IT Centre

Head Mr M. CHARLIER, Inspector General  
Heads of division Mr L. ESPAGNET, Mrs A. VANDERBUSSE

IT Projects

Head Mr P. MARÉCHAL, Inspector General  
Inspectors General Mr J. FRANCOIS, Mrs H. VAN HECKE  
Heads of division Messrs J.-M. PLISNIER, E. DE SMET,  
M. DUCHATEAU, Mrs J. MERTENS  
Messrs R. MARTIN, D. KERSCHIETER,  
Mrs S. PIETTE, Mr L. D'HAESE



IT Infrastructure	
Head	Mr P. SAPART, Inspector General
Inspector General	Mr U. MOMMEN
Heads of division	Messrs P. DEHOORNE, S. PIERLOT, R. LEYBAERT, E. WILKIN, J. VANDOORNE, Y. VANDENBOSCH

**Microeconomic Information Department** – Mr L. DUFRESNE, Assistant Director

Microeconomic Analysis	
Head	Mr G. VAN GASTEL, Inspector General
Heads of division	Mrs C. SWARTENBROECKX, Mr F. COPPENS
Central Balance Sheet Office	
Head	Mr A. LENAERT, Inspector General
Heads of division	Mesdames C. BUYDENS, C. DÜMM
Central Credit Registers	
Head	Mr D. MURAILLE, Inspector General
Head of division	Mr P. BISSOT

**Printing Works Department** – Mr M. SALADE, Assistant Director

Administrative Service	
Head	Mr Y. TIMMERMANS, Inspector General
Head of division	Mr D. LOZET
Technical Service	
Head	Mr G. PONNET, Inspector General
Head of division	Mr L. BODRANGHIEN

**Research Department** – Mr S. BERTHOLOMÉ, Chief Advisor to the Board of Directors

Chief Advisors	Messrs H. FAMERÉE, V. PÉRILLEUX
Deputy Head of Department	Mr I. MAES, Head of division
Department Advisors	Mrs F. DONKERS, Messrs M. MARÉCHAL, Ph. DELHEZ, L. AUCREMANNE, L. DRESSE, R. WOUTERS
Heads of division	Mrs E. DE PREST, Messrs Ph. MOËS, Ph. JEANFILS, P. BUTZEN, H. GEEROMS, Mrs P. HEUSE, Messrs K. BURGGRAEVE, G. LANGENUS, L. VAN MEENSEL
Documentation	
Head	Mr G. DE RIDDER, Inspector General

### *Services reporting directly to a member of the Board of Directors*

Internal Audit	
Head	Mr D. VERMEIREN, Inspector General
Heads of division	Mrs J. SIMAR, Messrs Ph. DE PICKER, D. VANDEN BROECK, R. MAES, F. PIRSOUL, D. CASIER
ECB Coordination Unit	
Chief Advisor	Mr D. SERVAIS
Secretariat of the Financial Stability Committee Unit	
Secretary	Mr Ph. LEFÈVRE, Department Advisor
Head of division	Mrs D. GRESENS
Internal Prevention and Safety Service	
Head	Mr D. DENÉE, Inspector General
Head of Medical Supervision	Mr A. DE LANDTSHEER Doctor Mr Ch. VAN LAETHEM
Legal Service	
Head	Mr J. DE WOLF, Assistant Director
Department Advisor	Mr Ph. LEFÈVRE
Head of division	Mr C. RUBENS

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Seconded to the Office of Mrs Onkelinx, Deputy Prime Minister and Minister of Justice :  
Mr H. MARENNE, Head of division

On mission at the Belgian Permanent Representation with the European Union :  
Mr Ph. VIGNERON, Inspector General

On mission at the Belgian Permanent Representation with the Organisation for Economic Cooperation and Development,  
Paris :  
Mr J. MONT, Head of division

Seconded to the Maison des Ducs de Brabant :  
Mr X. HAWIA, Head of division

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#### 1.12.2 Obituaries and retirement

The Bank was saddened by the death of Mr Marcel D’Haeze, honorary vice-governor, on 10 July 2006.

Mr D’Haeze, who held a degree in commercial and financial studies and applied economics, began his career at the Ministry of Finance, where he was appointed director general of the Treasury Administration in 1963. Mr D’Haeze was the Government Commissioner at the Bank from 1963 until his appointment as director and vice-governor of the Bank in 1975. He held that post for ten years.

The Bank will always remember him as a person of great stature who, with his very amiable personality, won the esteem of his colleagues and staff.

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The Bank was also saddened by the death of Mr William Fraeys, honorary vice-governor, on 25 January 2007.

Mr Fraeys, who held a master's degree in business engineering and a degree in economics and finance, began his career at the Émile Vandervelde Institute, of which he became a director. He was appointed director of the National Industrial Credit Society in 1969. After that, he was appointed as a regent of the Bank, then as a director in 1980 and vice-governor in 1989, leaving that post in 1999. In view of his extensive expertise in the financial field, he was appointed to many positions. In particular, he sat on the Board of Directors of the Rediscount and Guarantee Institute from 1980, and was chairman of that institution from 1990.

The Bank will remember him as a man of integrity who was highly regarded for his professionalism and his sense of fairness.

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Mr Georges Lakiere, honorary treasurer of the Bank, died on 22 August 2006. By the time he retired in 1986, Mr Lakiere could look back on a career extending over 45 years. He was appointed treasurer by the General Council in 1984. The Bank will remember him with respect and gratitude for his expertise and his dedication.

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Mr Luc Aerts, honorary regent of the Bank, died on 15 May 2006. Mr Aerts was a member of the Bank's Boards from 1978 to 1992. The Bank will remember him as a capable person and a man of integrity.

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The Bank was also saddened by the death of four members of its staff in 2006 :

Messrs Ph. Dury and S. Essique, Mesdames F. Leclercq and M.-L. Vandendriessche.

They will always be remembered.

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

Messrs J.-J. Vanhaelen	Mr P. Mous
Ph. Lauwers	Mrs D. Cappuyns
Mrs J. De Beer	Messrs M. Eeckhout
Messrs A. Verhelst	J. Braet
F. Withofs	N. Vandecan
P. Lauwers	J.-M. De Vos
B. Dekeyser	E. De Glas

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

Mrs E. Arias Canel	Mrs M.-J. Lhoest	Mrs S. Van Damme
Z. Bejaoui	Messrs M. Lorent	L. Van Den Berghe
F. Canivet	C. Masi	M. Van De Velde
F. De Wit	Mrs M. Mestdagh	Mr F. Van Laer
A. Dirick	M. Neelen	Mrs G. Vermoesen
Messrs S. Dobbelaere	G. Nevens	Messrs M. Verschraegen
D. Duroy	M. Pevenage	H. Wets
Mrs D. Gérard	Messrs L. Pultyn	E. Wolput
V. Gobert	P. Sijtsma	
Messrs W. Inzé	D. Strijmeersch	
E. Leempoels	M. Thijs	



# 1.

## Presentation of annual accounts as at 31 December 2006

## 1.1 Balance sheet

(before distribution of profit)

### ASSETS

(thousands of euro)

	31-12-2006	31-12-2005
<b>1. Gold and gold receivables</b> .....	<b>3,533,260</b>	<b>3,183,132</b>
<b>2. Claims on non-euro area residents denominated in foreign currency</b> ..	<b>6,621,103</b>	<b>7,030,957</b>
2.1 Receivables from the IMF .....	958,274	1,497,732
2.2 Balances with banks and security investments, external loans and other external assets .....	5,662,829	5,533,225
<b>3. Claims on euro area residents denominated in foreign currency</b> .....	<b>268,782</b>	<b>471,093</b>
<b>4. Claims on non-euro area residents denominated in euro</b> .....	<b>346,096</b>	<b>431,299</b>
<b>5. Lending to euro area credit institutions related to monetary policy operations denominated in euro</b> .....	<b>39,910,452</b>	<b>28,950,433</b>
5.1 Main refinancing operations .....	39,100,000	27,895,000
5.2 Longer-term refinancing operations .....	810,452	1,055,433
5.3 Fine-tuning reverse operations .....	–	–
5.4 Structural reverse operations .....	–	–
5.5 Marginal lending facility .....	–	–
5.6 Credits related to margin calls .....	–	–
<b>6. Other claims on euro area credit institutions denominated in euro</b> ...	<b>350,619</b>	<b>51,157</b>
<b>7. Securities of euro area residents denominated in euro</b> .....	<b>4,479,265</b>	<b>4,672,397</b>
<b>8. Intra-Eurosystem claims</b> .....	<b>23,803,328</b>	<b>22,034,183</b>
8.1 Participating interest in ECB capital .....	142,816	142,816
8.2 Claims equivalent to the transfer of foreign currency reserves .....	1,419,102	1,419,102
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem .....	22,241,410	20,472,265
8.4 Other claims within the Eurosystem (net) .....	–	–
<b>9. Other assets</b> .....	<b>3,463,490</b>	<b>2,542,385</b>
9.1 Coins of euro area .....	10,069	10,021
9.2 Tangible fixed assets .....	391,898	391,471
9.3 Other financial assets .....	2,536,705	1,806,975
9.4 Off-balance-sheet instruments revaluation differences .....	64,374	–
9.5 Accruals and prepaid expenditure .....	228,000	189,646
9.6 Sundry .....	232,444	144,272
<b>Total assets</b> .....	<b>82,776,395</b>	<b>69,367,036</b>

## LIABILITIES

(thousands of euro)

	31-12-2006	31-12-2005
<b>1. Banknotes in circulation</b> .....	<b>20,618,837</b>	<b>18,550,389</b>
<b>2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b> .....	<b>7,928,100</b>	<b>6,785,900</b>
2.1 Current accounts (covering the minimum reserve system) .....	7,928,100	6,785,900
2.2 Deposit facility .....	–	–
2.3 Fixed-term deposits .....	–	–
2.4 Fine-tuning reverse operations .....	–	–
2.5 Deposits related to margin calls .....	–	–
<b>3. Other liabilities to euro area credit institutions denominated in euro</b> .....	<b>–</b>	<b>50,854</b>
<b>4. Liabilities to other euro area residents denominated in euro</b> .....	<b>59,547</b>	<b>48,254</b>
4.1 General government .....	46,398	37,369
4.2 Other liabilities .....	13,149	10,885
<b>5. Liabilities to non-euro area residents denominated in euro</b> .....	<b>521,940</b>	<b>320,960</b>
<b>6. Liabilities to euro area residents denominated in foreign currency</b> ...	<b>–</b>	<b>155,763</b>
<b>7. Liabilities to non-euro area residents denominated in foreign currency</b> .....	<b>705,112</b>	<b>377,936</b>
<b>8. Counterpart of special drawing rights allocated by the IMF</b> .....	<b>553,957</b>	<b>587,099</b>
<b>9. Intra-Eurosystem liabilities</b> .....	<b>45,268,675</b>	<b>35,592,396</b>
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates .....	–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem .....	–	–
9.3 Other liabilities within the Eurosystem (net) .....	45,268,675	35,592,396
<b>10. Other liabilities</b> .....	<b>638,184</b>	<b>667,914</b>
10.1 Off-balance-sheet instruments revaluation differences .....	–	22,695
10.2 Accruals and income collected in advance .....	32,465	26,243
10.3 Sundry .....	605,719	618,976
<b>11. Provisions</b> .....	<b>932,468</b>	<b>852,268</b>
11.1 For future exchange losses .....	198,919	188,719
11.2 For new premises .....	–	–
11.3 For contingencies .....	733,549	663,549
11.4 For loss from the ECB .....	–	–
<b>12. Revaluation accounts</b> .....	<b>3,246,095</b>	<b>3,203,584</b>
<b>13. Capital and reserve fund</b> .....	<b>2,059,408</b>	<b>1,814,789</b>
13.1 Capital .....	10,000	10,000
13.2 Reserve fund:		
Statutory reserve .....	520,306	276,196
Extraordinary reserve .....	1,150,543	1,150,543
Amortisation accounts in respect of tangible fixed assets .....	378,559	378,050
<b>14. Profit for the year</b> .....	<b>244,072</b>	<b>358,930</b>
<b>Total liabilities</b> .....	<b>82,776,395</b>	<b>69,367,036</b>

## 1.2 Profit and loss account

(thousands of euro)

	2006	2005
<b>I. Proceeds of net interest-bearing assets</b> .....	<b>515,339</b>	<b>433,003</b>
1. Interest income .....	1,941,382	1,300,993
2. Interest expenses (-) .....	-1,327,214	-831,607
3. Capital gains (losses (-)) on securities .....	-98,700	-39,929
4. Allocation of monetary income from the Eurosystem .....	-129	3,546
5. Income from the ECB .....	-	-
6. Appropriation to the provision for covering losses from the ECB (-) .....	-	-
<b>II. Foreign exchange difference results</b> .....	<b>58,355</b>	<b>529,065</b>
1. Foreign exchange difference results .....	68,555	428,765
2. Use and write-back of provision for future exchange losses (appropriation (-)) .....	-10,200	100,300
<b>III. Commission</b> .....	<b>4,401</b>	<b>3,425</b>
1. Commission received .....	8,376	7,458
2. Commission paid (-) .....	-3,975	-4,033
<b>IV. Amounts recovered from third parties</b> .....	<b>60,509</b>	<b>65,224</b>
<b>V. Proceeds from statutory investments</b> .....	<b>85,000</b>	<b>86,318</b>
<b>VI. Other proceeds</b> .....	<b>1,697</b>	<b>8,901</b>
<b>VII. State share (-)</b> .....	<b>-56,409</b>	<b>-140,064</b>
1. Proceeds from net interest-bearing assets (Art. 29) .....	-	-70,127
2. Proceeds fully assigned to the State .....	-35,098	-30,463
3. Foreign exchange difference results .....	-21,311	-39,474
<b>VIII. Transfer to the unavailable reserve of capital gains on gold (-)</b> .....	<b>-</b>	<b>-298,904</b>
<b>IX. General expenses (-)</b> .....	<b>-229,133</b>	<b>-231,941</b>
1. Remuneration and social costs .....	-181,237	-183,014
2. Other expenses .....	-47,896	-48,927
<b>X. Exceptional costs (-)</b> .....	<b>-</b>	<b>-</b>
<b>XI. Depreciation of tangible fixed assets (-)</b> .....	<b>-8,761</b>	<b>-9,761</b>
<b>XII. Provisions</b> .....	<b>-70,000</b>	<b>-70,000</b>
1. Use and write-back of provision for new premises (appropriation (-)) ..	-	-
2. Use and write-back of provision for contingencies (appropriation (-)) ..	-70,000	-70,000
<b>XIII. Taxes and dues (-)</b> .....	<b>-116,926</b>	<b>-16,285</b>
<b>XIV. Transfer to the tax-free reserves (-)</b> .....	<b>-</b>	<b>-51</b>
<b>Net profit for the financial year</b> .....	<b>244,072</b>	<b>358,930</b>

## 1.3 Off-balance-sheet items

(thousands of euro)

	31-12-2006	31-12-2005
Forward transactions in foreign currencies and in euro		
Forward claims .....	3,696,143	3,833,644
Forward liabilities .....	3,647,357	3,871,416
Forward transactions on interest rate and fixed-income securities .....	558,618	602,102
Liabilities which could lead to a credit risk		
Commitments towards international institutions .....	399,560	423,465
Commitments towards other institutions .....	920,127	1,095,746
Valuables and claims entrusted to the institution		
For encashment .....	150	166
Assets managed on behalf of the Treasury .....	77,602	88,027
Assets managed on behalf of the ECB .....	1,543,504	1,571,898
Custody deposits .....	429,288,794	402,737,649
Capital to be paid up on shares of the BIS .....	214,478	227,310



