

Report 2011

Corporate Report



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Foreword

In view of the financial crisis which has persisted since 2008, there is clearly a need to improve the way that the supervision of financial institutions is organised and applied. This has led the authorities at both European and Belgian level to rethink the subject in depth.

At European level, the European System of Financial Supervisors (ESFS) was created on 1 January 2011. It comprises the European Systemic Risk Board, the European body responsible for macroprudential oversight, and three European Supervisory Authorities which are to strengthen microprudential supervision in Europe in banking, insurance and securities markets respectively.

Drawing inspiration from developments in a number of European Union countries and on the basis of the recommendations of Belgium's special commission of inquiry into the financial and banking crisis and those of the Lamfalussy Committee, the Belgian authorities decided in 2010 to change the supervision of the financial sector, and more specifically the interaction between the Bank and the former Banking, Finance and Insurance Commission (CBFA), switching to a "twin peaks" model.

This change was carried out in two stages. Following a transitional stage featuring the creation of a Committee on Systemic Risks and System-relevant Financial Institutions (CSRSFI) comprising the members of the Bank's Board of Directors and the CBFA's Management Committee, the Royal Decree of 31 March 2011 entrusted to the Bank all the macroprudential oversight and microprudential supervision functions concerning banks and insurance companies⁽¹⁾. The CBFA, renamed the FSMA (Financial Services and Markets Authority), is responsible for supervising financial markets, investment instruments, financial product marketing, and the code of conduct applicable to financial sector players, and protection for consumers of financial services. This Decree entered into force on 1 April 2011, on which date almost 200 staff of the former CBFA were transferred to the Bank to ensure the continuity of supervision activities.

This date therefore marks a major turning point in the history of our enterprise, since it is accompanied by the assumption of an entirely new area of activity which is particularly exacting and of great importance for society as a whole. This was and remains a significant challenge for the Bank, as we could not just tack on this activity as a straightforward addition to the broad range of tasks which the Bank already performs. In taking over prudential supervision, we were obliged to give it new emphasis by using the expertise, competence and data available at the Bank for the benefit of this work. We therefore had to encourage a transverse perspective, cross-fertilisation, and the circulation of information, which is a crucial issue here. We organised a joint review exercise for the purpose of designing the most efficient way of organising this activity in its new environment.

(1) For the time being, the FSMA is still in charge of the microprudential supervision of pensions.

This Report unveils the principles governing the new organisation and describes how they were translated into our everyday work and our organisation chart.

However, the challenge was not just conceptual. We had to integrate new staff and give them the best possible facilities for their work. We also had to incorporate the new workload into the operation of the company and, in particular, into the functioning of the Board of Directors. To ensure efficiency in the new configuration, we introduced reforms not least of which was the establishment of a General Secretariat, which will in future take on a large part of the purely organisational work. The Secretariat also takes charge of managing the agendas, the minutes, and the circulation of files for the Board of Directors, monitors the execution of the decisions and deals with external communication.

It must be remembered that the Bank had to contend with this reform during a protracted financial crisis when the sovereign debt crisis was erupting. Throughout Europe, central banks were constantly stepping in, deploying the whole range of tools at their disposal. All this made 2011 an exceptionally busy year for the Bank, in all sectors of activity. The Report on Economic and financial developments and the Report on Financial stability and prudential supervision describe the developments concerning the crisis and their impact on the Bank's monetary and prudential policies. In the fluid context which I have described, the first part of this Corporate Report gives an update on all the Bank's activities. In accordance with the relevant legislation, the Management Report is supplemented this year by a Remuneration Report.

The Bank as a whole provides a service for society, and the efficiency of that service is one way of measuring its value. In the tasks which it has performed since 1850, in those which it has carried out in the Eurosystem since the creation of the euro, and in those entrusted to it by law, such as the new financial stability tasks which it took on in 2011, the Bank will continue to aim at the highest standards of quality and efficiency.

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1. The National Bank as an enterprise

1.1 The principal missions of the National Bank

1.1.1 Money and monetary policy

It is with good reason that the general public regard central banks primarily as issuing institutions, as that was the activity that placed these institutions at the centre of the banking system and enabled them to perform the role of the “bank of banks”. It was also the issuing of currency that gave them their principal means of action.

Whereas originally it was the feudal lord or the monarch who had the power to confer validity on the currency, in modern times this ‘royal’ prerogative is regarded as an essential element of the sovereignty of States which – where banknotes are concerned – assign that right to specific institutions: the central banks.

Nowadays, for the seventeen European Union Member States which have adopted the euro as their currency, monetary policy is managed by a specific institution: the Eurosystem. It links the central banks of those seventeen countries and the European Central Bank (ECB), based in Frankfurt.

1.1.1.1 CURRENCY, ISSUANCE AND SEIGNIORAGE

Currency production and circulation of currency

The National Bank has been creating and printing banknotes and placing them in circulation ever since it was founded in 1850. The euro coins intended for Belgium are minted by the Belgian Royal Mint and placed in circulation via the Bank.

The printing of euro banknotes is shared among secure printing works of the euro area. The Bank’s Printing Department specialises in producing € 50 notes which, with the larger denominations, have the most sophisticated security features in the series. It also conducts a great deal of research and development in the sphere of new printing and security techniques, partly with a view to the next series of banknotes for which the issue date has yet to be decided.

In the euro area, some 14.9 billion banknotes were in circulation at the end of 2011, compared to 8.2 billion at the end of 2002, the year in which the euro notes and coins were launched. The commonest denominations are the € 50 and € 20 notes. In 2011, they respectively represented 40.4% and 19.1% of the total circulation. Next come the € 10 (13.9%) and the € 100 notes (11%).

The number of counterfeit notes seized in the euro area declined from 751 000 in 2010 to 606 000 in 2011 (–19%), whereas the volume of banknotes in circulation has continued to rise in the past year. The most commonly forged denominations are € 20 notes; nevertheless, the number of counterfeits seized is no more than 0.0096% of the circulation of that denomination, followed by the € 50 (0.0034% of that denomination in circulation) and the € 100 (0.0058% of that denomination in circulation).

Every day, credit institutions withdraw and deposit banknotes and coins at the National Bank in Brussels and at the provincial branches via secure transport firms. The processing of banknotes is currently undergoing radical reorganisation. The cash centres of the commercial banks are separate from those of secure carriers, and that implies higher transport costs and risks. Moreover, the division of responsibilities has not previously been either clear or ideal. Secure carriers have developed their recycling centres, and the proportion of banknotes passing

back through the National Bank has diminished. However, as the central bank, the National Bank has a duty to keep watch over the quality of the currency in circulation, as that is the best safeguard against counterfeiting.

To improve efficiency and reduce the risks, the Bank offered the carriers the use of some of its premises as branches at cost price, with – in return – a clear division of responsibilities between the latter and the Bank, which will continue to operate the machines that actually recycle banknotes. This solution should also ensure that the Bank maintains a strong presence in its provincial branches, based on its core business. One partner responded positively to the call for tenders concerning this project, which will initially be set up at the Mons and Kortrijk branches. Banks welcomed the project because it reduces the number of transport operations and hence the costs, and means that they are credited more quickly. The police were also in favour, as there will be a corresponding reduction in their deployment to provide security for transportation and deposits. The Bank aims to adapt the buildings so that the whole plan can go ahead in 2013. Apart from this pilot project, the extension of the new methodology to central and eastern Belgium will be considered.

It must be remembered that it is not the Bank that determines the quantity of currency in circulation, but public demand. The main reason for the frequent deposits and withdrawals by credit institutions at the National Bank is the desire to minimise their stock of cash, since it does not bear interest.

Transactions in banknotes are monitored and recorded via an IT platform developed and housed at the Bank: the Cash Single Shared Platform (Cash SSP). This IT tool is also used by the central banks of Cyprus, Finland, Ireland, Latvia, Luxembourg and the Netherlands. The Maltese central bank has undertaken to acquire the same instrument from April 2012. At the request of the ECB Governing Council, the Bank also created an application which produces statistics on banknotes and coins. That application (Currency Information System 2) is operational throughout the Eurosystem and is linked to Cash SSP in the countries which have adopted it.

Seigniorage

The terms “seigniorage” and “seigniorage income” denote the revenue which the issuer obtains from issuing banknotes. Nowadays, that revenue is collected by the central banks which hand it over to the State after deducting their costs.

Where does it come from? To understand that, it is necessary to remember that banknotes originated from the debt acknowledgements that bankers gave to their customers in exchange for deposits of precious metal from which they made a profit. Today, banknotes are obviously no longer issued in return for gold or silver deposits. Nowadays they are abstract monetary tokens, but central banks still record them as debts, on the liabilities side of their balance sheet. On the assets side, the corresponding entries include loans to commercial banks and foreign exchange reserves, which bear interest. It is the interest generated by these assets, based on unremunerated liabilities in the form of banknotes, that constitutes seigniorage income.

In the euro area, it is no longer possible to obtain an exact estimate of the currency in circulation for each participating State. The seigniorage is therefore shared out according to a fixed formula: the ECB receives 8% and the balance is shared among the national central banks in proportion to their paid-up share in the capital of that institution.

In all central banks, the allocation rules ensure that their surplus income in excess of their expenses accrues to the State, which is thus remunerated for conferring the right of issue. In Belgium, the rules on the allocation of the seigniorage income between the Bank and the State have changed over the years. Since 2009, the balance of the profits for the year – following the formation of the necessary reserves and remuneration of the shareholders – is allocated to the State.

The right of issue is not only the source of central bank income, it is also one of the instruments enabling central banks to perform one of their principal tasks, namely the implementation of monetary policy. To satisfy their customers’ demand for banknotes, credit institutions have to obtain the notes by borrowing from the central bank. The interest rate on those borrowings is the main instrument of monetary policy.

1.1.1.2 MONETARY POLICY: OBJECTIVE AND INSTITUTIONAL FRAMEWORK

Objective: price stability

When States handed over the right of issue to the central banks, they also gave them the task of protecting the value of the national currency. In today’s Europe, that traditional task is reflected in the price stability objective assigned to the Eurosystem by the Treaty on the Functioning of the European Union (EU).

Both a generalised and persistent increase in prices (inflation) and a fall in prices (deflation) are detrimental for the economy. Prices are in fact the main information available to the economic agents for estimating the value of goods and services, but inflation and deflation disrupt that information by distorting relative values. They increase uncertainty and ultimately damage investment and growth. By ensuring price stability, central banks contribute to growth and employment. Price instability does not only affect economic efficiency, it also alters the value of contracts and savings, causing an arbitrary redistribution of incomes and assets.

In order to provide a stable anchorage point for expectations regarding price movements, and to place the public in a better position to judge the activities of the Eurosystem, price stability was defined as a rise in the harmonised index of consumer prices in the euro area of less than but close to 2 % per annum, a figure which has to be maintained in the medium term.

Institutional framework

The euro area's monetary policy is conducted by the Eurosystem. Decisions are taken centrally by the ECB Governing Council, composed of the six members of the ECB Executive Board and the governors of the euro area national central banks. The preparation and implementation of the decisions are largely decentralised.

The entity composed of the ECB and the central banks of the EU, including those of countries which have not

adopted the euro, is called the European System of Central Banks (ESCB).

Committees of ECB and NCB experts prepare dossiers which are submitted to the ECB organs for a decision. There are fifteen such committees covering all the Eurosystem's areas of activity, from monetary policy to human resources and including statistics, market operations, banknotes, communication and IT. This method of working enables the national central banks to be closely involved in the preparation of dossiers submitted to the Governing Council and in the implementation of the decisions taken.

The Governing Council generally meets twice a month at the ECB's premises in Frankfurt. The first monthly meeting is specifically devoted to detailed analysis of monetary and economic developments and the resulting monetary policy decisions; the second generally focuses on the other tasks and responsibilities of the ECB. In accordance with the Maastricht Treaty, Governing Council members do not act as representatives of their country but act entirely independently, taking the decisions dictated by the interests of the euro area as a whole.

1.1.1.3 PREPARATION AND IMPLEMENTATION OF MONETARY POLICY DECISIONS

Preparation

To achieve the Eurosystem's monetary policy objective, the ECB Governing Council reacts to the risks facing price

Box 1 – Decision-making bodies of the ECB

European Central Bank (ECB)

Executive Board (President, Vice-President and 4 members))

National central banks of the euro area countries

17 governors

National central banks of the other EU countries

10 governors



Source : BCE.

stability. This pre-emptive action is based on systematic analysis of the available information, organised in the form of two complementary pillars.

- *Economic analysis* identifies the short- and medium-term risks to price stability. It is based on a wide range of economic and financial indicators allowing detection of the shocks confronting the euro area and monitoring of the euro area's response. The macroeconomic projections produced by the Eurosystem's staff are also discussed by the Governing Council.
- *Monetary analysis* concerns the movement in a set of monetary and credit aggregates and provides information on the medium- and long-term risks to price stability. Those risks have to be assessed, in particular, on the basis of the links seen in the past between the quantity of money in circulation and the volume of lending, on the one hand, and prices on the other. It may also play a role in detecting financial asset price fluctuations associated with abnormal developments in lending which could affect financial stability since, although the monetary policy stance may have a moderating effect at this level, that cannot under any circumstances be at the expense of the price stability objective.

The national central banks play a key role in supporting these two forms of analysis by supplying the Eurosystem with first-hand economic research and statistics (see 1.1.3.).

Implementation

The primary objective of monetary policy is price stability. However, the Eurosystem does not exercise direct control over prices, or even over the money supply. In fact, it issues banknotes in accordance with public demand, and those banknotes make up only a small proportion of the volume of cash held by firms and individuals in the euro area, the bulk consisting of bank deposits.

However, in order to acquire those banknotes, commercial banks have to borrow from the Eurosystem, which acts as the "bank of banks". In fact, it has a monopoly on the issuance of the banknotes which the commercial banks need to be able to supply to their customers. The national central banks open accounts for commercial banks, and the latter settle their mutual debts by means of central bank deposits. In addition, the ECB stipulates a minimum amount for those deposits, namely the reserve requirements.