## 1.4 Allocation of profit

(thousands of euro)

	2006	2005
<b>Profit for the year</b> .....	<b>244,072</b>	<b>358,930</b>
The profit is distributed as follows:		
Allocation to the extraordinary reserve .....	-	-
Allocation of the balance in accordance with article 49 of the statutes:		
1. To the shareholders a first dividend of 6 % .....	600	600
2. Of the amount in excess of this:		
a) 10 % to the statutory reserve .....	24,347	35,833
b) 8 % to the staff or to institutions in its favour .....	19,478	28,666
3. Of the amount in excess of this:		
a) to the State, one fifth .....	39,929	58,766
b) to the shareholders, a second dividend .....	27,400	26,788
c) the balance to the statutory reserve .....	132,318	208,277

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 28 March 2007, on presentation of coupon No. 205:

(euro)

	Gross amount	Withholding tax	Net amount
Dividend per share .....	70.00	17.50	52.50

## 1.5 Social balance sheet

### 1. Statement of persons employed

#### A. WORKERS ENTERED ON THE STAFF REGISTER

	Full-time	Part-time	Total (T) or total in full-time equivalents (FTE)	
			2006	2005
<b>1. In the financial year and the previous year</b>				
Average number of workers .....	1,545.63	846.42	2,215.74 (FTE)	2,274.13 (FTE)
Actual number of hours worked .....	2,302,791	998,975	3,301,766 (T)	3,388,325 (T)
Staff costs (in thousands of euro) .....	132,578	48,925	181,503 (T)	183,007 (T)
Value of benefits granted in addition to wages (in thousands of euro) .....	-	-	1,884 (T)	1,577 (T)
<b>2. At the end of the financial year</b>				
<b>a. Number of workers entered in the staff register</b>				
	1,502	850	2,174.75 (FTE)	
<b>b. By type of contract of employment</b>				
Permanent contract .....	1,437	845	2,106.95 (FTE)	
Fixed-term contract .....	65	5	67.80 (FTE)	
Contract for the execution of a clearly defined project .....	-	-	-	
Substitution contract .....	-	-	-	
<b>c. By gender</b>				
Male .....	1,178	300	1,434.85 (FTE)	
Female .....	324	550	739.90 (FTE)	
<b>d. By occupational category</b>				
Management personnel .....	15	-	15 (FTE)	
Non-manual workers .....	1,487	850	2,159.75 (FTE)	
Manual workers .....	-	-	-	
Other .....	-	-	-	

#### B. TEMPORARY STAFF AND PERSONS MADE AVAILABLE TO THE ENTERPRISE

	Temporary staff	Persons made available to the enterprise
<b>During the year</b>		
Average number of persons employed .....	7.16	28.92
Actual number of hours worked .....	11,419	46,127
Costs to the enterprise (in thousands of euro) .....	254	2,963

## 2. Table of staff movements during the year

### A. STAFF ENTERING SERVICE

	Full-time	Part-time	Total in full-time equivalents
<b>a. Number of workers entered in the staff register during the year</b> .....	380	6	383.30
<b>b. By type of contract of employment</b>			
Permanent contract .....	5	–	5
Fixed-term contract .....	375	6	378.30
Contract for the execution of a clearly defined project .....	–	–	–
Substitute contract .....	–	–	–
<b>c. By gender and standard of education</b>			
Male:			
Primary .....	4	–	4
Secondary .....	173	–	173
Higher non-university .....	3	–	3
University .....	7	–	7
Female:			
Primary .....	6	–	6
Secondary .....	166	4	168
Higher non-university .....	11	–	11
University .....	10	2	11.30

### B. STAFF LEAVING

<b>a. Number of workers whose contract termination date was recorded in the staff register during the year</b> .....	415	23	432.25
<b>b. By type of contract of employment</b>			
Permanent contract .....	44	21	59.95
Fixed-term contract .....	371	2	372.30
Contract for the execution of a clearly defined project .....	–	–	–
Substitute contract .....	–	–	–
<b>c. By gender and standard of education</b>			
Male:			
Primary .....	2	–	2
Secondary .....	181	6	185.95
Higher non-university .....	7	3	9.55
University .....	19	–	19
Female:			
Primary .....	7	1	7.60
Secondary .....	176	12	184.35
Higher non-university .....	11	1	11.80
University .....	12	–	12
<b>d. Reason for termination of contract</b>			
Retirement .....	35	14	45.55
Early retirement .....	–	–	–
Dismissal .....	3	1	3.95
Other reasons .....	377	8	382.75
of which: number of persons continuing to perform services for the enterprise on a self-employed basis, at least 50 p.c. of normal hours .....	–	–	–

## 3. Statement of the use of employment promotion measures during the year

	2006		
	Number of workers concerned		Amount of the financial advantage (In thousands of euro)
	Number	In full-time equivalents	
<b>1. Measures comprising a financial advantage<sup>(1)</sup></b>			
1.11 "First job" agreement .....	39	17.47	75
<b>2. Other measures</b>			
2.2 Successive fixed-term contracts of employment .....	5	5	
2.4 Reduction of personal social security contributions of low-wage workers .....	97	46.95	
<b>Number of workers concerned by one or more employment promotion measures:</b>			
Total for the year .....	141	69.42	
Total for the previous year .....	33	15.03	

(1) Financial advantage for the employer concerning the job-holder or his replacement.

## 4. Information on training for workers during the year

	Number of workers concerned	Number of hours' training attended	Cost to the enterprise (In thousands of euro)
<b>Total worker training initiatives paid for by the enterprise</b>			
Male .....	1,042	34,015	5,345
Female .....	575	19,514	3,066

# 2.

## Notes to the annual accounts

### Box 7 – Composition and appropriation of the results

Although the Bank was established in the form of a public limited liability company, the pursuit of profit is, in its case, subordinate to the performance of its tasks in the public interest. By far the largest component of its income is that derived from issuing banknotes. For central banks, banknotes are non-interest-bearing liabilities. As the counterpart, they hold assets which produce a return. The income from these assets is called “seigniorage income”, and is pooled at Eurosystem level and redistributed among the central banks of the Eurosystem on the basis of their respective shares in the issue of euro banknotes.

In return for the right of issue which is granted to the Bank, the State is entitled to a priority share in its profits. In order to cover, in particular, its operating expenses and the interest on its capital, the Bank retains the first three per cent of the income on net interest-earning assets, which form the counterpart to the banknotes. After that, the seigniorage income accrues to the State. This allocation rule, called the 3 % rule, implies that the variability in the income on net interest-earning assets is borne first by the State, which receives the return in excess of 3 %, and only then by the Bank, when that return is less than 3 %.

The country’s official gold and foreign exchange reserves represent a substantial part of the Bank’s assets. Their management is subject to the aims of monetary and exchange rate policy. For example, these resources must be capable of being easily mobilised in the event of an additional call on the foreign exchange reserves by the ECB, or in order to respect commitments connected with international treaties, particularly towards the IMF. The official foreign exchange reserves are therefore held mainly in the form of short-term deposits and liquid, fixed-income securities, restricting the scope for the Bank to maximise the return on them. Moreover, the management of the official exchange reserves exposes the Bank to an exchange rate risk, which means that it has to form provisions to cater for exchange rate fluctuations.

The Eurosystem accounting rules are based on the principle of prudence whereby foreign exchange losses are recorded in the profit and loss account even if they are not realised. Conversely, unrealised gains are recorded in the revaluation account of the balance sheet which, with the provision for future foreign exchange losses, forms a buffer fund.

It is this same principle of prudence that caused the State to leave at the Bank’s disposal the gains realised on foreign currencies which could have accrued to the State under the 3 % rule, on condition that they are allocated to a provision to cover any future foreign exchange losses.

## Box 8 – Recent developments

### The balance sheet

At the end of 2006, the balance sheet total was up by 19 % as a result of two main factors: the increase in the banknotes in circulation and the expansion of the credit extended to credit institutions.

For the fourth year running, the average growth of the banknotes in circulation in the Eurosystem was in double figures, exceeding 11 % for the year. This led to an increase in liabilities item 1 “Banknotes in circulation” (+ € 2.1 billion) and in sub-item 8.3 of the assets “Net claims related to the allocation of euro banknotes within the Eurosystem” (+ € 1.8 billion).

To an even greater extent than in previous years, credit institutions in Belgium obtained structurally more liquidity (+ € 11 billion) than they required, so that they lent this cash surplus via TARGET to financial institutions in other euro area countries (+ € 9.7 billion). This situation is due to the central role which credit institutions play in cash management for the group to which they belong. This naturally increased the Bank’s balance sheet total, albeit with little impact on its result, since the same remuneration is received and paid on the corresponding asset and liability items and the balance is pooled within the Eurosystem.

The value of the foreign exchange reserves was influenced by the conversion rates and the reduction in the net position in SDRs.

The amount corresponding to receivables from the International Monetary Fund has been falling steadily in recent years, and totalled less than € 1 billion on the balance sheet date. In 2002, this sub-item of the assets amounted to 8.4 % of the balance sheet total, whereas by the end of 2006 it represented only 1.2 %. This reduction is due to the sharp fall in direct and indirect lending by the Fund to its Member States. In consequence of that, the Fund in turn needs to raise less finance from members with a good liquidity position, such as Belgium.

The Bank maintained its net position in dollars. The value of the foreign exchange reserves at market price rose slightly as a result of the increased value of gold (+ € 350 million) and the depreciation of the assets in dollars (– € 245 million) and in SDRs (– € 52 million).

Taking account of the framework adopted by the Eurosystem for the management of financial assets, which authorises the national central banks to expand their portfolios within annually revised limits, the Bank decided to establish a long-term bond portfolio which it has the express intention and ability to hold to final maturity. That portfolio, recorded in sub-item 9.3 on the assets side of the balance sheet, is valued at cost amortised on the basis of the actuarial yield. That policy increases the long-term yield that can be expected and reduces the volatility of the annual yields.

### Results

The profit before tax is comparable to last year’s figure. Conversely, the significant increase in corporation tax reduced the profit for the year by almost € 115 million. The whole of the tax loss carried forward from previous years was imputed.

A significant feature of the year was the rise in short-term interest rates in euro. The expansion of the interest-earning assets in euro described above therefore generated a large increase in interest income (+ € 616 million). ▶

However, the corollary to that expansion consists mainly in a larger volume of interest-bearing liabilities. This led to an increase in interest charges on liabilities in euro of € 476 million.

The movement in the capital gains and losses on the securities portfolio (– € 59 million) depressed the return, so that the average return on the net interest-bearing assets dropped again below 3 %.

## 2.1 Legal framework

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

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

*1° in accordance with this Act and the mandatory rules drawn up pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank ;*

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

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

The accounts for the financial year under review have been drawn up in accordance with the above-mentioned provision and the accounting rules approved by the Council of Regency on 20 December 2006.

They are presented in thousands of euro unless otherwise stated.



## 2.2 Accounting principles and valuation rules

### Box 9 – Changes made to the accounting rules and principles during the financial year

#### Economic approach

In accordance with Article 5 of the ECB Guideline of 10 November 2006<sup>(1)</sup>, foreign exchange transactions, financial instruments and the related accrued interest must, from 1 January 2007, be recorded on the trade date and not on the encashment or disbursement date.

The NCBs are free to switch to the economic approach before that deadline. The Bank has applied this method since October 2006. The main features are:

1. recording of foreign exchange transactions on the trade date.  
The transactions are recorded off-balance-sheet on the trade date. On settlement date, these entries are reversed and the transactions are recorded on balance sheet accounts. The foreign exchange position is influenced right from the trade date. As a result, realised foreign exchange gains and losses on net sales are calculated on the trade date. Net purchases of foreign currencies influence the average cost of the assets in the currency on that same date.
2. daily recording of accrued interest, including premiums or discounts.  
The accrued interest, including premiums or discounts, relating to financial instruments denominated in foreign currencies is recorded daily, regardless of the real cash flow. The foreign exchange position is modified accordingly, and not only when the interest is collected or paid.

#### Foreign exchange forward transactions

Article 14 of the Guideline was amended so that gains and losses realised on foreign exchange forward transactions must be booked to the profit and loss account in the year of their conclusion.

#### Held-to-maturity portfolio

The held-to-maturity portfolio consists solely of interest-bearing securities with fixed or determinable payments and a fixed maturity which the Bank has the positive intent and ability to hold until maturity. This portfolio, included in sub-item 9.3 of the assets on the balance sheet, is valued at cost amortised on the basis of the actuarial yield.

(1) Guideline of the ECB of 10 November 2006 on the legal framework for accounting and financial reporting in the ESCB (ECB/2006/16); OJ L348 of 11/12/2006.

## General

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 and the held-to-maturity portfolio –, of gold and of all the elements, both on-balance-sheet and off-balance-sheet, denominated in foreign currencies.

Spot and forward transactions relating to foreign exchange are recorded off-balance-sheet on the trade date and shown on the balance sheet on the settlement date.

## Assets and liabilities in gold and in foreign currencies

Assets and liabilities in gold and foreign currencies are converted into euro at the exchange rate in force on the balance sheet closing date.

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

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

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

## Securities and participations

Fixed-income negotiable securities denominated in foreign currencies (recorded under items 2 and 3 of the assets) and in euro (items 4 and 7 of the assets) are valued at the market price prevailing on the balance sheet date. Securities are revalued individually.

The held-to-maturity portfolio consists exclusively of interest-bearing securities with fixed or determinable payments and a fixed maturity which the Bank has the positive intent and ability to hold until maturity.

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.

The statutory investment portfolio and the held-to-maturity portfolio – recorded under sub-item 9.3 of the assets – are separate portfolios which are valued at cost amortised on the basis of their actuarial yield.

## (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 denominated in foreign currencies have no effect on 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 recognised in the financial year in which they are earned or incurred; the portion attributed to the staff or to institutions in its favour in the Bank's profits for the year, pursuant to Article 49 of the Statutes, will also be recognised in the financial year in which it is earned<sup>(1)</sup>;
  - realised gains and losses are taken to the profit and loss account;
  - at the end of the year, positive revaluation differences (on securities and foreign reserves) are not shown in the profit and loss account but are recorded in the revaluation accounts on the liabilities side of the balance sheet;
  - negative revaluation differences are first of all deducted from the corresponding revaluation account, any balance then being taken to the profit and loss account. In the latter case, exchange losses are covered by a transfer from the provision for future exchange losses;
  - losses included in the profit and loss account are not offset during subsequent years by new positive revaluation differences; negative revaluation differences on a security, currency or asset in gold are not netted either against positive revaluation differences on other securities, currencies or asset in gold;
  - for gold, no distinction is made between the price and currency revaluation;
  - in order to calculate the acquisition cost of securities or currencies that are sold, the average cost method is used on a daily basis; at the end of the year, if any negative revaluation differences are taken to the profit and loss account, the average cost of the asset in question (gold, currency or security) is adjusted downwards to the level of the current exchange rate or market price value.
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.
3. Interest accrued but not yet paid which influences the foreign exchange positions is recorded daily and converted at the exchange rate prevailing on the date of recording.

## 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 on the balance sheet.

## Treatment of tangible fixed assets

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

Buildings under construction are recorded at the cost actually paid.

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

## 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.

(1) A sum of € 14.5 million is recognised in the financial year 2006 in respect of the balance of the share in the previous year's profits.

## Intra-Eurosystem balances related to the allocation of banknotes in euro

The intra-Eurosystem balances related to the allocation of banknotes in euro, in circulation within the Eurosystem, are shown as a single net asset or liability under the sub-item "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem" (see "Banknotes in circulation" below).