The Eurosystem's monetary policy consists in modifying the conditions under which commercial banks can

obtain the liquidity which it provides. Those modifications in turn influence the conditions which the banks apply to the loans which they grant to their customers and to the deposits which they collect. The ECB Governing Council's decisions can thus affect the movement in prices. An increase in the Eurosystem's interest rates, by being reflected in the rates applied by the banks, will in fact encourage consumers and businesses to limit their borrowing, and that will restrain demand for goods and services and thus curb the rise in prices. Where there is a risk of inflation (a generalised and persistent increase in prices), the Governing Council will therefore take a decision of that type. Conversely, if there is a risk of deflation (a generalised and persistent fall in prices), it will cut the Eurosystem interest rate in order to lower bank rates. Such a decision in fact encourages demand for goods and services, counteracting the downward trend in prices. The interest rate may also be cut if the risks relating to inflation subsequently diminish as a result of a weakening of the outlook for economic growth, for example.

The Eurosystem has a range of instruments for achieving its monetary policy objectives. The national central banks are closely involved in their implementation, it being part of their role to act as a link between the ECB and credit institutions in each Member State.

Open market operations play a key role in the management of bank liquidity and the monetary policy stance. In normal times, the bulk of the liquidity is granted to the euro area commercial banks by a weekly tender for one-week loans. In the context of the financial crisis which erupted in 2007, however, injections of liquidity in the form of longer-term refinancing operations became predominant, while the fine-tuning operations gained importance. In order to participate in the tenders, commercial banks must first deposit collateral with their country's central bank. Contrary to normal practice whereby refinancing operations take the form of competitive tenders, since October 2008 tenders have been conducted "at fixed rates with full allotment". This new procedure was deemed appropriate in the context of a dysfunctional interbank market in the euro area, since it means that the banks can be sure of receiving all the liquidity requested from the Eurosystem. In addition to temporary operations injecting or absorbing liquidity, the Eurosystem can also conduct outright transactions for the purchase or sale of securities.

The **standing facilities** offer the euro area banks the opportunity to borrow or deposit funds for one day at pre-announced interest rates. They also perform a role in the general monetary policy stance, as they determine overnight money market rates. There is no borrowing or deposit limit for the use of the standing facilities, which

are managed in a decentralised manner by the national central banks.

The banks also have to constitute reserves in the form of deposits with the national central bank. The **reserve requirements** increase the banks' need to obtain refinancing from the Eurosystem, and are intended to stabilise money market interest rates. Since the obligation only has to be respected on average over periods of one month, the reserves may in fact vary from one day to the

next and absorb very short-term liquidity fluctuations due, for example, to variations in demand for banknotes. The minimum reserves carry interest corresponding to the rate on the weekly main refinancing operations.

Finally, the Eurosystem can buy or sell foreign currency against euros. It may thus **intervene on the foreign exchange market** or conclude **currency swaps** with foreign central banks, e.g. for the purpose of supplying liquidity in foreign currencies.

Box 2 – Recent developments⁽¹⁾

In the context of the financial crisis which erupted at the end of 2008 and the crisis in public finances at the beginning of 2010, the ECB made some fundamental changes to its monetary policy stance and took a series of exceptional measures to support the financial sector and safeguard the effective transmission of monetary policy.

The monetary policy stance

Between October 2008 and May 2009, the central key interest rate was cut by 325 basis points to the historically low level of 1%. Up to the beginning of 2011, the Governing Council then considered that this particularly accommodating monetary policy remained appropriate. In 2011, two interest rate increases were followed by two cuts, of 25 basis points each. In the first part of the year, in a context featuring a favourable movement in economic activity and greater upside risks to price stability, the Governing Council raised the central key interest rate to 1.25% and then to 1.5% at its meetings on 7 April and 7 July. However, in view of the signs of a sharper-than-expected slowdown in the rate of expansion of economic activity and the adverse effects on financing conditions and confidence resulting from financial market tension, it cut the interest rate in two stages to 1.25% and then to 1% at its meetings on 3 November and 8 December.

Non-standard measures

Throughout the crisis and in order to contain it, the ECB took a series of measures which profoundly modified its monetary policy framework. These “enhanced credit support” measures are intended to support borrowing conditions and credit flows in the private sector. Without prejudice to the price stability objective, they played a vital role from the point of view of financial stability by containing and mitigating the systemic consequences of the liquidity problems on the money market. The main measures include:

The adoption of a **fixed-rate full-allotment procedure** for all liquidity-providing operations. This measure was introduced in October 2008 to address the dysfunctioning of the interbank market. It was suspended temporarily in 2009 for 3-month operations, but was quickly reintroduced in the context of the public debt crisis. This procedure gives the banks access to all the liquidity they want at the rate of the main refinancing operations, so long as they have the necessary collateral.

(1) More details on these measures may be found in section 2.4 of chapter 2 of the 2011 Report on Economic and financial developments.



The conduct of **longer-term liquidity-providing operations**. Whereas, before the crisis, the maximum duration of the liquidity-providing operations was 3 months, since 2008 a number of 6- and 12-month operations have been conducted in order to support the banks' liquidity situation. At its December 2011 meeting, the Governing Council also decided to conduct operations extending over 36 months and offering the option of repayment after one year. These operations with a longer maturity are meant to reduce the banks' uncertainty over financing and thus support lending to the economy.

The **broader range of assets eligible as collateral** for liquidity-providing operations. This measure was adopted to facilitate the counterparties' access to Eurosystem liquidity. The first step was taken in 2009, while a further increase in collateral availability was decided in December 2011. The conduct of **currency swap** operations. These made it possible to supply liquidity, notably in US dollars, against Eurosystem eligible collateral. In 2011, in addition to the operations already conducted weekly, three 3-month operations of this type took place in October, November and December respectively.

The launch of **covered bond purchase programmes**. This concerned bonds backed by mortgage loans or claims on public authorities. The aim is to restore the proper functioning of asset markets which are important sources of funding for banks. A first programme which resulted in the purchase of covered bonds totalling around € 60 billion had taken place in 2009, while in October 2011 the Governing Council decided on a new programme for purchases amounting to a planned total of € 40 billion.

The **reduction in the reserve ratio from 2 to 1 %** from 18 January 2012. On account of its policy of granting unlimited liquidity, the Governing Council considered that the reserve requirement system was not needed to the same extent as under normal circumstances to steer money market conditions. It therefore adopted this measure in order to release collateral for the banks and support the money market.

Finally, an exceptional measure introduced in May 2010 in the context of the sovereign debt crisis is the **Securities Markets Programme**. This aims to purchase public debt securities on the secondary market in order to increase liquidity and depth in dysfunctional market segments and thus preserve the monetary policy transmission mechanism. While the initial purchases were concentrated in the weeks which followed the establishment of the programme, it was reactivated at the beginning of August 2011 in the context of very marked contagion of the sovereign debt crisis spreading to Italy and Spain. On 31 December 2011, the total amount of purchases of public debt securities came to € 211.5 billion under this programme.

The Bank's role

As a member of the Eurosystem, the Bank intervenes at multiple levels in the decentralised process of executing monetary policy decisions, and particularly at the level of the liquidity-injection operations, the standing facilities and the reserve requirements.

In addition, it assesses the quality of the collateral lodged in order to obtain these loans, and arranges custody of the collateral. Under the common collateral management platform model, the securities lodged as collateral may be located in Belgium or abroad, the central banks acting as correspondents for one another.

Liquidity-injection operations

Normal Eurosystem tenders are announced via the financial information networks. The Bank may also notify the banks individually. Bids submitted to the Bank by the stipulated deadline are forwarded to the ECB. In each Member State, a credit institution's bids can only be submitted by a single establishment (the head office or a designated branch). The ECB publishes the results, and credit institutions submitting a valid bid are notified individually. Once the results have been announced, the Bank settles the transactions taking account of the collateral lodged.

Standing facilities

Every working day, the Bank makes available to authorised banks, against the lodging of collateral, an intraday credit facility intended to finance, during the day, the debit position recorded on the euro account opened in its books in the name of those banks. Following the system's daily closure, the banks clear the final balance on their settlement account, if necessary by using the overnight lending or deposit facilities. These standing facilities bear interest at rates set by the ECB Governing Council; under normal circumstances, those rates define the limits of the fluctuation margin for overnight interest rates.

Reserve requirements

Credit institutions established in Belgium are subject to the obligation to constitute and maintain cash reserves with the Bank. These consist of special reserve accounts which must never record a debit balance. The Bank ensures compliance with these obligations and keeps all participants regularly informed of movements recorded on their reserve accounts.

These aspects are described in detail in the *General documentation on Eurosystem monetary policy instruments and procedures* and in the *Regulations regarding the National Bank's intraday credits and monetary policy transactions*, updated at the beginning of January 2011 and available on the Bank's website.

Communication

While central banks have long been important centres for economic and financial information, communication is nowadays regarded as a strategic issue. All the Eurosystem partners also regard the need to render account as the legitimate corollary to the independence conferred on central banks by the Maastricht Treaty.

Every month, following the Governing Council meeting on interest rate decisions, the ECB President holds a press conference to announce the decisions taken and the reasons for them. The ECB has also published a precise definition of price stability⁽¹⁾, in order to boost the effectiveness of its monetary policy: in view of the credibility which this institution enjoys, economic agents in fact tend to expect price movements to stay close to the stated target; in the event of a shock, that expectation means that the situation returns to normal more quickly.

(1) It is defined as an increase in the harmonised index of consumer prices of less than but close to 2% per annum, to be maintained in the medium term.

In line with this overall aim of openness in relation to the government, financial markets, businesses, universities and the general public, the Bank organises press conferences, presentations and symposia. It develops its communication tools on paper and via electronic media: economic research, reports, and statistical information.

1.1.2 Financial stability, prudential supervision and payment systems

1.1.2.1 FINANCIAL STABILITY AND PRUDENTIAL SUPERVISION

The year under review brought considerable expansion in the Bank's responsibilities for the maintenance of the financial system's stability. Historically in charge of the smooth operation of payment systems, the Bank also safeguarded the stability of the financial system as a whole. Since 1 April 2011, it has likewise been the supervisory authority for individual institutions.

The aim of prudential supervision is to examine whether financial institutions can meet their commitments, and hence to verify the adequacy of their organisation and their soundness. This supervision concerns the rules on organisation, solvency, profitability and liquidity. While microprudential supervision looks at individual financial institutions, macroprudential oversight concerns the financial system as a whole, including the interconnections between financial institutions. It aims to prevent the emergence of tension in the system as a whole, notably by keeping watch over financial stability and supervising systemic financial institutions. The financial crisis proved that the systemic risks had been underestimated, despite their potentially devastating impact on the entire financial system and the real economy, and demonstrated the limits of microprudential supervision of systemic institutions. The systemic risks need closer monitoring. Macroprudential oversight is likewise worth developing to include all sectors.

Moreover, the limits of the traditional distinction between microprudential supervision and macroprudential oversight centred on the maintenance of financial stability also became apparent during the crisis. The desire to improve their coordination was therefore one of the main motives for reforming the method of organising supervision, at both Belgian and European level. Internationally, there has been a tendency to strengthen the role of central banks in the prudential sphere.

Reforms of the European architecture

As a result of the financial crisis which began in 2007, it was felt necessary to move towards more integrated

prudential supervision at European level, to match the increasing integration of the financial markets and ensure more uniform application of the prudential legislation across the European Union. In September 2009, following the recommendations issued in February 2009 by the Committee of Experts chaired by Jacques de Larosière, the European Commission (EC) presented a set of legislative proposals aimed at reinforcing the prudential supervision framework and reducing the likelihood and seriousness of financial crises in the future, by setting up the European System of Financial Supervision (ESFS). This was established on 1 January 2011. It aims to ensure not only better systemic risk prevention but also the necessary harmonisation of prudential rules and practices at European level, while reinforcing cooperation between national authorities.

The ESFS comprises the European Systemic Risk Board (ESRB), the European macroprudential supervision body, and the European Supervisory Authorities (ESAs), responsible for strengthening microprudential supervision in Europe. There are three ESAs: the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA).

The Bank is a member of the ESRB, the EBA and the EIOPA, both as a national central bank and as a national authority responsible for the prudential supervision of credit institutions and insurance companies.

Reforms of the Belgian architecture

Following the review of financial sector supervision in Europe, a similar process was launched in Belgium on changes to the prudential supervision architecture.

On the basis of the recommendations of the Special commission of inquiry into the financial and banking crisis and the Lamfalussy Committee, and drawing inspiration from developments in other EU countries, the Belgian authorities decided to make changes to the supervision of the financial sector, and more specifically the interaction between the Bank and the former Banking Finance and Insurance Commission (CBFA), switching to a 'twin peaks' model. The foundations of the new architecture were laid by the Law of 2 July 2010.

In view of the radical impact of this reorganisation (particularly the need to amend more than 25 current laws), it was decided to conduct this restructuring in two stages. The first – transitional – stage saw the establishment of the Committee for Systemic Risks and System-relevant Financial Institutions (CSRSFI). Chaired by the Governor of the Bank, it comprised members of the Bank's Board

of Directors and the CBFA's Management Committee. The CSRSFI was operational from 21 October 2010 to 31 March 2011. It was responsible for the surveillance of systemic risks and the prudential supervision of systemically important financial institutions (SIFIs).

The new supervision model proper was established by the promulgation of the Royal Decree of 31 March 2011. Since that date, financial supervision has been based on two pillars. One pillar is the Bank, which will from now on perform the various macroprudential and microprudential supervision functions, and the other is the 'new CBFA', renamed the FSMA (Financial Services and Markets Authority), responsible for supervising financial markets, investment instruments, financial product marketing, and the rules of conduct applicable to financial sector players, and protection for consumers of financial services. This wide-ranging Decree conferring special powers entered into force on 1 April 2011.

Reforms of the Bank's organisation

The introduction of the 'twin peaks' model and the integration of prudential supervision at the Bank was the occasion for rethinking the organisation of this area of activity while taking advantage of all the opportunities for synergy with the other National Bank entities. One of the reasons why the lawmaker wanted the central bank to combine all the activities concerning financial stability and prudential supervision is that the Bank possesses skills and data which are particularly useful for the performance of those tasks. The new-style organisation of prudential supervision at the Bank formed the subject of a joint review involving the Board of Directors and the managerial staff concerned, which led to definition of the main principles and basic organisational structure of the new model.

This model was designed according to the 'four-eyes' principle, which is based on a vertical approach combined with a horizontal approach. The vertical analyses are conducted by operational supervision teams who assess the business as a whole and coordinate the supervision on the basis of a risk analysis and an audit plan for each institution. At the same time, the horizontal analyses of the sector as a whole and of each type of risk considered separately are intended to determine the risks and vulnerabilities in a transverse perspective. In that way, these analyses contribute to the assessment of the risk profile of each individual institution by permitting a better understanding of the complexity of the financial business. This integrated risk assessment process also receives support from the other Bank entities, which contribute their expertise in macroeconomic analysis or their knowledge of financial markets for the benefit of prudential supervision.