### Banknotes in circulation

The ECB and the twelve participating NCBs, which together comprise the Eurosystem, have issued euro banknotes since 1 January 2002.<sup>(1)</sup> The total value of the euro banknotes in circulation is allocated on the last working day of each month in accordance with the banknote allocation key.

Since 2002, 8 % of the total value of the banknotes in circulation has been allocated to the ECB, while the remaining 92 % has been allocated to the NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed under the balance sheet liability item "Banknotes in circulation".

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that is actually put into circulation by each NCB gives rise to intra-Eurosystem balances. These claims or liabilities, which incur interest<sup>(2)</sup>, are disclosed under the sub-item "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem".

From 2002 to 2007, the intra-Eurosystem balances resulting from the allocation of euro banknotes are adjusted to avoid significant changes in the NCBs' relative income positions compared with previous years. The adjustments are effected by taking account of the differences between the average value of the banknotes in circulation of each NCB during the period July 1999 to June 2001 and the average value of the banknotes that would have been allocated to them during that period under the ECB's capital key. The adjustments are progressively reduced in annual stages until the end of 2007, after which the income on the banknotes will be allocated fully in proportion to the NCBs' paid-up shares in the ECB's capital.

The whole of the seigniorage income of the ECB, arising from the 8 % share in euro banknotes allocated to it, is payable to the NCBs in the financial year in which it arises. The ECB distributes that income to the NCBs on the second working day of the next financial year. However, that income may be reduced by decision of the Governing Council if the ECB's net profit for the financial year in question is less than its income on banknotes in circulation. In addition, the Governing Council may decide, before the end of the financial year, on the principle of transferring all or part of the ECB's income relating to banknotes in circulation to a provision for foreign exchange rate, interest rate and gold price risks.<sup>(3)</sup>

### Off-balance-sheet instruments

Foreign exchange instruments such as foreign exchange forward transactions, the forward leg of currency swaps and any other foreign currency instruments involving the exchange of one currency for another at a future date, are included in the net foreign exchange position for the purpose of calculating the average cost price and exchange gains and losses. In the case of foreign exchange swaps, the forward position is revalued at the same time as the spot position. Since spot and forward amounts in foreign currencies are converted to euro at the same exchange rate, they do not influence the "Revaluation accounts" item on the liabilities side. Interest-rate instruments are revalued individually. The outstanding amounts of forward interest rate contracts are recorded under the off-balance-sheet items. Daily margin calls are recorded in the profit and loss account and influence the foreign exchange position. Profits and losses arising from off-balance-sheet instruments are recognised and treated in the same manner as those appearing in the balance sheet.

(1) ECB decision of 6 December 2001 on the issue of euro banknotes (ECB/2001/15), OJ L337 of 20/12/2001.

(2) ECB decision of 19 May 2006 amending Decision ECB/2001/16 on the allocation of the monetary income of the national central banks of participating Member States from the financial year 2002 (ECB/2006/7), OJ L148 of 02/06/2006.

(3) ECB decision of 17 November 2005 on the distribution of the income of the European Central Bank on euro banknotes in circulation to the national central banks of the participating Member States (ECB/2005/11), OJ L311 of 26/11/2005.

## 2.3 Notes to the 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 gold receivables.

#### GOLD HOLDINGS

	31-12-2006	31-12-2005
In ounces of fine gold .....	7,319,966.9	7,319,966.9
In kg of fine gold <sup>(1)</sup> .....	227,676.5	227,676.5
At market price (millions of euro) .....	3,533.3	3,183.1

(1) One kilo of fine gold is equivalent to 32.15074 ounces of fine gold.

On the balance sheet date, gold is valued on the basis of the euro price per fine ounce derived from the quotation in USD established at the London fixing on 29 December 2006.

This price, notified by the ECB, amounts to € 482.688 per ounce of fine gold (€ 15,518.78 per kilogram of fine gold), against € 434.856 per ounce of fine gold (€ 13,980.94 per kilogram of fine gold) as at the end of the previous year.

The Bank lends part of its gold assets against a guarantee covering the credit risk.

#### 2. Claims on non-euro area residents denominated in foreign currency

Under this item are recorded claims in SDR and foreign currencies on 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 loans made to non-residents of the euro area, securities and other foreign currency assets issued by the latter.

## 2.1 Receivables from the IMF

This sub-item is broken down as follows:

	31-12-2006		31-12-2005	
	Holdings (SDR)	Market value (euro)	Holdings (SDR)	Market value (euro)
	(millions)			
Special drawing rights .....	362.0	413.2	219.9	266.0
Participation in the IMF .....	412.1	470.5	777.9	941.2
Loans to the IMF .....	-	-	-	-
Loans to the PRGF Trust .....	65.3	74.6	240.1	290.5
<b>Total</b> .....	<b>839.4</b>	<b>958.3</b>	<b>1,237.9</b>	<b>1,497.7</b>

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 establishing 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 guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank for the purpose of these operations.

These receivables are valued at the market rate as communicated by the ECB on 29 December 2006. This rate was SDR 0.8760 for one euro (SDR 0.8265 for one euro at the end of the previous year).

### Special drawing rights (SDR)

SDRs are reserve assets created ex nihilo by the IMF and allocated by it to its members. The most recent allocation was made in 1981. 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. Since September 2004, it has been possible for these transactions to be initiated by the IMF under an agreement with the Bank which stipulates in this regard that the assets in SDR must total between 40 and 80 % of the net cumulative allocation (SDR 485.2 million).

The holding recorded on the SDR account came to SDR 362 million on 31 December 2006, against SDR 219.9 million a year earlier. This reduction is due to sales of SDR in return for euro, effected under the agreement mentioned above. Net usage of the SDR holding, i.e. the difference between the SDR allocation and the SDR holdings on the balance sheet date, amounted to SDR 123.2 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 euro 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 euro 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. The rate of interest on such loans is adjusted weekly.

On the balance sheet date, the reserve tranche amounted to SDR 412.1 million, against SDR 777.9 million a year earlier. This reduction is due to net repayments by Fund member countries, which were only partly offset by the effect of the establishment of an investment account.

#### 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 arrangements designed to strengthen the IMF's resources, namely the General Arrangements to Borrow and the New Arrangements to Borrow.

In the past financial year, the Fund's liquidity position enabled it to meet its commitments without resorting to the borrowing arrangements.

#### 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 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; since 4 December 2001 this line has totalled SDR 350 million. The Bank's claims under this heading amounted on 31 December 2006 to SDR 65.3 million against SDR 240.1 million a year earlier, as a result of repayments during the financial year in implementation of the Multilateral Debt Reduction Initiative.

## 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, time deposits, foreign securities and in the form of reverse repurchase agreements.

#### BREAKDOWN OF FOREIGN CURRENCY ASSETS BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2006	31-12-2005
Sight deposits .....	435.9	143.2
Time deposits .....	254.4	551.0
Securities .....	4,234.0	4,547.9
Reverse repurchase agreements .....	738.5	291.1
<b>Total</b> .....	<b>5,662.8</b>	<b>5,533.2</b>

Foreign currency assets are shown under this sub-item at their euro equivalent as calculated on the basis of market exchange rates on 29 December 2006. On the balance sheet closing date, the unrealised gains and losses on securities stated at their market price came to € 3.3 million and € 6.7 million respectively.

#### BREAKDOWN OF FOREIGN CURRENCY ASSETS BY CURRENCY

(millions)

	31-12-2006		31-12-2005	
	Holdings (in foreign currency terms)	Market value (euro)	Holdings (in foreign currency terms)	Market value (euro)
USD .....	7,418.5	5,632.9	6,225.4	5,277.1
JPY .....	4,145.0	26.4	35,235.1	253.7
CHF .....	3.6	2.2	1.0	0.6
Other .....		1.3		1.8
<b>Total</b> .....		<b>5,662.8</b>		<b>5,533.2</b>

#### BREAKDOWN OF FIXED-INCOME SECURITIES IN FOREIGN CURRENCIES, ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

	31-12-2006	31-12-2005
≤ 1 year .....	1,016.0	1,227.3
> 1 year and ≤ 5 years .....	3,156.8	3,257.7
> 5 years .....	61.2	62.9
<b>Total</b> .....	<b>4,234.0</b>	<b>4,547.9</b>

The net foreign currency position resulting from the balance sheet items and the off-balance-sheet items denominated in foreign currencies, taken as a whole (spot and forward claims and liabilities) changed as follows during the year just ended:

#### NET FOREIGN CURRENCY POSITION

(market value in billions of euro)

	31-12-2006	31-12-2005	Variation
USD .....	1.7	1.9	-0.2
JPY .....	-	-	-
CHF .....	-	-	-
<b>Total</b> .....	<b>1.7</b>	<b>1.9</b>	<b>-0.2</b>



During the year just ended, the net dollar position expressed in euro declined by € 0.2 billion. This decrease is due to the following reasons:

– encashment of investment income .....	+0.2
– purchases of dollars against SDRs (PRGF Trust) .....	+0.2
– sales of dollars against euros .....	–0.4
– decrease in unrealised capital gains .....	–0.2

### 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 time deposits, securities and reverse repurchase agreements.

	31-12-2006		31-12-2005	
	Holdings (in foreign currency terms)	Market value (euro)	Holdings (in foreign currency terms)	Market value (euro)
(millions)				
USD .....	354.0	268.8	555.7	471.1

#### BREAKDOWN OF FOREIGN CURRENCY ASSETS BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2006	31-12-2005
Time deposits .....	243.0	292.5
Securities .....	25.8	22.8
Reverse repurchase agreements .....	–	155.8
<b>Total</b> .....	<b>268.8</b>	<b>471.1</b>

The foreign currency assets are shown in this item at their euro equivalent calculated at the market rate as at 29 December 2006. On the balance sheet closing date, the value of the securities at their market price was € 0.2 million higher than their average cost value.

#### BREAKDOWN OF FIXED-INCOME FOREIGN CURRENCY SECURITIES ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

	31-12-2006	31-12-2005
≤ 1 year .....	4.5	13.4
> 1 year and ≤ 5 years .....	18.2	9.4
> 5 years .....	3.1	–
<b>Total</b> .....	<b>25.8</b>	<b>22.8</b>

#### 4. Claims on non-euro area residents denominated in euro

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

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#### BREAKDOWN OF EURO ASSETS BY TYPE OF INVESTMENT

(millions of euro)

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	31-12-2006	31-12-2005
Sight deposits .....	53.6	77.3
Securities .....	292.5	354.0
<b>Total</b> .....	<b>346.1</b>	<b>431.3</b>

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#### BREAKDOWN OF EURO FIXED-INCOME SECURITIES ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

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	31-12-2006	31-12-2005
≤ 1 year .....	101.5	62.1
> 1 year and ≤ 5 years .....	158.2	232.5
> 5 years .....	32.8	59.4
<b>Total</b> .....	<b>292.5</b>	<b>354.0</b>

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On the balance sheet closing date, the unrealised capital losses on the value of the securities at their market price came to € 2.1 million.

#### 5. Lending to euro area credit institutions related to monetary policy operations denominated in euro

This item records credit granted by the Bank to credit institutions established in Belgium, in implementation of the Eurosystem's monetary policy.

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 7-day tenders.

To an even greater extent than during the previous year, in participating in these operations, credit institutions in Belgium obtained structurally more than the liquidity required to meet their monetary reserve obligations and the needs generated by autonomous factors. Thus, credit institutions had a cash surplus which was lent to financial institutions in other euro area countries via TARGET (see sub-item 9.3 on the liabilities side of the balance sheet "Other liabilities within the Eurosystem (net)").

## 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.

Traditionally, Belgian credit institutions are not very interested in these operations, which are intended to meet the longer term refinancing requirements of the financial sector. Nonetheless, the average amount outstanding in respect of these operations totalled € 1,951 million, against € 1,290 million in the previous year.

## 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. This year, credit institution bids were only accepted for two operations of this type, effected in January and April, injecting liquidity of € 403 million and € 500 million respectively into the market.

## 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.

No such operations took place during the year just ended.

## 5.5 Marginal lending facility

This sub-item records credit granted under the 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 margin calls

This sub-item records 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 with Belgian credit institutions took place during the year just ended.

## 6. Other claims on euro area credit institutions denominated in euro

This item records claims on credit institutions which do not relate to monetary policy operations.

This concerns credit balances on current accounts (nostro accounts) held with correspondents in the euro area and reverse repurchase agreement transactions relating to management of the securities portfolio.

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### BREAKDOWN OF ASSETS IN EURO BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2006	31-12-2005
Current accounts .....	0.6	0.3
Reverse repurchase agreements .....	350.0	50.9
<b>Total</b> .....	<b>350.6</b>	<b>51.2</b>

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## 7. Securities of euro area residents denominated in euro

This item records the portfolio of euro securities held for investment purposes and consisting mainly of negotiable government bonds denominated in euro issued by Member States of the European Union, bonds issued by certain credit institutions in euro area countries and backed by first-rate claims ("Pfandbriefe" type), and bonds issued by national public organisations.

On the balance sheet closing date, the unrealised gains and losses on securities at their market price came to € 0.6 million and € 37.5 million respectively.

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### BREAKDOWN OF EURO FIXED-INCOME SECURITIES ACCORDING TO THEIR RESIDUAL TERM

(millions of euro)

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	31-12-2006	31-12-2005
≤ 1 year .....	960.4	1,256.3
> 1 year and ≤ 5 years .....	2,796.0	2,855.1
> 5 years .....	722.9	561.0
<b>Total</b> .....	<b>4,479.3</b>	<b>4,672.4</b>

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## 8. Intra-Eurosystem claims

### 8.1 Participating interest in ECB capital

Pursuant to Article 28 of the Statutes of the ESCB and of the ECB, the NCBs are the sole subscribers to the capital of the ECB. Subscriptions depend on the ECB's capital subscription key which is determined in accordance with Article 29.3 of the ESCB Statute.

Since 1 May 2004, the subscribed capital of the ECB has totalled € 5.565 billion. The Bank's share in that capital, which is fully paid, comes to 2.5502 % or € 141.9 million.

The redistribution among the NCBs of the value of the ECB's capital following the change to the subscription key in 2004 led to an increase in the Bank's share which thus totals € 142.8 million overall.

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

This sub-item shows the Bank's euro claim of € 1,419.1 million on the ECB arising from the transfer of part of its foreign reserves to that institution. That claim is remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, adjusted to reflect a zero return on the gold component.

The reserves transferred at the beginning of 1999 continue to be managed by the Bank, but on behalf of the ECB. They are recorded off-balance-sheet.

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

This sub-item records net claims on the Eurosystem relating to the allocation of euro banknotes in the Eurosystem (see accounting principles and valuation rules relating to the item "Banknotes in circulation"). This interest-bearing Eurosystem item corresponds to the difference between the amount of the banknotes in circulation allocated to the Bank and the amount of the banknotes which it has put into circulation.

#### 8.4 Other claims within the Eurosystem (net)

This sub-item is used to record the Bank's net claim, if any, on the ECB resulting from cross-border transfers via TARGET and that relating to the correspondent accounts opened with the NCBs (see the explanatory note to liabilities sub-item 9.3).

### 9. Other assets

#### 9.1 Coins of euro area

This sub-item is used to record the Bank's holding of euro coins. The coins are put into circulation by the Bank on behalf of the Treasury, and credited to the latter's account. In accordance with the ECB decision of 9 December 2005 on the approval of the volume of coin issuance, the maximum amount of the euro coins to issue in 2006 is € 145.5 million for Belgium. Since the amount actually issued in 2005 was € 893.7 million, the authorised amount therefore totalled € 1,039.2 million for 2006.

#### 9.2 Tangible fixed assets

In 2006, the Bank's investment in tangible fixed assets totalled € 8.8 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 acquisition price 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 statutory investment and the held-to-maturity portfolios.

Under Article 19, point 4, of the Organic Law, the Board of Directors decides on the investment of the capital, reserves and amortisation accounts after consultation with the Council of Regency and without prejudice to the rules adopted by the ECB. These statutory investments consist primarily of negotiable government bonds, bonds issued by certain credit institutions in euro area countries and backed by first-rate claims ("Pfandbriefe" type), securities representing the capital of financial institutions governed by special legal provisions or guaranteed or controlled by the State, and shares in the BIS.

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#### BREAKDOWN OF THE STATUTORY INVESTMENT PORTFOLIO BY TYPE OF INVESTMENT

(millions of euro)

	31-12-2006	31-12-2005
Participating interests .....	332.0	332.0
Fixed-income securities .....	1,713.7	1,475.0
Reverse repurchase agreements .....	-	-
<b>Total</b> .....	<b>2,045.7</b>	<b>1,807.0</b>

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**BREAKDOWN OF PARTICIPATING INTERESTS**

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	31-12-2006		31-12-2005	
	Number of shares	In millions of euro	Number of shares	In millions of euro
BIS .....	50,100	329.8	50,100	329.8
SBI / BMI .....	801	2.0	801	2.0
SWIFT .....	137	0.2	137	0.2
<b>Total</b> .....		<b>332.0</b>		<b>332.0</b>

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**BREAKDOWN OF FIXED-INCOME SECURITIES IN THE STATUTORY INVESTMENT PORTFOLIO ACCORDING TO THEIR RESIDUAL TERM**

(millions of euro)

	31-12-2006	31-12-2005
≤ 1 year .....	115.5	137.4
> 1 year and ≤ 5 years .....	712.2	646.7
> 5 years .....	886.0	690.9
<b>Total</b> .....	<b>1,713.7</b>	<b>1,475.0</b>

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During the year, the Bank also acquired fixed income securities for the sum of € 491 millions which it has decided to hold until maturity.

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**BREAKDOWN OF THE HELD-TO-MATURITY PORTFOLIO ACCORDING TO THE RESIDUAL TERM OF THE SECURITIES**

(millions of euro)

	31-12-2006	31-12-2005
≤ 1 year .....	-	-
> 1 year and ≤ 5 years .....	275.2	-
> 5 years .....	215.8	-
<b>Total</b> .....	<b>491.0</b>	-

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#### 9.4 Off-balance-sheet instruments revaluation differences

This sub-item consists of any net positive revaluation differences on foreign exchange forward transactions. These differences, which have their counterpart in item 12 "Revaluation accounts" on the liabilities side, relate to currency swaps on which the forward leg is recorded off-balance-sheet.

#### 9.5 Accruals and prepaid expenditure

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

#### 9.6 Sundry

This consists mainly of interest receivable on the claim resulting from the transfer of foreign reserves to the ECB and on the net claim relating to the allocation of euro banknotes in the Eurosystem. This sub-item also records trade, tax and other receivables, stocks and work in progress in the Printing Works (excluding stocks of banknote paper for own use).

## LIABILITIES

### 1. Banknotes in circulation

This item records the share in the circulation of euro banknotes in the Eurosystem, allocated to the Bank on the basis of its paid-up participation in the capital of the ECB, an 8 % share in the banknotes in circulation being allocated to the ECB (see the accounting principles and valuation rules relating to the item "Banknotes in circulation").

### 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 euro of the financial institutions, which mainly serve to meet minimum reserve requirements. These requirements have to be respected on average over the reserve maintenance period in accordance with the schedule published by the ECB. The minimum reserves are remunerated at the average of the marginal rates on the latest main refinancing operation in the maintenance period.

#### 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 operations with Belgian financial institutions took place during the year just ended.

#### 2.4 Fine-tuning reverse operations

Other monetary policy operations aimed at tightening liquidity.

No such operations 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 operations with Belgian financial institutions 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. If any, these are repurchase agreements effected in connection with the management of the securities portfolio.



#### 4. Liabilities to other euro area residents denominated in euro

##### 4.1 General government

This sub-item records the balances of the current accounts opened in the name of the State and of general government. Pursuant to an agreement of 12 March 1999, the balance of the Treasury's current account, up to a maximum figure of € 50 million, bears interest at the marginal interest rate applying to the main refinancing operations. On the balance sheet date, that balance came to € 10.4 million.

##### 4.2 Other liabilities

These are the current account balances held mainly 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 situated 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.

(millions)

	31-12-2006		31-12-2005	
	Liabilities (in foreign currency)	Market value (euro)	Liabilities (in foreign currency)	Market value (euro)
USD .....	–	–	183.8	155.8

#### 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.

(millions)

	31-12-2006		31-12-2005	
	Liabilities (in foreign currency)	Market value (euro)	Liabilities (in foreign currency)	Market value (euro)
USD .....	928.6	705.1	445.9	377.9

## 8. Counterpart of special drawing rights allocated by the IMF

The amount shown under this item represents the countervalue of SDRs, converted to euro 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-Eurosystem 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 Net liabilities related to the allocation of euro banknotes within the Eurosystem

This sub-item shows the net liabilities within the Eurosystem relating to the allocation of euro banknotes in the Eurosystem (see accounting principles and valuation rules relating to the item "Banknotes in circulation").

### 9.3 Other liabilities within the Eurosystem (net)

This sub-item reflects the Bank's net liabilities resulting from all the intra-Eurosystem liabilities and claims, excluding those recorded under the balance sheet items "Net claims or liabilities related to the allocation of euro banknotes within the Eurosystem".

These net liabilities vis-à-vis the Eurosystem can be broken down as follows:

1. The Bank's position vis-à-vis the ECB resulting from cross-border transfers via TARGET with the other NCBs of the ESCB and the ECB (€ 45,268.5 million), and the net debt resulting from payment transactions effected via correspondent accounts (€ 0.1 million). The position resulting from payment transactions via TARGET bears interest at the marginal rate of the main refinancing operations. Settlement in that respect takes place monthly on the second working day of the month following that to which the interest relates.
2. The intra-Eurosystem liability of € 0.1 million resulting from the pooling and distribution of monetary income within the Eurosystem (see item I.4. "Allocation of monetary income from the Eurosystem" in the profit and loss account).
3. The amount receivable in respect of the Bank's share in the seigniorage income of the ECB.  
However, pursuant to an ECB Governing Council decision of 21 December 2006, this seigniorage income was not distributed to the NCBs but retained by the ECB to top up the ECB's provision for foreign exchange rate, interest rate and gold price risks.

## 10. Other liabilities

### 10.1 Off-balance-sheet instruments revaluation differences

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

### 10.2 Accruals and income collected in advance

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

### 10.3 Sundry

This sub-item covers trade debts, social contributions, sums payable to the State in respect of its share in the Bank's income and expenditure for the last financial year, the interest payable by the Bank on its net debt to the ECB in connection with TARGET, and the unavailable reserve of capital gains on gold (€ 298.9 million).

## 11. Provisions

### 11.1 Provision for future exchange losses

The Belgian State's official foreign exchange reserves are held and managed by the Bank. Under the agreement of 8 July 1998 between the State and the Bank, the State leaves the gains realised on foreign exchange at the disposal of the Bank, on condition that the Bank allocates them to a provision to cover any future foreign exchange losses. This provision is added to the positive revaluation differences on foreign currencies to form a buffer to cover any foreign exchange losses, realised or not.

(millions of euro)	
Balance as at 31 December 2005 .....	188.7
Appropriation .....	31.2
Use .....	-
Write-back .....	-21.0
<b>Balance as at 31 December 2006 .....</b>	<b>198.9</b>

A sum of € 21 million was written back in order to adjust the provision for future exchange losses in line with the best actual estimate of the exchange rate risk to be covered.

### 11.2 Provision for new premises

Provision has become irrelevant.

### 11.3 Provision for contingencies

This sub-item includes the contingency fund created at the end of 1957 because of the risks inherent in the Bank's activity (particularly the credit risk on the Bank's transactions and investments and the operational risk) and the fluctuations which affect its results.

This provision is justified by the importance of the continuity of the tasks in the public interest for which the Bank, as a central bank, is assigned responsibility by the legislature.

(millions of euro)

Balance as at 31 December 2005 .....	663.5
Appropriation .....	70.0
Use .....	-
Write-back .....	-
<b>Balance as at 31 December 2006 .....</b>	<b>733.5</b>

#### 11.4 Provision for loss from the ECB

Pursuant to Article 33.2 of the ESCB Statute, the Governing Council of the ECB may decide to offset a loss incurred by the ECB against its general reserve fund, and if necessary, against the monetary income pooled by the NCBs, in proportion and up to the amounts allocated to the national central banks in proportion to their paid-up share in the capital of the ECB.

No provision was entered under this sub-item during the last financial year.

#### 12. Revaluation accounts

On the balance sheet date, 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 foreign reserve and security positions (other than the statutory investment and the held-to-maturity portfolios) and, on the other hand, their average cost value.

(millions of euro)

	31-12-2006	31-12-2005
Positive foreign exchange revaluation differences on:		
- gold .....	3,215.9	2,865.8
- spot and forward positions in foreign currencies .....	26.1	270.8
- the net position in SDR .....	-	48.8
Positive price revaluation differences on:		
- securities in foreign currencies (asset items 2 and 3) .....	3.5	0.6
- issued by non-euro area residents .....	3.3	0.6
- issued by euro area residents .....	0.2	-
- securities in euro (asset items 4 and 7) .....	0.6	17.6
- issued by non-euro area residents .....	-	2.3
- issued by euro area residents .....	0.6	15.3
<b>Total .....</b>	<b>3,246.1</b>	<b>3,203.6</b>

### 13. Capital and reserve fund

#### 13.1 Capital

The share capital, totalling € 10 million, is represented by 400,000 shares, which do not have any nominal value. The share capital is fully paid up.

Since 1948 and pursuant to the Organic Law, the Belgian State holds 200,000 registered, non-transferable shares in the Bank, or 50 % of the total voting rights.

The Bank has not received any declarations pursuant to Article 1, § 1 of the law of 2 March 1989 on the disclosure of large shareholdings in listed companies, notifying other shareholdings equal to 5 % or more of the voting rights.

#### 13.2 Reserve fund

The reserve fund, provided for in Article 46 of the Bank's Statutes, consists of the statutory reserve, the extraordinary reserve and the amortisation accounts in respect 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 in respect of tangible fixed assets show an increase of € 0.5 million, corresponding to the investments made in 2006, less the depreciation of the assets sold or no longer used.

The tax-exempt part of the extraordinary reserve remains unchanged.

### 14. Profit for the year

The profit for the year amounted to € 244.1 million, against € 358.9 million in the previous year.

## 2.4 Notes to the profit and loss account

### I. PROCEEDS OF NET INTEREST-BEARING ASSETS

The net interest-bearing assets comprise the total of the assets and liabilities in foreign currencies and in euro, on which the income net of interest charges on remunerated liabilities is distributed 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 euro 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 foreign reserves and the net claims relating to the allocation of euro banknotes in the Eurosystem.

(millions of euro)

	31-12-2006	31-12-2005	Difference
Interest income of assets in euro .....	1,684.5	1,068.0	+616.5
Interest income of external assets .....	256.9	233.0	+23.9
<b>Total</b> .....	<b>1,941.4</b>	<b>1,301.0</b>	<b>+640.4</b>

#### 1.1 Interest income of assets in euro

This may be broken down as follows:

	Income (millions of euro)	Average volume (millions of euro)	Average rate (percentages)
Credit transactions relating to monetary policy .....	875.2	30,149.2	2.9
Securities portfolio in euro .....	158.7	4,937.9	3.2
Claims equivalent to the transfer of foreign currency reserves .....	34.4	1,419.1	2.4
Net claims related to the allocation of euro banknotes within the Eurosystem .....	608.8	21,335.3	2.9
Other claims .....	7.4	245.7	3.0
<b>Total</b> .....	<b>1,684.5</b>	<b>58,087.2</b>	<b>2.9</b>

##### 1.1.1 CREDIT TRANSACTIONS RELATING TO MONETARY POLICY

The income from these transactions is up by € 373.5 million, owing to growth of the average volume of credit allocations (€ 30,149.2 million against € 23,735.2 million) and the rise in the average rate on the main refinancing operations (2.9 % against 2.1 %).

## 1.1.2 SECURITIES PORTFOLIO IN EURO

The interest income on securities in euro has risen by € 16.2 million as a result of the increase in the average interest rate (3.2 % against 2.9 %) combined with a larger average amount outstanding on the securities portfolio (€ 4,937.9 million against € 4,875.7 million).

## 1.1.3 CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN CURRENCY RESERVES

The Bank's claims on the ECB in respect of the foreign reserve assets transferred are remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, after adjustment to reflect a zero return on the gold component. That remuneration increased by € 9.1 million, as a consequence of the rise in the average marginal interest rate.

## 1.1.4 NET CLAIMS RELATED TO THE ALLOCATION OF EURO BANKNOTES WITHIN THE EUROSISTEM

The € 213.6 million increase in interest income is due to the increase in net intra-Eurosystem claims corresponding to the monthly adjustments made on the banknotes in circulation (see accounting principles and valuation rules relating to the item "Banknotes in circulation").

The share of this interest income accruing to the ECB in respect of banknotes issued on its behalf totalled € 47 million, against € 31 million in 2005.

## 1.1.5 OTHER CLAIMS

This income, relating to credit balances on current accounts held with credit institutions in the euro area and to reverse repurchase agreements, increased by € 4.1 million owing to a rise in the average volume of these assets (€ 245.7 million against € 157.9 million) and in the average interest rate at which they were remunerated (3 % against 2.1 %).

## 1.2 Interest income of external assets

This may be broken down as follows:

	Income (millions of euro)	Average volume (millions of euro)	Average rate (percentages)
Claims related to international cooperation transactions	20.6	784.0	2.6
Investments in gold and in foreign currencies . . . . .	236.3	6,103.2	3.9
<b>Total</b> . . . . .	<b>256.9</b>	<b>6,887.2</b>	<b>3.7</b>

## 1.2.1 CLAIMS RELATED TO INTERNATIONAL COOPERATION TRANSACTIONS

The interest income on claims relating to international cooperation, more particularly in connection with the IMF, declined by € 16.8 million, mainly owing to a reduction in the average volume of these claims.

## 1.2.2 INVESTMENTS IN FOREIGN CURRENCIES AND IN GOLD

The interest income on investments in foreign currencies was up by € 40.7 million, because of the increase in the average interest rate on the investments (3.9 % instead of 3.4 %) and in the volume invested, partly offset by the depreciation of the dollar against the euro.

## 2. Interest expenses

The interest expenses comprise expenses on liabilities in euro and expenses on external liabilities.

(millions of euro)

	31-12-2006	31-12-2005	Difference
Interest expenses on liabilities in euro .....	1,273.5	797.5	+476.0
Interest expenses on external liabilities .....	53.7	34.1	+19.6
<b>Total</b> .....	<b>1,327.2</b>	<b>831.6</b>	<b>+495.6</b>

### 2.1 Interest expenses on liabilities in euro

These can be broken down as follows:

	Expenses (millions of euro)	Average volume (millions of euro)	Average rate (percentages)
Monetary reserve accounts, deposit facility and other interest-bearing deposits .....	291.0	10,203.2	2.9
Net liabilities related to the allocation of euro banknotes within the Eurosystem .....	–	–	–
Net liabilities to the ECB related to TARGET .....	982.3	34,122.0	2.9
Other liabilities .....	0.2	6.5	2.5
<b>Total</b> .....	<b>1,273.5</b>	<b>44,331.7</b>	<b>2.9</b>

#### 2.1.1 MONETARY RESERVE ACCOUNTS, DEPOSIT FACILITY AND OTHER INTEREST-BEARING DEPOSITS

The interest expense is up by € 102.2 million because of the rise in the marginal interest rate on the main refinancing operations, which provides the basis for remuneration of these accounts, and the higher average amount outstanding of these liabilities. The average interest rate charged came to 2.9 %, against 2.1 % in 2005.