In practice, five autonomous services are responsible for exercising supervision. The Prudential Policy and Financial Stability Service defines the prudential policy, identifies vulnerabilities, particularly systemic ones, and conducts horizontal analyses on the sector and on the various types of risks and their interactions. This service is responsible for the horizontal dimension of supervision.

Operational supervision is conducted by the three autonomous services entrusted respectively with the supervision of banks and investment firms, insurance and reinsurance companies, and market infrastructures. These services are responsible for the vertical dimension of supervision. A fifth service is in charge of transverse operational functions for other operational services. This concerns, in particular, the supervision of the IT systems of financial institutions and the quantitative validation of the internal models used by banks and insurers to calculate the capital requirements.

Finally, integration made it possible to restructure the work of supervision itself according to a number of key principles. The crisis highlighted the need for a stronger

presence within firms. From now on, it is therefore necessary to make more comparisons between two approaches: the one involving continuous analysis of the file and the reporting, and the other entailing direct on-site inspection. In order to ensure that the analysis is independent and objective, it was decided to create on-site inspection teams separate from the supervision teams. This two-pronged approach strengthens the diagnostic function. The possibility of comparing the point of view of the operational services on the same file with that of the more horizontal services may reveal diagnostic differences. In that case, perfect transparency will prevail: the Board of Directors must be notified of the points of view in question and decide for itself. It is therefore essential to pass on all relevant information to the Board. Finally, the integration of prudential supervision at the Bank reinforces the supervisory authority's function in giving signals to the financial sector and fostering a good practice benchmark via the tradition of communication between the Bank and the sector. Moreover, the integration of prudential activities at the Bank has considerably increased team permeability and competence mobility, providing a service better suited to the needs of a changing economy.

Box 3 – The five prudential services

Prudential Policy and Financial Stability

Using a 'four-eyes' approach, this service has the task of helping to identify and analyse risks in the financial sector and ways of coping with them by developing expertise covering the micro and macro dimensions of financial stability and prudential supervision. That task is carried out in particular by:

- defining and developing prudential rules and standards at both national and international level;
- implementing the rules and standards in the regulation and supervision instruments;
- identifying and assessing systemic risks and developing specific tools;
- supervising structural and cyclical financial stability;
- developing a macroprudential policy;
- ensuring consistency in the approaches of the 'vertical' services.

Prudential Supervision of Banks and Stockbroking Firms

The supervision of banks and investment firms is conducted by two entities, namely the Complex Banking Groups Unit and the International and Domestic Banks Unit.

The Complex Banking Groups Unit is intended to foster the stability of the Belgian financial system by promoting the security and good health of systemically important banking groups, and by aiming to reduce the adverse impact of a bank failure on the Belgian system. The unit supervises the four systemic groups, namely BNP Paribas Fortis, Dexia, ING and KBC. These groups in turn comprise around twenty Belgian subsidiaries and an even larger



number of foreign subsidiaries and branches. This supervision of international groups is conducted by colleges of supervisors comprising the supervisory authority of the country of origin of the bank concerned and the authorities of the countries where that bank is active. In these colleges, the Bank performs the role of either home supervisor (Dexia and KBC), or host supervisor (BNP Paribas Fortis and ING).

The International and Domestic Banks Unit supervises institutions which vary in size, nature and risk profile. They range from independent Belgian banking groups with a varied product range to subsidiaries of foreign banking groups, and include banking groups and institutions focusing on a niche market and various large, medium-sized and small investment firms. It also supervises a number of bank holding companies.

For each banking group, there is a multi-disciplinary team headed by a coordinator. A special team of inspectors is responsible for audits.

Prudential Supervision of Insurance and Reinsurance Companies

As at 1 January 2012, the service in question supervises 108 Belgian insurance companies offering non-life insurance (motor, fire etc.), life insurance and reinsurance. In addition, around fifty subsidiaries of companies based in the European Economic Area are also active on the Belgian market, and more than a thousand have indicated their intention to sell insurance products on the Belgian market via freedom to provide services, even if they are not all actually active on that market.

The purpose of supervision is to protect the interests of the insured persons, i.e. essentially to ensure that companies respect the statutory obligations and will be able to meet their commitments to policy-holders.

The supervision staff are divided into three groups, responsible respectively for systemically important insurance companies, foreign group subsidiaries, and purely local firms.

In accordance with the principles set out above, on-site inspections are entrusted to a separate team which applies the audit methodologies.

The service is also responsible for monitoring international work concerning the insurance sector: participating in the work and thus contributing to decisions, reviewing the results at national level and assisting colleagues in the service in order to involve them in the application of supervision.

In this connection, the service is currently focusing on the Solvency II Directive. It is helping to draw up measures for implementing the Directive, notably in the EIOPA working groups (see point 1.1.2.1. on reforms of the European architecture), and to transpose the Directive and the implementing measures into Belgian law. It is also conducting the dialogue on this subject with the firms which have to prepare to apply the new rules and adapt their prudential practices. All this work is being done within the supervision service by a dedicated team called the Solvency II Task Force. The Solvency II Directive is based in some respects on a radically different idea of the requirements which insurance companies must fulfil, which implies a major change not only to the Belgian regulations but also to the actual philosophy of the prudential supervision of firms.

Prudential Supervision of Market Infrastructures and Oversight

The market infrastructures take charge of organising transfers of funds, securities, derivatives or other financial transactions between the various participating institutions; they include payment systems, securities systems, central counterparties and central transaction databases. In addition, there are also some suppliers of services



regarded as critical for the proper execution of the transactions which these systems handle. Numerous infrastructures of this type, essential for the smooth operation of the financial system, are based in Belgium. The prudential supervision of those systems consists in verifying whether the institutions concerned respect the laws and regulations applicable to them, while oversight consists in monitoring the secure and efficient operation of those systems.

Specific Operational Functions in the field of Prudential Supervision

In the course of the reorganisation of prudential supervision, a range of transverse functions were brought together within this new service, which engages in four types of activities. It is in charge of supervising IT risks and their management in firms subject to supervision, by means of on-site inspections. The purpose of the audit of the risk models is to assess the mathematical and statistical models used by banks, insurance companies and market infrastructures, *inter alia* for the purpose of calculating the capital requirements. This service is also in charge of analysing the Bank's prudential supervision procedures with a view to optimising efficiency and preparing for automation. Finally, it centralises a number of operational tasks, such as analysis of the integrity and experience of the directors of the supervised companies, notifications of activities concerning freedom to provide services by foreign firms, and the help desk for reporting applications used by the supervised companies.

Three consultation bodies were created within the Bank to ensure that the new supervision model functions effectively and to optimise the circulation of information. They illustrate the desire to ensure that the transverse character of the approaches, the circulation of information and the guiding 'four-eyes' principle are enshrined in practice.

The **Prudential Supervision Coordination and Planning Committee** aims to guarantee the good operational organisation of prudential supervision by ensuring the optimum allocation of resources, particularly in terms of staff and IT, planning, coordination of micro- and macroprudential activities etc. It is chaired by the Bank's Secretary-General and comprises representatives of the prudential and non-prudential services concerned with these operational and organisational questions. It ensures that the four-eyes principle is enshrined in working procedures and prudential practice. Its 'inspection' working group is intended to standardise and optimise the working procedures for the entire inspection process in terms of planning and validation, as well as monitoring, objectivity and quality, communication and information management.