#### 2.1.2 NET LIABILITIES RELATED TO THE ALLOCATION OF EURO BANKNOTES WITHIN THE EUROSISTEM

There were no such liabilities in the past year.

#### 2.1.3 NET LIABILITIES TO THE ECB RELATED TO TARGET

The € 373.8 million increase in interest charges on net debts relating to TARGET is due to the rise in the marginal interest rate on the main refinancing operations and the increase in the average outstanding amount of these debts (€ 34,122 million against € 28,950.5 million).

#### 2.1.4 OTHER LIABILITIES

This expense relates to repurchase agreement transactions.



## 2.2 Interest expenses on external liabilities

These may be broken down as follows:

	Expenses (millions of euro)	Average volume (millions of euro)	Average rate (percentages)
Repurchase agreement transactions in foreign currencies	43.1	857.8	5.0
Net use of assets in SDR .....	10.6	285.3	3.7
<b>Total</b> .....	<b>53.7</b>	<b>1,143.1</b>	<b>4.7</b>

### 2.2.1 REPURCHASE AGREEMENT TRANSACTIONS IN FOREIGN CURRENCIES

The interest expenses on these transactions were up by € 17.8 million, owing to an increase in the average interest rate applied to them and an increase in the average volume of these transactions.

### 2.2.2 NET USE OF THE ASSETS IN SDR

The interest expenses were up by € 1.8 million as a result of the increase in the average interest rate, partly offset by the reduction in the average level of the net use of the SDRs.

## 3. Capital gains and losses on securities

During the accounting period under review, net capital losses amounting to € 52.4 million were realised on the sale of securities, against net gains of € 10.5 million in 2005. Moreover, unrealised capital losses of € 46.3 million were included in the result, whereas unrealised gains on securities (€ 4.1 million) were recorded in revaluation accounts on the liabilities side of the balance sheet.

## 4. Allocation of monetary income from the Eurosystem

As of 2003, the amount of monetary income of each NCB in the Eurosystem is determined by calculating the effective annual income resulting from the earmarkable assets held in counterpart to the liabilities items which serve as the basis for calculation. This basis comprises the following items:

- banknotes in circulation;
- liabilities to euro area credit institutions related to monetary policy operations and denominated in euro;
- net intra-Eurosystem liabilities resulting from TARGET transactions;
- net intra-Eurosystem liabilities relating to the allocation of euro banknotes in the Eurosystem.

Any interest paid on liabilities included in the basis for calculation will be deducted from the monetary income pooled by each NCB.

The earmarkable assets consist of the following items:

- lending to euro area credit institutions related to monetary policy operations denominated in euro;
- intra-Eurosystem claims in respect of the transfer of foreign reserve assets to the ECB;
- net intra-Eurosystem claims resulting from TARGET transactions;
- net intra-Eurosystem claims relating to the allocation of euro banknotes in the Eurosystem;
- a limited amount of each NCB's gold holdings, in proportion to each NCB's subscribed capital key.

Gold is considered to generate no income.

Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its basis for calculation, the difference is remunerated by applying to the value of this difference the average rate of return on the earmarkable assets of all NCBs taken together.

The monetary income pooled in the Eurosystem is allocated among the NCBs of the euro area in accordance with the paid-up capital key (3.5672 % for the Bank since 1 May 2004).

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#### CALCULATION OF NET MONETARY INCOME ALLOCATED TO THE BANK

(millions of euro)

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Monetary income pooled by the Bank in the Eurosystem .....	-533.3
Monetary income allocated to the Bank by the Eurosystem .....	533.2
<b>Net monetary income allocated</b> .....	<b>-0.1</b>

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### 5. Income from the ECB

In 2006, the ECB retained the whole of the income which it draws in respect of its share in the issue of euro banknotes, in accordance with a decision of the Governing Council to establish a provision for foreign exchange rate, interest rate and gold price risks (see also sub-item 9.3 of the liabilities).

## 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 of Belgium's official exchange reserves, or within the framework of international agreements which are binding on Belgium or of international monetary cooperation transactions to which, subject to the approval of the Belgian State, the Bank is a party.

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

The amount of the sub-item consists mainly of the foreign exchange gains realised on dollars (€ 47.3 million), primarily on forward sales concluded in 2005. In the case of SDR transactions, the foreign exchange gains realised totalled € 24.8 million, and unrealised foreign exchange losses came to € 3.5 million.

### 2. Use and write-back of provision for future exchange losses (appropriation (-))

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

## III. COMMISSION

This item contains the commission received as 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.

#### 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 Balance Sheet Office, the Central Offices for Credit to Individuals and to Enterprises;
- the Cash and Bond centres;
- the Securities Settlement System;
- the payment systems: TARGET, ELLIPS, CEC and the Clearing House;
- the central processing of commercial bills;
- the activities performed by the Printing Works;
- the services rendered by the General Statistics Department
- the internationalisation of IT applications developed by the Bank;
- cooperation with the CBFA.

#### 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 decrease in these proceeds is due to lower trading profits on the bond portfolio, the effect of which was only partly offset by the expansion of that portfolio, following the transfer to the reserve fund at the end of the preceding financial year.

#### VI. OTHER PROCEEDS

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

#### VII. STATE SHARE

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

By virtue of Article 29 of the Law of 22 February 1998 establishing the Organic Statute of the Bank, the net financial proceeds in excess of 3 % of the difference between the average amount, calculated on an annual basis, of the Bank's profit-earning assets – except for bills and securities acquired in representation of the capital, reserves and amortisation accounts, the proceeds of which are placed at the Bank's disposal – and the Bank's remunerated liabilities are assigned to the State.

Net financial proceeds means:

- 1° the share of monetary income allocated to the Bank in implementation of Article 32.5 of the Statute of the ESCB;
- 2° the share of the ECB's net profit allocated to the Bank in implementation of Article 33.1 of the Statute of the ESCB;
- 3° the proceeds of the Bank's profit-earning 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.

If the amount of the net productive assets does not reflect the Bank's share in the monetary base of the System, i.e. the sum of the banknotes in circulation and the liabilities resulting from the deposits made by credit institutions, this amount is adapted accordingly for the implementation of this article.

The sum of € 21 million written back from the provision for future exchange losses was taken into account in order to calculate the net financial proceeds pursuant to Article 29 of the above law.

Since the net financial proceeds came to less than 3 %, they were fully assigned to the Bank.

## 2. Proceeds fully assigned to the State

This sub-item contains proceeds from assets, which are the counterpart of deposits, other than those included in liability sub-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 (€ 8.2 million) from the assets which form the counterpart to the capital gains realised by the Bank through arbitrage transactions of gold assets against other external reserve components, entered in a special unavailable reserve account, is also assigned to the State. The implementing procedures relating to these provisions are governed by an agreement dated 30 June 2005 between the State and the Bank, published in the *Moniteur belge/Belgisch Staatsblad* of 5 August 2005.

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

## 3. Foreign exchange difference results

In accordance with Article 9 of the Law of 22 February 1998 establishing the Bank's Organic Statute, the international monetary cooperation agreements or transactions, which the Bank carries out on behalf of the State or with its express approval, are guaranteed by the State. The foreign exchange gains and losses realised on these operations accrue entirely to the State. In 2006, transactions in SDR gave rise to a net foreign exchange gain totalling € 21.3 million.

## VIII. TRANSFER TO THE UNAVAILABLE RESERVE OF CAPITAL GAINS ON GOLD

In this item is recorded the amount of any capital gains realised on arbitrage transactions of gold assets against other external reserve components, recorded in the special unavailable reserve account in accordance with Article 30 of the Law of 22 February 1998 establishing the Organic Statute of the Bank.

## IX. GENERAL EXPENSES

### 1. Remuneration and social costs

These expenses comprise the remuneration and social costs of the staff, the Board of Directors, 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.

The gross remuneration of the governor for the financial year was € 467,038, while the vice-governor and the other members of the Board of Directors respectively received gross remuneration of € 375,175 and € 322,651.

In 2006, the regents and censors received gross attendance fees of € 435 per meeting attended.

### 2. Other expenses

This sub-item consists mainly of 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

None.

## XI. DEPRECIATION OF TANGIBLE FIXED ASSETS

The depreciation applied as at 31 December 2006 covers the following investments:

(millions of euro)

– new premises and technical installations .....	–
– renovation of premises .....	1.5
– hardware and software .....	3.5
– equipment for the Printing Works .....	0.2
– other equipment and furniture .....	3.6
<b>Total</b> .....	<b>8.8</b>

## XII. PROVISIONS

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

1. Use and write-back of provision for new premises (appropriation (–)).
2. Use and write-back of provision for contingencies (appropriation (–)).

## 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 on operating expenses 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 sub-item 9.6 "Other assets, sundry".

The profit for the financial year far exceeded the tax loss carried forward from previous years. This substantially increased the amount of corporation tax due.

## XIV. TRANSFER TO THE TAX-FREE RESERVES

This item records the tax-free amount, included in the extraordinary reserve (see liabilities sub-item 13.2) of the capital gains realised on the sale of tangible fixed assets (Article 44 §1, 2° and Article 190 of the C.I.R. 1992).

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

### Forward transactions in foreign currencies and in euro

The forward position consists of swap transactions and forward transactions in foreign currencies; the breakdown is as follows:

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(millions)

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	31-12-2006		31-12-2005	
	In foreign currency	Euro	In foreign currency	Euro
Forward claims				
in EUR .....	–	3,670.0	–	3,579.0
in USD .....	34.3	26.1	300.4	254.7
Forward liabilities				
in EUR .....	–	–	–	–
in USD .....	4,770.0	3,621.9	4,269.0	3,618.7
in JPY .....	4,000.0	25.5	35,100.0	252.7

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

### Forward transactions on interest rate and fixed-income securities

At the end of the financial year, the Bank holds a net short position in futures in US government securities and in 3-month euro-dollar rate futures. These contracts were revalued at market price. As at 31 December 2006, the Bank held a net short position of € 558.6 million.

These transactions in futures are intended to facilitate the management of the foreign currency portfolios.

### Liabilities which could lead to a credit risk

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(millions of euro)

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Commitments towards international institutions .....	399.6
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This sub-item records the undertaking entered into by the Bank to lend SDR 350 million (€ 399.6 million) to the PRGF Trust. The available amount is SDR 284.7 million (€ 325 million). This loan is guaranteed by the Belgian State.

(millions of euro)

Commitments towards other institutions .....	920.1
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### Valuables and claims entrusted to the institution

(millions of euro)

For encashment .....	0.2
Assets managed on behalf of the Treasury .....	77.6
Assets managed on behalf of the ECB .....	1,543.5

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

(millions of euro)

Custody deposits .....	429,288.8
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This sub-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 represents the uncalled capital, totalling SDR 187.9 million, or € 214.5 million at the SDR exchange rate as at 29 December 2006.

## 2.6 Auditor's remuneration

For the year 2006, the remuneration paid to Ernst & Young Réviseurs d'entreprises SCC totalled € 83,282 for the audit assignment. That remuneration comprises a sum of € 50,782 for certification of the annual accounts and € 32,500 for certification work on behalf of the ECB auditor.

In addition, the auditor received remuneration charged to the year 2006 of € 13,750 for other work unconnected with the audit assignment, carried out for the Bank.

## 2.7 Legal proceedings

During 2006, three legal actions were pursued against the Bank by various groups of shareholders.

The first action, brought on 8 January 2004, seeks a judgment ordering the Bank and the State jointly, or in solidum, to pay the plaintiffs the sum of € 9,333.67 per share in the Bank, plus interest.<sup>(1)</sup> The shareholders claim that, between 1996 and 2002, the State wrongfully appropriated the capital gains realised by the Bank on the sale of gold reserves. The Bank considers that this action is unfounded, in particular because it disregards the special rules laid down by the Organic Law and the Statutes, which exclude capital gains on gold from the distribution to shareholders. The hearing took place on 1 and 8 December 2006. The case is in deliberation.

The other two actions are appeals lodged before the Brussels Court of Appeal by various groups of shareholders against the judgments pronounced by the Brussels Commercial Court on 27 October 2005 and 2 February 2006 respectively.

By the judgment of 27 October 2005, the Commercial Court dismissed the claim by the applicant shareholders seeking liquidation of the Bank's reserve fund on the grounds that the Bank had lost its right of issue.

By the judgment of 2 February 2006, the Commercial Court also found against the applicants. They were seeking cancellation of the decision by the Council of Regency which, at the close of the 2003 financial year, had approved an additional write-back on the provision for future exchange losses, and approved its inclusion in the calculations under the rule on allocation between the Bank and the State, laid down in Article 29 of the Organic Law.

These two rulings demonstrate the merits of the Bank's arguments.

The Bank considers that the action in progress before the Commercial Court and the two appeals are all unfounded, and has therefore made no adjustments to the accounts.

(1) The amount claimed when the case was first brought was € 5,784 per share. The applicants increased it to € 9,333.67 per share during the proceedings.



## 2.8 Events occurring after the balance sheet date

Owing to the accession to the European Union of two new Member States and the entry of their NCBs into the ESCB on 1 January 2007, the subscribed capital of the ECB was automatically increased in accordance with Article 49.3 of the Statute of the ESCB. That increase also entails an adjustment to the subscription key with effect from 1 January 2007. In accordance with the Council Decision of 15 July 2003 on the statistical data to be used for the adjustment of the key for subscription to the capital of the ECB, the respective shares of the NCBs were adjusted as follows:

	Key for subscription to the capital of the ECB	
	from 1 May 2004 to 31 December 2006	from 1 January 2007
National Bank of Belgium .....	2.5502	2.4708
Deutsche Bundesbank .....	21.1364	20.5211
Bank of Greece .....	1.8974	1.8168
Banco de España .....	7.7758	7.5498
Banque de France .....	14.8712	14.3875
Central Bank & Financial Services Authority of Ireland .....	0.9219	0.8885
Banca d'Italia .....	13.0516	12.5297
Banque centrale du Luxembourg .....	0.1568	0.1575
De Nederlandsche Bank .....	3.9955	3.8937
Österreichische Nationalbank .....	2.0800	2.0159
Banco de Portugal .....	1.7653	1.7137
Suomen Pankki (Finland) .....	1.2887	1.2448
Banka Slovenije (Slovenia) .....	–	0.3194
<i>Subtotal Eurosystem</i> .....	<i>71.4908</i>	<i>69.5092</i>
Česká Národní Banka (Czech Republic) .....	1.4584	1.3880
Danmarks Nationalbank .....	1.5663	1.5138
Eesti Pank (Estonia) .....	0.1784	0.1703
Central Bank of Cyprus .....	0.1300	0.1249
Latvijas Banka (Latvia) .....	0.2978	0.2813
Lietuvos Bankas (Lithuania) .....	0.4425	0.4178
Magyar Nemzeti Bank (Hungary) .....	1.3884	1.3141
Central Bank of Malta .....	0.0647	0.0622
Narodowy Bank Polski .....	5.1380	4.8748
Banka Slovenije (Slovenia) .....	0.3345	–
Národná Banka Slovenska (Slovakia) .....	0.7147	0.6765
Sveriges Riksbank (Sweden) .....	2.4133	2.3313
Bank of England .....	14.3822	13.9337
Bulgarian National Bank .....	–	0.8833
Banca Nationala a României .....	–	2.5188
<i>Subtotal NCBs outside the euro area</i> .....	<i>28.5092</i>	<i>30.4908</i>
<b>Total</b> .....	<b>100.0000</b>	<b>100.0000</b>

On 1 January 2007, the Bank's share in the subscribed capital of the ECB decreased by 0.0794 % to 2.4708 %. However, asset item 8.1 "Participating interest in ECB capital" increased by € 0.4 million to € 142.3 million, owing to the increase in the ECB's capital (from € 5.565 billion to € 5.761 billion).

The adjustment of the key for subscription to the ECB capital entails not only a change in the shares of the euro area NCBs in the subscribed capital of the ECB, but also the adjustment of the ECB's liabilities in favour of the euro area NCBs as a result of the transfer by the latter of foreign reserves to the ECB. Thus the Bank's claim on the ECB in respect of the foreign reserves transferred (asset item 8.2) increased by € 4.2 million to € 1,423.3 million on 1 January 2007.

Brussels, 14 February 2007



# 3.

## Comparison over five years

## 3.1 Balance sheet

### ASSETS

(thousands of euro)

	2006	2005	2004	2003	2002
<b>1. Gold and gold receivables</b> .....	<b>3,533,260</b>	<b>3,183,132</b>	<b>2,664,670</b>	<b>2,739,197</b>	<b>2,710,680</b>
<b>2. Claims on non-euro area residents denominated in foreign currency</b> .....	<b>6,621,103</b>	<b>7,030,957</b>	<b>7,515,315</b>	<b>8,704,377</b>	<b>11,304,447</b>
2.1 Receivables from the IMF .....	958,274	1,497,732	2,217,927	3,026,021	3,169,845
2.2 Balances with banks and security investments, external loans and other external assets .....	5,662,829	5,533,225	5,297,388	5,678,356	8,134,602
<b>3. Claims on euro area residents denominated in foreign currency</b> .....	<b>268,782</b>	<b>471,093</b>	<b>419,888</b>	<b>321,230</b>	<b>297,976</b>
<b>4. Claims on non-euro area residents denominated in euro</b> ..	<b>346,096</b>	<b>431,299</b>	<b>333,755</b>	<b>244,817</b>	<b>3,656</b>
<b>5. Lending to euro area credit institutions related to monetary policy operations denominated in euro</b> .....	<b>39,910,452</b>	<b>28,950,433</b>	<b>22,695,205</b>	<b>16,748,708</b>	<b>10,876,706</b>
5.1 Main refinancing operations .....	39,100,000	27,895,000	22,391,000	16,748,708	10,876,706
5.2 Longer-term refinancing operations .....	810,452	1,055,433	304,205	–	–
5.3 Fine-tuning reverse operations .....	–	–	–	–	–
5.4 Structural reverse operations .....	–	–	–	–	–
5.5 Marginal lending facility .....	–	–	–	–	–
5.6 Credits related to margin calls .....	–	–	–	–	–
<b>6. Other claims on euro area credit institutions denominated in euro</b> .....	<b>350,619</b>	<b>51,157</b>	<b>318</b>	<b>359</b>	<b>357</b>
<b>7. Securities of euro area residents denominated in euro</b> ....	<b>4,479,265</b>	<b>4,672,397</b>	<b>4,604,179</b>	<b>4,109,447</b>	<b>3,663,289</b>
<b>8. Intra-Eurosystem claims</b> .....	<b>23,803,328</b>	<b>22,034,183</b>	<b>18,671,519</b>	<b>12,654,164</b>	<b>6,367,013</b>
8.1 Participating interest in ECB capital .....	142,816	142,816	142,816	143,290	143,290
8.2 Claims equivalent to the transfer of foreign currency reserves	1,419,102	1,419,102	1,419,102	1,432,900	1,432,900
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem .....	22,241,410	20,472,265	17,109,601	11,077,974	4,790,823
8.4 Other claims within the Eurosystem (net) .....	–	–	–	–	–
<b>9. Other assets</b> .....	<b>3,463,490</b>	<b>2,542,385</b>	<b>2,510,272</b>	<b>2,465,913</b>	<b>2,345,715</b>
9.1 Coins of euro area .....	10,069	10,021	12,749	9,018	10,315
9.2 Tangible fixed assets .....	391,898	391,471	392,435	385,313	370,526
9.3 Other financial assets .....	2,536,705	1,806,975	1,682,542	1,617,015	1,528,380
9.4 Off-balance-sheet instruments revaluation differences .....	64,374	–	84,015	113,334	117,700
9.5 Accruals and prepaid expenditure .....	228,000	189,646	192,723	193,692	217,117
9.6 Sundry .....	232,444	144,272	145,808	147,541	101,677
<b>Total assets</b> .....	<b>82,776,395</b>	<b>69,367,036</b>	<b>59,415,121</b>	<b>47,988,212</b>	<b>37,569,839</b>

## LIABILITIES

(thousands of euro)

	2006	2005	2004	2003	2002
<b>1. Banknotes in circulation</b>	<b>20,618,837</b>	<b>18,550,389</b>	<b>16,451,255</b>	<b>14,199,612</b>	<b>11,964,293</b>
<b>2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>7,928,100</b>	<b>6,785,900</b>	<b>5,416,413</b>	<b>8,324,897</b>	<b>4,481,622</b>
2.1 Current accounts (covering the minimum reserve system)	7,928,100	6,785,900	5,416,413	8,324,897	4,481,622
2.2 Deposit facility	-	-	-	-	-
2.3 Fixed-term deposits	-	-	-	-	-
2.4 Fine-tuning reverse operations	-	-	-	-	-
2.5 Deposits related to margin calls	-	-	-	-	-
<b>3. Other liabilities to euro area credit institutions denominated in euro</b>	<b>-</b>	<b>50,854</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Liabilities to other euro area residents denominated in euro</b>	<b>59,547</b>	<b>48,254</b>	<b>144,781</b>	<b>180,920</b>	<b>123,637</b>
4.1 General government	46,398	37,369	135,150	151,852	115,411
4.2 Other liabilities	13,149	10,885	9,631	29,068	8,226
<b>5. Liabilities to non-euro area residents denominated in euro</b>	<b>521,940</b>	<b>320,960</b>	<b>422,841</b>	<b>270,829</b>	<b>233,479</b>
<b>6. Liabilities to euro area residents denominated in foreign currency</b>	<b>-</b>	<b>155,763</b>	<b>74,996</b>	<b>52,398</b>	<b>-</b>
<b>7. Liabilities to non-euro area residents denominated in foreign currency</b>	<b>705,112</b>	<b>377,936</b>	<b>1,011,421</b>	<b>1,032,172</b>	<b>854,184</b>
<b>8. Counterpart of special drawing rights allocated by the IMF</b>	<b>553,957</b>	<b>587,099</b>	<b>552,986</b>	<b>571,620</b>	<b>629,023</b>
<b>9. Intra-Eurosystem liabilities</b>	<b>45,268,675</b>	<b>35,592,396</b>	<b>29,997,845</b>	<b>17,835,886</b>	<b>12,879,052</b>
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates	-	-	-	-	-
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem	-	-	-	-	-
9.3 Other liabilities within the Eurosystem (net)	45,268,675	35,592,396	29,997,845	17,835,886	12,879,052
<b>10. Other liabilities</b>	<b>638,184</b>	<b>667,914</b>	<b>179,403</b>	<b>291,427</b>	<b>459,045</b>
10.1 Off-balance-sheet instruments revaluation differences	-	22,695	-	-	-
10.2 Accruals and income collected in advance	32,465	26,243	15,500	4,660	6,426
10.3 Sundry	605,719	618,976	163,903	286,767	452,619
<b>11. Provisions</b>	<b>932,468</b>	<b>852,268</b>	<b>931,082</b>	<b>1,035,768</b>	<b>1,387,068</b>
11.1 For future exchange losses	198,919	188,719	289,019	508,219	925,519
11.2 For new premises	-	-	-	-	-
11.3 For contingencies	733,549	663,549	593,549	527,549	461,549
11.4 For loss from the ECB	-	-	48,514	-	-
<b>12. Revaluation accounts</b>	<b>3,246,095</b>	<b>3,203,584</b>	<b>2,348,907</b>	<b>2,428,584</b>	<b>2,902,378</b>
<b>13. Capital and reserve fund</b>	<b>2,059,408</b>	<b>1,814,789</b>	<b>1,714,529</b>	<b>1,636,364</b>	<b>1,549,232</b>
13.1 Capital	10,000	10,000	10,000	10,000	10,000
13.2 Reserve fund:					
Statutory reserve	520,306	276,196	175,209	104,627	100,780
Extraordinary reserve	1,150,543	1,150,543	1,150,492	1,150,492	1,082,180
Amortisation accounts in respect of tangible fixed assets	378,559	378,050	378,828	371,245	356,272
<b>14. Profit for the year</b>	<b>244,072</b>	<b>358,930</b>	<b>168,662</b>	<b>127,735</b>	<b>106,826</b>
<b>Total liabilities</b>	<b>82,776,395</b>	<b>69,367,036</b>	<b>59,415,121</b>	<b>47,988,212</b>	<b>37,569,839</b>

## 3.2 Profit and loss account

(thousands of euro)

	2006	2005	2004	2003	2002
<b>I. Proceeds of net interest-bearing assets</b>	<b>515,339</b>	<b>433,003</b>	<b>355,194</b>	<b>520,410</b>	<b>658,465</b>
1. Interest income	1,941,382	1,300,993	990,564	785,040	839,836
2. Interest expenses (-)	-1,327,214	-831,607	-616,410	-426,387	-446,909
3. Capital gains (losses (-)) on securities	-98,700	-39,929	23,302	129,434	176,572
4. Allocation of monetary income from the Eurosystem	-129	3,546	6,252	10,582	15,955
5. Income from the ECB	-	-	-	21,741	73,011
6. Appropriation to the provision for covering losses from the ECB (-)	-	-	-48,514	-	-
<b>II. Foreign exchange difference results</b>	<b>58,355</b>	<b>529,065</b>	<b>-50,750</b>	<b>-98,742</b>	<b>94,206</b>
1. Foreign exchange difference results	68,555	428,765	-269,950	-516,042	263,606
2. Use and write-back of provision for future exchange losses (appropriation (-))	-10,200	100,300	219,200	417,300	-169,400
<b>III. Commission</b>	<b>4,401</b>	<b>3,425</b>	<b>4,665</b>	<b>1,933</b>	<b>1,181</b>
1. Commission received	8,376	7,458	8,665	4,675	3,244
2. Commission paid (-)	-3,975	-4,033	-4,000	-2,742	-2,063
<b>IV. Amounts recovered from third parties</b>	<b>60,509</b>	<b>65,224</b>	<b>63,692</b>	<b>59,848</b>	<b>54,123</b>
<b>V. Proceeds from statutory investments</b>	<b>85,000</b>	<b>86,318</b>	<b>93,611</b>	<b>113,139</b>	<b>101,091</b>
<b>VI. Other proceeds</b>	<b>1,697</b>	<b>8,901</b>	<b>1,850</b>	<b>3,332</b>	<b>1,371</b>
<b>VII. State share (-)</b>	<b>-56,409</b>	<b>-140,064</b>	<b>25,473</b>	<b>-135,715</b>	<b>-307,555</b>
1. Proceeds from net interest-bearing assets (Art. 29)	-	-70,127	-	-347,160	-293,817
2. Proceeds fully assigned to the State	-35,098	-30,463	-25,976	-28,382	-33,209
3. Foreign exchange difference results	-21,311	-39,474	51,449	239,827	19,471
<b>VIII. Transfer to the unavailable reserve of capital gains on gold (-)</b>	<b>-</b>	<b>-298,904</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. General expenses (-)</b>	<b>-229,133</b>	<b>-231,941</b>	<b>-233,376</b>	<b>-235,470</b>	<b>-235,097</b>
1. Remuneration and social costs	-181,237	-183,014	-188,138	-185,764	-187,524
2. Other expenses	-47,896	-48,927	-45,238	-49,706	-47,573
<b>X. Exceptional costs (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4,827</b>
<b>XI. Depreciation of tangible fixed assets (-)</b>	<b>-8,761</b>	<b>-9,761</b>	<b>-12,025</b>	<b>-19,898</b>	<b>-20,774</b>
<b>XII. Provisions</b>	<b>-70,000</b>	<b>-70,000</b>	<b>-66,000</b>	<b>-66,000</b>	<b>-36,563</b>
1. Use and write-back of provision for new premises (appropriation (-))	-	-	-	-	7,060
2. Use and write-back of provision for contingencies (appropriation (-))	-70,000	-70,000	-66,000	-66,000	-43,623
<b>XIII. Taxes and dues (-)</b>	<b>-116,926</b>	<b>-16,285</b>	<b>-13,672</b>	<b>-14,790</b>	<b>-198,547</b>
<b>XIV. Transfer to the tax-free reserves (-)</b>	<b>-</b>	<b>-51</b>	<b>-</b>	<b>-312</b>	<b>-248</b>
<b>Net profit for the financial year</b>	<b>244,072</b>	<b>358,930</b>	<b>168,662</b>	<b>127,735</b>	<b>106,826</b>

### 3.3 Dividend

(euro)

	2006	2005	2004	2003	2002
Net dividend allocated per share .....	52.50	51.35	50.00	49.00	48.10
Withholding tax deducted per share .....	17.50	17.12	16.67	16.33	16.03
Gross dividend allocated per share .....	70.00	68.47	66.67	65.33	64.13

# Auditor's report

## Report to the Council of Regency on the financial statements for the year ended 31 December 2006<sup>(1)</sup>

We report to you on the performance of the audit mandate. This report contains our opinion on the true and fair view of the financial statements as well as certain additional mentions.

### Unqualified audit opinion on the financial statements

In accordance with Article 27.1 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, we have audited the financial statements for the year ended 31 December 2006, prepared in accordance with the financial reporting framework applicable to the National Bank of Belgium (the "Bank"), which show a balance sheet total of 82,776,395 thousands of EUR and a profit for the year of 244,072 thousands of EUR.

The Board of Directors is responsible for the preparation and the fair presentation of these financial statements. This responsibility includes maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the *Institut des Reviseurs d'Entreprises / Instituut der Bedrijfsrevisoren*. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we considered the Bank's administrative and accounting organisation, as well as its internal control procedures. We have obtained from the Bank's officials and from the Board of Directors, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the financial statements. We have assessed the appropriateness of accounting policies and the reasonableness of the significant accounting estimates made by the Bank as well as the overall financial statement presentation. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion, the financial statements for the year ended 31 December 2006 give a true and fair view of the Bank's assets and liabilities, its financial position and the results of its operations in accordance with the financial reporting framework applicable to the Bank.

(1) Free translation from the Dutch/French original.



## Additional mentions

The Bank's compliance with the Organic Law, its bylaws, the applicable requirements of the Company Code and the legal and regulatory requirements applicable to the accounting records and the financial statements of the Bank, are the responsibility of the Board of Directors.

Our responsibility is, on the basis of a number of specific additional audit procedures carried out at the request of the Bank, to supplement our report with the following additional mentions which do not modify our audit opinion on the financial statements:

- The appropriation of results proposed to you complies with the legal and statutory provisions.
- We have no knowledge of transactions undertaken or decisions taken in violation of the organic law, the Bank's bylaws or the requirements of the Company Code applicable to the Bank.
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable to the accounting records and the financial statements of the Bank.

Brussels, 9 February 2007

Ernst & Young Reviseurs d'Entreprises SCC  
Réviseur d'Entreprises  
represented by  
Marc Van Steenvoort  
Partner

## Approval by the Council of Regency

The Council of Regency examined the annual accounts drawn up at 31 December 2006 which were prepared by the Board of Directors on 30 January 2006 in accordance with the provisions of Article 44 of the Statutes, and took note of the unqualified opinion issued by the auditor for the financial year 2005.