The **Risk Committee**, chaired by the Director responsible for the Prudential Policy and Financial Stability Service, comprises the heads of the various prudential services; it therefore fulfils the need to coordinate their activity. It pilots the risk analyses conducted by the various teams which specialise in particular types of risk or topics (risk teams), including by setting their priorities. It ensures that

the lessons learnt by teams on the ground and the results of the transverse analyses get back to the other Bank entities and to the Board of Directors, and ensures that the latter's guidelines and decisions are passed on to the players on the ground. It therefore acts as an interface with the Board of Directors, supplying it with a clearly explained opinion on regulation and supervision issues. By its work, the Committee guarantees consistent application of the regulations and encourages cooperation, the exchange of experience and the creation of synergies between the various prudential services. By the same token, it is one of the bodies which demonstrates the implementation of the four-eyes principle which governs the organisation of the Bank's prudential activity.

Quite naturally, the Committee devoted its initial activities to monitoring the transverse analyses of the main risk categories. For instance, at the request of the Board of Directors, it arranged an in-depth examination of sovereign risk, both by monitoring of the exposures of banks and insurance companies and by analysis of the prudential treatment (such as the extent of write-downs and capital requirements, etc.) of sovereign risk exposures.

It also initiated comparative analyses between the large Belgian banks of the parameters for assessing other credit risks, particularly corporate credit and mortgage credit. In addition, it prepared an action plan for defining the prudential policy on combating money-laundering and for ensuring the periodic, harmonised monitoring of liquidity

risk. With regard to systemic risk, it coordinated the work on a methodology for identifying institutions of systemic importance for the Belgian financial system, and for establishing recovery and resolution plans.

For these various items, the issues were analysed by risk teams; after that, the question was debated by the Risk Committee, then passed on to the Board of Directors for a decision and/or modifications.

Finally, the **Macrofinancial Committee** aims to improve understanding of the interactions between the real sphere and the financial sphere by establishing synergies between the Bank's prudential and non-prudential entities in regard to macroprudential surveillance. Its composition, combining representatives of the Prudential Policy and Financial Stability Service and those from the Research, Financial Markets, Statistics, Microeconomic Information and International Coordination and Eurosystem Departments, illustrates the desire for a transverse approach making best use of the data and expertise present in the various entities of the Bank. It is chaired by a member of the Board of Directors who is not in charge of any prudential

service, and is a forum for the exchange of information on macrofinancial developments in Belgium and in countries where Belgian institutions have exposure, and on structural developments which could affect financial stability. It informs the Risk Committee and the Board of Directors of new macrofinancial risks and suggests new areas for analysis. It thus provides information for the prudential services while helping to enrich the analysis conducted by other departments.

Examples of issues which it examines repeatedly include the updating of a Risk Dashboard, for the monthly presentation of changes in macroeconomic and financial risks, research on the economic situation, research on countries where Belgian banks have exposure, analysis of market reactions and sovereign crises, the property sector, etc. The majority of these analyses give rise to interdepartmental collaboration. The Macrofinancial Committee also aims to examine other more *ad hoc* issues according to current events or on a structural basis (counter-cyclical reserves of own funds, degree of competition on the mortgage market, efficiency of the non-standard monetary policy measures, etc.).

Box 4 – Integration of prudential supervision: an organisational and logistical challenge

Integration of the prudential supervision activities within the Bank entailed the transfer of 191 staff from the old CBFA, guaranteeing the continuity of the prudential activity. This presented a major challenge in many areas, such as human resources management, premises and IT, especially as uncertainty persisted until the final weeks preceding the actual integration. It must also be pointed out that this large-scale project had to be included on the Bank's agenda and required substantial organisational measures in a period when the crisis was raging and making very heavy demands on the staff. The Bank coordinated the operation from a central point, while an integration committee comprising the Bank's Board of Directors and the CBFA's Management Committee piloted the overall arrangements with the primary aim of ensuring seamless continuity of the activities.

The integration of the new staff prompted the Human Resources Department to set to work without delay on harmonising the staff working conditions, in consultation with the staff representatives. Initiatives were taken, e.g. in regard to internal communication, to align the corporate cultures of the entities concerned and enable the two population groups to get to know one another better. The new staff were offered information sessions on all aspects relating to their new assignment, while presentations covering the new skills relating to prudential supervision were arranged for the Bank's managerial and supervisory staff. Finally, as soon as the new system of organising prudential supervision was known, work began on translating it into organisation charts; these are to be finalised in the first half of 2012.

The necessary transfers of IT applications constituted a difficult challenge, as it was important to minimise any inconvenience which this operation caused for both internal and external customers. With that in mind, IT experts from both the institutions concerned worked together openly and efficiently. By the spring of 2010, a schedule of crucial applications had been drawn up, and an assessment of the necessary resources had been proposed to the



integration committee, after which the latter opted for a two-stage scenario. The first concerned all the applications necessary for the performance of the new tasks, for which the transition took effect from 1 April 2011. For everything concerning the activity of the data centre which the Bank provided for the CBFA as part of the closer links which the authorities had favoured, the deadline for the transfer to an outside firm was set at 30 September 2012. So far, the timetable drawn up by the Bank in regard to IT has been duly respected.

Logistically, the relocation of the new staff was completed in one weekend. The preparations were complicated by the uncertainty which persisted for a long time about the chosen organisational structure, and even about the number of staff concerned. Half of them were installed in temporary offices, though they had all the necessary infrastructure, while the rest were able to move immediately into offices meeting the new standards, with high-quality sound and heat insulation and new air-conditioning techniques. Archive premises were made available specially, and mail-recording techniques were adapted.

The integration of prudential supervision had a major impact on the activity of the Bank's Legal Service, which had the task of revising the Organic Law and was consulted on a substantial number of issues arising from the integration of the new activity. From now on, it will also be involved day-to-day in the handling of actual prudential issues, which have a significant legal dimension; it was necessary for the corresponding management procedures to be clearly defined. The service was therefore expanded by the addition of a Prudential Law Unit consisting mainly of lawyers transferred from the former CBFA.

Following the addition of the prudential activity, the number of dossiers which the Board of Directors has to deal with has increased considerably. It therefore seemed desirable that purely administrative issues which only concern the Bank as an enterprise should not unnecessarily overload its agenda. In addition, there was felt to be a need for a body to ensure the efficient management of agendas, minutes and file distribution and to monitor the implementation of decisions. Finally, it seemed particularly important for all files to be examined closely in legal terms, to form the subject of detailed consultation with all the entities concerned, and to be communicated properly and consistently to the outside world. For all these reasons, the post of Secretary-General was created at the Bank. By adopting this traditional management structure, the Board of Directors is now able to delegate to a Chief Operations Officer a large part of the purely organisational work.

Supervision of the market in public debt securities

The Bank is responsible for the day-to-day management of the Securities Regulation Fund. Apart from its activities aimed at ensuring the liquidity of the government bond market, this autonomous public institution regulates and supervises the secondary market in government securities. It also assists the Debt Agency in the management of the public debt.

1.1.2.2 MANAGEMENT OF PAYMENT SYSTEMS

There are several factors accounting for the involvement of central banks in the sphere of payment systems. The transmission of monetary policy impulses requires secure and efficient payment systems. Those two qualities are also necessary for the stability of the financial system as a whole.