At its meeting on 14 February 2007, it respectively approved the annual accounts and the report on the company's operations in the year 2006. It also gave the administration a discharge and finally determined the distribution of the profits for the financial year.

# Governance statement<sup>(1)</sup>

## 1. Introduction

The National Bank of Belgium, established by the law of 5 May 1850 to take on tasks in the public interest, has always had a special governance structure, deviating from ordinary law, despite its form as a public limited liability company. Designed from the start to enable the Bank to perform its tasks in the public interest, this special system of governance has evolved in line with the role and objectives assigned to the Bank as the country's central bank.

Today, as the central bank of the Kingdom of Belgium, the Bank – together with the ECB and the central banks of the other EU Member States – is one of the components of the ESCB, set up by the Treaty establishing the European Community (the Treaty).

By that token, it is governed first of all by the relevant provisions of the Treaty (Title VII of Part Three) and by the Protocol on the Statute of the ESCB and of the ECB which is annexed to the Treaty, and then by the Law of 22 February 1998 establishing the organic statute of the National Bank of Belgium (Organic Law), and its own Statutes, approved by Royal Decree.

The provisions relating to public limited liability companies are applicable only additionally, i.e. in respect of subjects not governed by the Treaty, the Protocol annexed to it, the Organic Law and the Bank's Statutes, and provided the provisions on public limited liability companies do not clash with those higher level rules.

As a central bank, it shares the main objective which the Treaty assigns to the ESCB, namely maintaining price stability. It contributes towards the performance of the basic tasks of the ESCB which consist in defining and implementing the monetary policy of the European Community, conducting foreign exchange operations in accordance with Article 111 of the Treaty, holding and managing the official foreign exchange reserves of the Member States, and promoting the smooth operation of payment systems.

In addition, it is entrusted with the performance of other tasks in the public interest, on conditions laid down by the law or its implementing regulations, subject to compatibility with the tasks which come under the ESCB.

The pre-eminence of its tasks in the public interest, present from the start and now anchored in the Treaty establishing the European Community, is reflected in a system of governance whose very objectives are different from those of the governance of a company incorporated under ordinary law.

(1) This governance statement is also available on the Bank's website, under *Our enterprise – Our activities – Governance statement*.

First, in accordance with the Treaty, it has to ensure that the rules which govern it are compatible with those of the Treaty itself, and with the Statute of the ESCB, including the requirement concerning the independence of the Bank and of the members of its decision-making bodies in the exercise of their powers and the performance of their tasks, assigned to them by the Treaty and the Statute of the ESCB, in respect of the institutions and bodies of the European Community, governments and all other bodies.

Next, in its governance, the Bank has to reserve a dominant position for the expression of the interests of Belgian society as a whole. That explains, in particular, the arrangements for appointing members of its organs, the specific composition and role of the Council of Regency, the limited powers of the general meeting of shareholders, the special arrangements for the exercise of supervision, including the powers of the representative of the Finance Minister and those of the Board of Censors, and the way in which the Bank reports on the performance of its tasks. That also explains the provisions governing the financial aspects of its activities, intended to give it a sound financial basis and to provide the State, as a sovereign State, with a share of the revenue – known as seigniorage – which the Bank obtains from its activity as a central bank, while allowing remuneration for the capital provided by all the shareholders.

The Bank's special tasks and its specific, unique role in Belgium caused the legislator to give this institution its own particular legal framework and a special form of governance. The values – transparency, efficiency, integrity and commitment – underlying the concern for good governance nonetheless form the basis of the structures and operating rules which govern the Bank.

The Belgian corporate governance code, which complements the legislation and contains provisions which can never be interpreted in a manner contrary to the law, itself points out that it is a recommendation, and affirms its flexibility, implying that its principles can be adapted to the specific characteristics of each enterprise. However, the majority of the code's principles and recommendations cannot be strictly applied to the Bank, in view of the legal framework which governs it, and its position as the country's central bank, responsible for public-interest missions, and an integral part of the ESCB.

Nevertheless, the Bank considers that the system of governance imposed on it partly by its own Organic Law and Statutes, and partly by EU rules, is just as exacting as the recommendations of the Belgian corporate governance code, or even more so in various respects, such as oversight.

It believes that, even though the Belgian corporate governance code is inappropriate to the Bank, it is its duty, in view of its dual status as a central bank and a listed company, to accept an obligation to provide extensive information and report on its activities to the public in general. That is the spirit in which it has drawn up this governance statement.

## 2. Organisation, governance and supervision of the Bank

### 2.1 Comparison of the allocation of powers at the Bank and in public limited liability companies governed by ordinary law

The table on the next page shows the atypical character of the Bank's organisation.

### 2.2 Presentation of the Bank's organs and other institutions

The Bank's organs are the governor, the Board of Directors, the Council of Regency and the Board of Censors (cf. Article 17 of the Organic Law and Article 27 of the Statutes).

The other institutions of the Bank are the general meeting, the representative of the Minister of Finance, the auditor and the Works Council.

## ALLOCATION OF POWERS AT THE BANK AND IN PUBLIC LIMITED LIABILITY COMPANIES GOVERNED BY ORDINARY LAW

The Bank		Public limited liability companies governed by ordinary law	
<b>King</b>	Appointment of the governor Appointment of the directors (on the proposal of the Council of Regency)	Appointment of the directors	<b>General meeting</b>
<b>General meeting</b>	Election of the regents (from a dual list of candidates) Election of the censors Appointment of the auditor (on the proposal of the Works Council and with the approval of the EU Council of Ministers, on the recommendation of the ECB Governing Council) Hearing of the administration's report  Amendment of the Statutes except for Council of Regency prerogatives	Appointment of the auditors  Hearing of the directors' report, auditors' report and discharge of the auditors Amendment of the articles of association	
<b>Council of Regency</b>	Amendment of the Statutes to bring them into line with the Organic Law or international obligations which are binding on Belgium Discussion and approval of the annual accounts Appropriation of the profits Discharge of the Board of Directors Setting the remuneration of the members of the Board of Directors  Proposal for the appointment of the directors Approval of the budget and the administration's report	Discussion and approval of the annual accounts Appropriation of the profits Discharge of the directors Setting the remuneration of the Board of Directors	
<b>Board of Directors</b>	Definition of company policy Administration and management Drawing up of the annual accounts Preparation of the administration's report  Management and routine operation	Definition of company policy Administration and management Drawing up of the annual accounts Drawing up of the directors' report	<b>Board of Directors</b>
<b>Board of Censors</b>	Supervision of the preparation and implementation of the budget	Optional delegation of the management (management board) or the routine operation (chief executive)	<b>Management board or chief executive</b>
<b>Representative of the Minister of Finance</b>	Monitoring of the Bank's operations, except for those which come under the ESCB (right to oppose any measure which is contrary to the law, the Statutes or the interests of the State)		

The Bank's organs and their respective powers are fundamentally different from those of conventional public limited liability companies (see table).

## 2.3 Organs of the Bank

### 2.3.1 Governor

#### **POWERS**

The governor exercises the powers conferred on him by the Statute of the ESCB, the Organic Law, and the Bank's Statutes and internal regulations.

He directs the Bank and its staff with the assistance of the directors. He presides over the Board of Directors and the Council of Regency, arranging the implementation of their decisions, and chairs the general meeting. He exercises direct authority over the members of staff, whatever their grade and their function.

At the general meeting, he presents the annual report on the operations and the accounts, approved by the Council of Regency. He submits to the presidents of the Chamber of Representatives and the Senate the annual report referred to in Article 113 of the Treaty establishing the European Community. He may be heard by the competent committees of the Chamber of Representatives and of the Senate, at the request of those committees or on his own initiative.

He represents the Bank in legal proceedings.

He submits proposals to the Board of Directors on the allocation of the departments and services among the board's members, and on the representation of the Bank in national and international organisations and institutions.

He also has a seat on the ECB Governing Council, which decides *inter alia* on the monetary policy for the euro area.

#### **APPOINTMENT**

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

Thus, EU and Belgian legislation ensures the personal independence of the governor, both by the length of his term of office and by the restrictions on his removal from office.

### 2.3.2 Board of Directors

#### **POWERS**

The governor and the directors jointly exercise their powers as members of the Board of Directors.

The Board of Directors is a collegiate body, responsible for the administration and management of the Bank in accordance with the Organic Law, the Statutes and the internal regulations, and is in charge of the direction of its policy.

The governor and the directors each have authority over one or more of the Bank's departments and services. They ensure that the latter implement, within the framework of their respective duties, the decisions taken by the governor, the Board of Directors and the Council of Regency.

The Board of Directors appoints and dismisses the members of staff. It determines their salaries and the allocation of the share of the profits assigned to the staff.

It has the right to make settlements and compromises. It exercises regulatory power in the cases laid down by law. It pronounces on all matters which are not expressly reserved for another organ by law, the Statutes or the internal regulations of the Bank.

It draws up the budget and prepares the annual report of the administration and the annual accounts, which it submits to the Council of Regency for approval.

It decides on the investment of the capital, the reserves and the amortisation accounts after consultation with the Council of Regency and without prejudice to the regulations adopted by the ECB.

It proposes the Bank's internal regulations for the approval of the Council of Regency.

The Bank's Board of Directors therefore exercises the powers of administration, management and strategic direction of the enterprise which are delegated to the administrative board in public limited liability companies governed by ordinary law, as well as the actual management powers.

It is not accountable for its activities to the general meeting, which has no power to give it a discharge; instead, it is accountable to the Council of Regency to which it submits the annual report of the administration and the annual accounts, as the approval of the accounts by that body constitutes a discharge for the administration.

Pursuant to the law of 2 August 2002 on the supervision of the financial sector and on financial services, and the Organic Law, three members of the Board of Directors have a seat, in a personal capacity, on the management committee of the CBFA. To avoid any danger of a conflict of interests, they do not take part in the deliberations in cases where a decision to be taken by the said management committee concerns the Bank as an issuer of financial instruments admitted to trading on a Belgian regulated market. In its judgment of 10 December 2003, the Court of Arbitration confirmed that there are adequate safeguards surrounding the composition and functioning of the CBFA management committee to facilitate impartial decisions.

## COMPOSITION

The Board of Directors is composed of the governor and five to seven directors. It includes an equal number of French and Dutch speakers, with the possible exception of the governor. The members of the Board of Directors must be Belgians.

The directors are appointed by the King, on the proposal of the Council of Regency. The method of nominating the directors was specifically designed by law in 1948 to emphasise the character of the Bank's activities as tasks performed in the public interest.

The directors are appointed for a renewable term of six years.

The King confers the title of vice-governor on one of the directors. The vice-governor replaces the governor if the latter is unable to perform his duties, without prejudice to Article 10.2. of the Statute of the ESCB.

In order to avoid any conflict of interests, the Organic Law stipulates that, except in a limited number of specified instances, the members of the Board of Directors may not perform duties in commercial companies or companies which are commercial in form, or in public institutions engaged in industrial, commercial or financial activities. They are also prohibited from taking on certain political posts (as members of a parliament, government or cabinet).

The members of the Board of Directors may be removed from office by the King only if they have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties.

Thus, the Organic Law ensures the personal independence of the members of the Board of Directors, both by the length of their term of office and by the restrictions on their removal from office.

## ACTIVITIES

The Board of Directors meets whenever circumstances dictate, and at least once a week. Its activities are governed by internal regulations, which are available on the Bank's website.

### 2.3.3 Council of Regency

## POWERS

The Council of Regency discusses general questions relating to the Bank, monetary policy and the national and international economic situation. Once a month, it takes note of the Bank's financial situation.

It has power to lay down the accounting rules for all aspects of the annual accounts which are not covered by the provisions of the Bank's Organic Law and are not mandatory for the compilation of the consolidated balance sheet of the Eurosystem. It approves the expenditure budget and the annual accounts, and finally determines the distribution of the profits proposed by the Board of Directors.

It approves the Annual Report on the Bank's operations.

It amends 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.

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, and the code of conduct which must be respected by the members of the Board of Directors and the staff.

It may specially delegate some of these powers to the Board of Directors.

The Council of Regency fixes the individual salaries and pensions of the members of the Board of Directors. It also fixes the amount of the allowance received by the regents and the censors.

The Council of Regency therefore exercises certain powers which, in companies governed by ordinary law, are reserved for the board of directors, and others reserved for the general meeting of shareholders. This is a very special organ which introduces an element of duality into the Bank's governance structure. Composed predominantly of non-executive members, the Council of Regency plays a key role in appointments, remuneration and supervision, and does so on a more continuous basis than the special committees of ordinary companies, in view of the frequency of its meetings.

In regard to the budget and remuneration, the Council of Regency is assisted by two committees: the Budget Committee and the Remuneration Committee. The Budget Committee has power to examine the Bank's budget before it is approved by the Council of Regency. It is chaired by a member of the Board of Censors and is otherwise composed of the director responsible for the Controlling department, two regents, one other censor and the representative of the Minister of Finance. The Remuneration Committee has to make recommendations to the Council of Regency on the remuneration and pensions of the members of the Board of Directors, and the remuneration of the regents and censors. It is chaired by a regent and is otherwise composed of one other regent, two censors and the representative of the Minister of Finance. These committees meet whenever circumstances dictate. The head of the Secretariat service is responsible for their secretariat. Their composition ensures their independence and State control, which is justified by the public character of the enterprise.

Pursuant to the law of 2 August 2002 on the supervision of the financial sector and on financial services, and the Organic Law, three regents have a seat, in a personal capacity, on the Supervisory Board of the CBFA.



**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, on the basis of dual lists of candidates. Two regents are chosen on the proposal of the most representative labour organisations, three on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders, and five on the proposal of the Minister of Finance.

The method of appointing the regents has been organised in a special way. In the preparations for the law of 28 July 1948 which amended the Organic Law and reorganised the Bank, the legislator expressed its desire that the method of appointing the directors and regents should ensure both the Bank's total independence vis-à-vis individual interests and the technical competence of the candidates. The procedure for proposing the regents was designed to ensure that the various Belgian socio-economic interests were fairly represented.

In order to avoid any conflict of interests, the Organic Law stipulates that the regents may not hold office as managing director, director or manager in a credit institution, nor may they take on certain political posts (as members of a parliament, government or cabinet).

The regents may be dismissed by the general meeting of shareholders deciding by a majority of three-quarters of the votes of the shareholders present, holding at least three-fifths of the shares.

**ACTIVITIES**

The Council of Regency meets at least twice a month and passes its decisions by a majority of the votes.

**2.3.4 Board of Censors****POWERS**

The Board of Censors' task is to supervise the preparation and implementation of the Bank's budget. In that context, it regularly takes cognisance of the activities of the Internal Audit service. Its chairman informs the Council of Regency of those activities each year and answers its questions on the subject.

**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. They are chosen from among persons with particular expertise in auditing. In order to avoid any conflict of interests, they may not take on certain political and parliamentary duties.

The censors may be dismissed by the general meeting of shareholders deciding by a majority of three-quarters of the votes of the shareholders present, holding at least three-fifths of the shares.

**ACTIVITIES**

The Board of Censors meets at least twice per quarter. Its resolutions are adopted by a majority of the votes.

### 2.3.5 Remuneration policy

#### **BOARD OF DIRECTORS**

Pursuant to the Organic Law, the Council of Regency fixes the individual salaries and pensions of the members of the Board of Directors. It is assisted in that by the Remuneration Committee, which issues prior recommendations.

Since the Bank, unlike the majority of other listed companies, does not have as its main object the maximisation of its profits, the remuneration of the governor and of the other members of the Board of Directors consists solely of a fixed element, with no variable component. There is no bonus, as the law expressly stipulates that these salaries may not comprise any share in the profits, and that no other remuneration may be added to them. However, the Bank's Statutes do provide for the Bank to pay the governor's accommodation expenses.

For a great many years, the Council of Regency has adopted a policy of setting the remuneration of each new governor, vice-governor or director at the level of his predecessor.

The remuneration of the members of the Board of Directors is index-linked (since 1994, it has been linked to the health index).

In addition, the members of the Board of Directors hand over to the Bank any remuneration which they receive in respect of the various external duties which they perform in consideration of their position at the Bank. However, the majority of these duties attract no remuneration, or only negligible amounts, the principal exception being the post of BIS director held by the governor. He hands over the whole of this remuneration to the Bank.

#### **COUNCIL OF REGENCY**

Pursuant to the Organic Law, the regents receive attendance fees and, if necessary, a travel allowance, depending on their actual attendance at the meetings. The amount of these allowances is set by the Council of Regency under the supervision of the Minister of Finance, exercised via his representative, and on the recommendation of the Remuneration Committee.

#### **BOARD OF CENSORS**

Like the regents, the censors receive attendance fees pursuant to the Organic Law, and – if appropriate – a travel allowance, depending on their actual attendance at the meetings. The amount of that allowance is set by the Council of Regency under the supervision of the Minister of Finance, exercised via his representative, and on the recommendation of the Remuneration Committee.

## 2.4 Other institutions of the Bank

### 2.4.1 General meeting

#### POWERS

The ordinary general meeting hears the administration's report on the past year's operations and elects the regents and the censors for the offices which have become vacant, in accordance with the stipulations of the Organic Law. It appoints the auditor on the proposal of the Works Council. It amends the Statutes in cases where that power is not reserved for the Council of Regency.

The general meeting deliberates concerning the matters mentioned in the convening notice and those submitted to it by the Council of Regency or by the Board of Censors.

The Organic Law does not confer organ status on the general meeting, whose powers are limited.

#### COMPOSITION

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

#### ACTIVITIES

The general meeting is chaired by the governor. The ordinary general meeting is held on the last Monday in March or, if that is a public holiday, on the next bank working day. 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.

Before the meeting is opened, the shareholders sign the attendance register.

The two shareholders present who hold the largest number of shares act as tellers, provided they are not members of the administration and subject to acceptance of that office.

Each share confers entitlement to one vote.

All resolutions are passed by an absolute majority of the votes. If the votes are equally divided, the proposal is rejected. Elections or dismissals take place by secret ballot. The vote is held by roll call on all other proposals or matters. If, in the first round of the ballot, the members to be elected have not all obtained an absolute majority, a list is drawn up of the persons obtaining the most votes. This list contains twice as many names as there are members yet to be elected. Votes may be given only for these candidates. In all cases where the votes are evenly divided, the older candidate takes precedence.

Decisions passed in accordance with the rules are binding on all the shareholders.

Minutes are drawn up in respect of each meeting. They are signed by the tellers, the chairman and the members of the Council of Regency. They are published on the Bank's website. Exemplified copies and extracts to be issued to third parties are signed by the secretary.

#### 2.4.2 Representative of the Minister of Finance

Except as regards the tasks and operations within the domain of the ESCB, the representative of the Minister of Finance supervises the Bank's operations, 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 one week of the suspension, the decision may be implemented.

The representative of the Minister of Finance attends, ex officio, in an advisory capacity, the meetings of the Council of Regency and the Board of Censors.

Except as regards operations within the domain of the ESCB, the representative of the Minister of Finance has the right to take note 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 Board of Directors is required to provide him, whenever he so requests, with a certified copy of the Bank's financial statement.

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

Via his representative, the Minister of Finance thus exercises, on behalf of the sovereign State, supervision over the Bank's activities in regard to tasks in the national interest.

The salary of the representative of the Minister of Finance is set by the said minister in consultation with the management of the Bank, and is paid by the Bank.

#### 2.4.3 Auditor

The auditor performs the auditing functions prescribed by Article 27.1 of the Protocol on the Statute of the ESCB and of the ECB, and reports to the Council of Regency on those activities. He certifies the annual accounts. He also performs certification functions for the attention of the ECB auditor.

He reports to the Works Council once a year on the annual accounts and the management report. He certifies the accuracy and completeness of the information supplied by the Board of Directors. He analyses and explains, particularly for the members of the Works Council appointed by the employees, the economic and financial information submitted to this Council, in terms of its significance in relation to the financial structure and the assessment of the Bank's financial position.

He provides technical assistance for the Bank on particular points relating to the supervision of compliance with the code of conduct. For this aspect of his duties, he is specifically subject to the professional secrecy referred to in Section 458 of the Penal Code.

Since the Bank is subject to public procurement legislation, the auditor is selected by a public tender. The auditor is then appointed by the general meeting of the Bank on the proposal of the Works Council. He must be approved by the EU Council of Ministers, on the recommendation of the ECB.

#### 2.4.4 Works Council

Pursuant to the law of 20 September 1948 on the organisation of the economy, the Bank has a Works Council, a joint consultation body composed of representatives of the employer and representatives of the staff, elected every four years.

The main function of the Works Council is to give its opinion and formulate any suggestions or objections in regard to all measures which could change the working arrangements, working conditions and efficiency of the enterprise.

Specific economic and financial information is made available by the Board of Directors, in accordance with the law.

## 2.5 Mechanisms for controlling the activities

A series of control mechanisms ranging from operational to external controls govern the Bank's activities and operations, ensuring that they proceed smoothly with due regard for the set objectives and in accordance with the dual concern for security and the economical use of resources.

The control requirements applicable to the Bank on account of its tasks as the country's central bank and its membership of the ESCB differ from, and extend beyond, those laid down in the Belgian corporate governance code recommended for public limited liability companies governed by ordinary law.

From the point of view of the general management of the enterprise, the Board of Directors is responsible for establishing an internal control system.

The persons in charge within the hierarchy and their staff take on primary responsibility for the actual operation of the internal control system.

The Internal Audit service takes on secondary responsibility for assessing the internal control system, with the following specific objectives:

- in all operating units, to raise awareness of the risks of the enterprise and improve risk identification and measurement;
- to formulate an independent appraisal of these risks and the control measures, checking their application;
- to issue the Board of Directors and the heads of departments and services with opinions and to propose measures for improving the internal control system;
- to provide assistance where necessary in the implementation of these measures.

In order to guarantee its independence vis-à-vis the departments and services, the Internal Audit service comes directly under the governor, and does not carry any direct operational responsibility. It reports to the Board of Directors.

The head of the Internal Audit service is a member of the Internal Auditors Committee (IAC) of the ESCB. The Internal Audit service conforms to the methodology, objectives, responsibilities and reporting procedure laid down within the ESCB, including the ESCB Audit Policy approved by the ECB Governing Council.

Certain control functions are performed by specific administrative entities (e.g. the management of access to computer systems), while structural conflicts of interest are resolved by segregating the activities concerned (system of Chinese walls): thus, for example, the operation and oversight of the payment systems are entrusted to two different departments.

The Council of Regency approves the annual accounts, the annual budget, the accounting rules and the rules on the Bank's internal organisation.

The Board of Censors supervises the preparation and implementation of the budget and takes cognisance of the activities of the Internal Audit Service. Every year, its chairman informs the Council of Regency and answers its questions.

The Bank is also subject to various external controls.

The first form of control is provided by the auditor, who verifies and certifies the Bank's accounts.

Except as regards the tasks and operations within the domain of the ESCB, the representative of the Minister of Finance supervises the Bank's operations on the behalf of the minister. The latter in fact has the right to monitor those operations and to oppose the implementation of any measure which would be contrary to the law, the Statutes or the interests of the State.

In addition, the governor may be heard by the competent committees of the Chamber of Representatives and of the Senate, at the request of those committees or on his own initiative.

Finally, pursuant to the Statute of the ESCB and of the ECB, the Bank acts in accordance with the directions and instructions of the ECB. The Governing Council takes the necessary measures to ensure compliance with those directions and instructions, and requires all necessary information to be supplied to it.

## 2.6 Rules of conduct

A code of conduct imposes strict rules of behaviour on all the Bank's employees. This code also contains specific provisions applicable to the members of the Board of Directors and to persons involved at all levels in the hierarchy in the execution of monetary policy transactions, foreign exchange transactions and the management of the financial assets of the Bank or of the ECB, or those who might have regular access to confidential information which may influence prices.

The members of the Board of Directors maintain the highest standards of professional ethics.

The members of the Bank's organs and staff are subject to strict professional secrecy pursuant to Article 35 of the Organic Law. They are also subject to the rules on insider trading and market manipulation, based on Articles 25 and 25bis of the law of 2 August 2002 on the supervision of the financial sector and on financial services.

The members of the Board of Directors, and the regents and censors, are subject to the obligations of the laws of 2 May 1995 and 26 June 2004 concerning the disclosure of posts held and of assets.

## 3. Shareholders

### 3.1 Capital and shares

The Bank's share capital totals ten million euro. It is represented by four hundred thousand shares of no face value. Two hundred thousand registered, non-transferable shares are held by the Belgian State. The two hundred thousand other registered and bearer shares are held by the public and listed on the Euronext Eurolist.

The share capital is fully paid up.

Except for those belonging to the State, the shares can be converted to registered or bearer shares, free of charge, at the owner's request.

Ownership of the registered shares is established by entry in the register. The person registered receives a certificate which does not constitute a transferable instrument.

### 3.2 Shareholder structure

Since 1948, and pursuant to the Organic Law, the Belgian State has held two hundred thousand of the Bank's shares, or 50 p.c. of the total voting rights.

The Bank has not received any declaration drawing attention to other holdings of 5 p.c. or more of the voting rights, pursuant to Article 1 § 1 of the law of 2 March 1989 on the disclosure of substantial holdings in listed companies.

### 3.3 Dividends

The setting of the dividends is organised by the Organic Law.

In view of the special nature of the Bank and its tasks in the public interest, including the primary objective of maintaining price stability, the dividend is largely unconnected with the movement in the profits, or any losses. The policy adopted by the Council of Regency ensures that the nominal dividend continues to increase steadily, even in less favourable times, and thus protects the shareholders against the volatility of the Bank's results, which are influenced by the monetary policy of the Eurosystem and exogenous factors such as demand for banknotes or exchange rate movements.

## 4. Communication with shareholders and the public

### 4.1 Principles

As the country's central bank, the Bank performs special tasks in the public interest, on which it has to render account to the democratic institutions and to the public in general, and not only to its shareholders and employees.

### 4.2 Annual reports

Every year, the Bank publishes a report in two parts. Part 1 supplies the public with extensive information on recent economic and financial developments in Belgium and abroad. The summary presented by the governor on behalf of the Council of Regency focuses on key events in the past year and delivers the Bank's main messages concerning economic policy.

In Part 2, the Board of Directors presents for the attention of the shareholders and the public the report on the Bank's activities and the annual accounts for the preceding year. It also explains the organisation and governance of the Bank.

The two parts of the annual reports are made available in printed form to the shareholders and the public prior to the ordinary general meetings. They are also published on the Bank's website, which offers all the reports issued since 1998.

### 4.3 Report to parliament

Pursuant to the Organic Law and the Statutes, the governor may be heard by the competent committees of the Chamber of Representatives and of the Senate, at their request or on his own initiative.

### 4.4 General meetings

The Bank's ordinary general meeting provides an opportunity for shareholders and the Bank's management to meet. Every year at the meeting, the Board of Directors presents the report on the Bank's activities and the accounts for the past financial year.

### 4.5 Website

On its website, the Bank offers the public and the shareholders a large quantity of regularly updated information on its activities and operations, available at all times.

## 5. Representation of the Bank

The governor represents the Bank in legal proceedings.

All acts which are binding upon the Bank, and all powers of attorney relating to those acts may be signed either by the governor or by a director and the secretary without any need to substantiate their authority to third parties.

Routine administrative acts may be signed by the governor, the vice-governor or a director, or by one or two members of the staff delegated for that purpose by the Board of Directors.

The governor and the Board of Directors may expressly or tacitly grant special authority to represent the Bank.

## 6. The Bank's specific responsibility

The Bank issues and abides by its own mission statement. In addition, as a member of the Eurosystem, it has adopted that system's mission statement.

### 6.1 The Bank's mission statement

"The National Bank intends to be an independent, competent and accessible institution which carries out tasks in the public interest, providing added value for the economy and for Belgian society. It aims to be a valued partner of the Eurosystem, to which it contributes at multiple levels."

### 6.2 Eurosystem mission statement

"The Eurosystem, which comprises the European Central Bank and the national central banks of the Member States of the European Union whose currency is the euro, is the monetary authority of the euro area. We in the Eurosystem have as our primary objective the maintenance of price stability for the common good. Acting also as a leading financial authority, we aim to safeguard financial stability and promote European financial integration.

In pursuing our objectives, we attach utmost importance to credibility, trust, transparency and accountability. We aim for effective communication with the citizens of Europe and the media. We are committed to conducting our relations with European and national authorities in full accordance with the Treaty provisions and with due regard for the principle of independence.

We jointly contribute, strategically and operationally, to attaining our common goals with due respect to the principle of decentralisation. We are committed to good governance and to performing our tasks effectively and efficiently, in a spirit of cooperation and teamwork. Drawing on the breadth and depth of our experiences as well as on the exchange of know-how, we aim to strengthen our shared identity, speak with a single voice and exploit synergies, within a framework of clearly defined roles and responsibilities for all members of the Eurosystem."



## Opening hours and addresses

SERVICES	ESTABLISHMENTS OFFERING THE SERVICES	OPENING HOURS
Banknotes and coins, State Cashier	Brussels, Antwerp, Kortrijk, Hasselt, Liège and Mons	9.00 to 15.30 hrs
Central Balance Sheet Office	Brussels, Antwerp, Kortrijk, Hasselt, Liège and Mons	9.00 to 15.30 hrs
Central Individual Credit Register	Ghent and Namur <sup>(1)</sup>	9.00 to 13.00 hrs and 14.00 to 15.30 hrs
Scientific Library	Brussels	9.00 to 16.00 hrs
Museum	Brussels	10.00 to 18.00 hrs (daily except Mondays)

**Website:** [www.nbb.be](http://www.nbb.be)

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(1) These offices also offer a limited service for the exchange of Belgian franc banknotes.

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Departments and services: see website.

(1) For the Central Balance Sheet Office and the Central Individual Credit Register: boulevard de Berlaumont 18, 1000 Brussels.

## Abbreviations

BIS	Bank for International Settlements
CBFA	Banking, Finance and Insurance Commission
CDF	Democratic Republic of Congo franc
CEBS	Committee of European Banking Supervisors
CEC	Centre for Exchange and Clearing
CIK	Caisse interprofessionnelle des dépôts et virements
CLS	Continuous linked settlement
CSD	Central securities depository
CSSR	Central Server for Statistical Reporting
ECB	European Central Bank
ELLIPS	Electronic large-value interbank payment system
ESA	Euroclear société anonyme
ESCB	European System of Central Banks
EU	European Union
FSC	Financial Stability Committee
FSF	Financial Stability Forum
FPS	Federal Public Service
G10	Group of Ten
HICP	Harmonised Index of Consumer Prices
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
MiFID	Markets in Financial Instruments Directive
NCB	National Central Bank
OECD	Organisation for Economic Cooperation and Development
PME	Permanent Monitoring Entity
SDR	Special Drawing Rights
SEPA	Single Euro Payments Area

SWIFT	Society for Worldwide Interbank Financial Telecommunication
TARGET	Trans-European Automated Real-Time Gross Settlement Express Transfer system
XBRL	Extensible Business Reporting Language

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