Payments in the European Economic Area

The aim of the SEPA (Single Euro Payments Area) project is that, in the European Economic Area plus Switzerland, credit transfers, direct debits and card payments and withdrawals should be standardised, efficient and cheap.

In Belgium, the consultation necessary to achieve that standardisation is organised by the Belgian Financial Sector Federation (Febelfin), in close collaboration with the Bank. Decisions on the subject are validated by the SEPA Forum, chaired by the governor of the Bank and comprising Febelfin, the big banks, the Post Office and the manager of the Banksys electronic payment systems, Atos Worldline. The aim is to ensure the transition to SEPA while safeguarding or even improving the efficiency achieved by the current payment systems.

The share of the European credit transfer in the total number of credit transfers in Belgium increased from around 33.3 % at the end of 2010 to 47.7 % at the end of 2011. That success is attributable mainly to public authorities and large companies. European direct debits are also gradually coming into use.

On the basis of a proposal of the European Commission, the European Parliament and the Council have approved a Regulation on technical and commercial requirements for credit transfers and direct debit transactions in euros. This Regulation, which was adopted in mid-March 2012, sets the date of 1 February 2014 for the conversion of all national credit transfers and direct debits to the European format.

Eurosystem projects

It was in July 2008 that the ECB decided to develop TARGET2-Securities (T2S). T2S will be a single IT platform for the settlement of securities for the euro area and other interested markets in Europe. This platform will therefore make a decisive contribution towards eliminating differences between national and cross-border transactions, and thus towards improving the efficiency of the settlement of transactions in securities. The project is being conducted in close collaboration with all parties concerned: securities trading systems, the banking sector, national central banks, etc. In the past few years, the main focus of attention has been the development of the system's functional and technical characteristics, its legal and contractual framework and the project management framework, user requirements, pricing and planning. At the end of last year, the framework agreement was approved and proposed to potential users, who are asked to sign it in the coming months as final confirmation of their participation in the system.

T2S is based on the TARGET2 system. Operational since November 2007, this system settles euro-denominated payment orders in real time in the books of the Eurosystem central banks. In 2011, credit institutions based in Belgium exchanged on average 10 041 transactions per day, compared to 9 268 in 2010, for an average daily value totalling € 85.9 billion, against € 78.2 billion in 2010.

National payment systems

At national level, the Bank is responsible for the management of the NBB-SSS and the CEC.

The **NBB-SSS** (National Bank of Belgium – Securities Settlement System) handles the settlement of fixed-income

securities. The number of transactions settled increased by over 25% in 2011 to a record 1 195 million transactions. This large rise was due to the sovereign debt crisis, and to year-end fiscal measures (taxation of material securities). Every day, the system settled transactions averaging € 39 billion. The outstanding total was up by € 20 billion. Apart from the latest State notes which enjoyed considerable success, a number of mortgage loan securitisation programmes were placed in December. Those issues account for the increase in the total.

The **CEC** (Centre for Exchange and Clearing) handles virtually all interbank non-cash payments in Belgium. On average, 4 900 000 transactions per day were effected via the CEC in 2011, an increase of 5.5 % against 2010. The average daily amount came to € 3.5 billion.

1.1.2.3 SECTORAL CRISIS MANAGEMENT

The year 2011 marked a turning point in the operational crisis organisation concerning the main players in the Belgian financial sector, referred to as systemic critical players. A new method of organisation and a new single crisis procedure were introduced after the abolition of the Financial Stability Committee (FSC), followed by the Committee for Systemic Risks and System-Relevant Financial Institutions (CREFS-CSRSFI), which had succeeded it in 2010 to deal with these questions concerning sectoral operational risk. The old procedures were incorporated in a single structure with a single point of contact, a single decision-maker at the start of a crisis, and a single crisis unit.

This single crisis unit comprises permanent members and ad hoc members appointed according to the characteristics of the crisis. It performs all the functions of assessment, decision-making and communication. This procedure can be used in any crisis, be it operational or financial, internal to the Bank or affecting another critical player in the financial sector.

In 2011, the Bank also decided to pursue the monitoring of the operational crisis management of critical players in the sector via a new structure, the OCCO (Operationele crisis – Crise opérationnelle), which, from 2012, will replace the Permanent Structure for the monitoring of FSC recommendations regarding business continuity.

1.1.3 Research and statistics

Central banks are major research centres; that function gives them a key position in the study and analysis of economic phenomena. Moreover, unlike many of its opposite numbers, the Bank is an important statistical institute,

giving it access to first-hand data for the performance of its role in monetary policy and prudential policy. Some of these statistical tasks were assigned to it directly by the government.

1.1.3.1 RESEARCH

The Bank contributes to research and analysis work facilitating a more accurate diagnosis of the economic situation of the euro area, macroeconomic forecasts and understanding of the monetary policy transmission mechanisms and interactions with other economic policies. It takes part in the preparation of the macroeconomic projections for the euro area on the basis of the national forecasts. The main results of the projection exercise for Belgium are published in June and September in the Bank's Economic Review.

The Bank's economists also participate in a number of networks comprising research teams from the ESCB and universities. The *Euro Area Business Cycle Network* analyses cyclical developments in the euro area. The *Wage Dynamics Network* studies the characteristics and determinants of adjustments to wages and labour costs, and their monetary policy implications. The *Macroprudential Research Network* aims to develop conceptual tools which could lead to improvements in macroprudential supervision in the European Union, particularly macrofinancial models, warning systems and systemic risk indicators, and the analysis of contagion risks. Finally, the *Household Finance and Consumption Network* analyses the link between the financial situation of households and their consumption patterns. In that connection, an in-depth survey was conducted in 2010 on the financial behaviour of Belgian households. In principle, it will be repeated in 2013.

Moreover, in order to keep constantly informed of the latest situation regarding research while encouraging university research projects in the monetary and financial sphere, the Bank organises joint projects whose findings are presented at twice-yearly international scientific conferences and specialist seminars on macroeconomics, on the one hand, and – since October 2011 – on the analysis of firm-level data, in collaboration with Belgian universities. Apart from its permanent teams, it takes on prominent economists for a maximum term of two years and offers internships lasting from three to six months for young researchers working within its sphere of competence.

The desire to stimulate research and economic analysis is accompanied by a policy of active publication. The Bank publishes the *Research and Document* series of *Working*

Papers, and an *Economic Review* supplying information on recent economic, financial and monetary developments (see 1.4 in regard to the year 2011). This work regularly leads to publications in international scientific journals. Finally, it publishes an Annual Report on economic and financial developments and on financial stability and prudential policy.

1.1.3.2 STATISTICS

The Bank holds a leading position in Belgium's financial and economic statistical system. The many statistics which it produces in these fields help to inform the national and international authorities about the various facets of the country's economic and financial activity, and are of great interest for monetary policy and the operation of prudential supervision. For many years now, the Bank has been the entry point for data used in the prudential supervision of banks and insurance companies, verifying those data before passing them on to the CBFA. The incorporation of this branch of activity in the Bank has considerably reduced the length of this work sequence, improved cooperation with the prudential services and thus enhanced the efficiency of the work in this area. The prudential services now have direct access to the statistical databases compiled by the Bank and have a more accurate picture of the whole range of figures available. At their request, and in the context of the financial crisis, new statistics have been developed and their sources expanded.

Largely standardised at European level, these statistics all provide a first-hand source of information which the Bank uses as the basis for its research activities. They are also integrated into the statistics of the EU and the euro area, and contribute to the indicators monitored by the European Systemic Risk Board.

Efforts made in recent years have improved the quality of the data collected, increasing the level of detail and optimising the data circulation while reducing the administrative burden on enterprises. Over the years, the Bank has thus developed a single portal for the collection of data via the internet. The latest version, called One Gate, is simple and flexible. This platform does not require respondents to make any investment or install software, and it accepts data in XBRL, the protocol which is tending to become the international standard for business data. The Banque de France decided to join in the development of this platform in 2009. Its international potential has since been confirmed by the choice of One Gate as the data collection portal for the new European Banking Authority, operational since 1 January 2011.

The statistics compiled by the Bank cover a number of subjects:

The **national accounts**, compiled by the Bank on behalf of the National Accounts Institute, offer a view of the country's economic transactions. Apart from the components of the main aggregates such as gross domestic product (GDP), they supply detailed information by economic sector and by branch of activity. A regional breakdown is provided for a growing number of variables. Detailed accounts are published once a year, but estimates of the main variables are available quarterly. An estimate of quarterly GDP is published thirty days after the end of the reference quarter, followed – two months later – by brief quarterly accounts which are keenly awaited by the ECB.

The **financial accounts** are a sub-set of the national accounts. They identify the financial instruments in which the various sectors of the economy place their surpluses, and by which they finance their deficits. They are the principal tool for the macroeconomic monitoring of the preferences of the various economic players in terms of investment and financing. The financial accounts, combined with the national accounts, thus form the basic reference for prudential analysis. In regard to financial instruments, the Bank has one of the most complete databases in Europe. The detailed quarterly financial accounts are sent to the ECB, which uses them to compile consolidated data at European level.

The statistics produced in connection with the **excessive deficit procedure** focus on the Belgian budget balance and public debt. They are compiled on the basis of the financial and non-financial accounts of general government, and are forwarded to the European Commission. In the context of the problems facing public finances in a number of European countries in recent years, the Commission keeps a very detailed check on these key statistics, for both economic policy and the financial markets. Since the setting of the convergence criteria which permitted the introduction of the euro, the public finances of euro area countries have been kept under close surveillance by the ECB.

The **balance of payments** statistics are a significant economic indicator both at national level and for the euro area, where they form part of the statistics on which ECB monetary policy is based. They permit the recording of external factors (goods and services, incomes, transfers and capital) which contribute to the formation of gross national product. They incorporate in aggregate form the net **foreign trade statistics**, which cover exports and imports of goods by product and by country, and their regional breakdown. Like the national accounts, the foreign

trade statistics are compiled by the Bank on behalf of the National Accounts Institute. Accompanying the balance of payments, the statistics on direct investment concern capital transactions and other financial flows between Belgian enterprises and their foreign associates.

The **monetary and financial statistics** are forwarded regularly to the ECB, as they represent vital information for monetary policy. The demand from prudential services is also tending to extend the scope of the financial statistics to gradually include the financial sector as a whole.

The statistics concern, on the one hand, monetary financial institutions (central bank, credit institutions and monetary undertakings for collective investment) and other financial institutions (non-monetary investment undertakings, pension funds, insurance companies, etc.), and, on the other hand, the money market and the capital market (share issues, shareholdings, movements in interest rates, etc.). In this field, there is also the Bank Lending Survey, which proved particularly useful in the context of the financial crisis. The data collected by this survey are compared with those on the same subject obtained from business surveys covering non-financial corporations.

These **business surveys** permit monitoring of the opinions of business leaders and consumers on the Belgian economic situation. Since they anticipate economic activity in the euro area, some of these cyclical indicators attract a great deal of interest, not only in Belgium but throughout Europe.

The Bank's statistics and research are available on its website. This site has facilities for arranging subscriptions; it also offers access to Belgostat, a statistical database with many functionalities, regularly adjusted in line with user requirements.

1.1.3.3 OTHER INFORMATION

The Bank also collects a mass of economic and financial information which supplements the available macroeconomic statistics. High-quality information on the financial situation of firms can in fact contribute to a good understanding of the economic mechanisms. In that regard, the Bank is particularly well placed since it has been made responsible by law for managing two central business databases: the Central Corporate Credit Register and the Central Balance Sheet Office.

Central Corporate Credit Register

Corporate credit is one of the channels whereby monetary policy decisions influence the economy. Moreover, the

data on this subject permit a better assessment of credit risk. It is therefore of particular interest to the Bank, both in the exercise of monetary policy and in connection with prudential policy. In the context of the global economic crisis, the subject requires even closer attention.

The Central Corporate Credit Register records for each borrower all loans of € 25,000 or more granted for business purposes by credit institutions based in Belgium. For those concerned, that information is a key factor in the assessment of their credit risk. This Central Register exchanges its data with its counterparts in six countries: Germany, Austria, France, Italy, Portugal and Spain

On 1 May 2012, a new legal framework will enter into force to permit the collection of data intended to enhance credit risk assessment. In addition, the reporting threshold of € 25 000 will be abolished, doubling the number of borrowers recorded to more than 800 000. Other types of financial institutions (leasing and factoring companies) will also be required to report data to the Central Register. These significant developments will substantially enrich the data available to the Bank, data which it will use to perform the tasks entrusted to it in the field of prudential supervision and financial stability, and for the compilation of statistics.

Central Balance Sheet Office

Most enterprises in which the liability of the shareholders or partners is limited to their contribution – and certain other enterprises – have to publish their annual accounts and, if appropriate, their consolidated accounts, filing them with the Bank's Central Balance Sheet Office. Large and very large non-profit associations and private foundations, and foreign legal entities, also have to file their accounts with the Central Balance Sheet Office. Those accounts include a social balance sheet giving information about employment.

On the basis of the information collected, the Bank produces standardised series for the purpose of economic analysis. In 2011, 99.5% of accounts were filed via the internet.

Since the beginning of January 2011, all annual and consolidated accounts filed since 1 January 2005 have been available on the internet free of charge in PDF format. The number of sets of accounts consulted in that way increased from 414 500 per month in 2010 to 482 400 per month in 2011. Accounts filed since 2 April 2007 in the form of XBRL files are also available in that format on the internet. Those files are intended for users wishing to analyse the financial situation of the legal entities concerned

without needing to re-enter the basic data filed. The number of XBRL files consulted via the internet was up from 18 200 per month in 2010 to 23 000 per month in 2011.

Microeconomic analysis

On the basis of the data collected, the Bank conducts surveys which can be grouped into three broad categories: recurrent surveys of Belgian firms, methodological surveys and risk analyses, and sectoral surveys.

Each year, the Bank publishes in its Economic Review a survey of the results of Belgian companies. This will be supplemented by a survey of corporate financing and a survey of the trend in the population of firms, both over time and in geographical terms.

For a number of years, the Bank has also taken part in the methodological work of various international working groups⁽¹⁾ on risk assessment models. This work is of particular interest in connection with the Bank's new prudential supervision activities. In future, it will also be based on the use of the new data to be recorded in the new Central Corporate Credit Register.

Finally, once a year, the Bank publishes a report on the Belgian ports and an estimate of their economic importance. There are also sectoral studies on the airports and on the network industries and the iron and steel sector.

Most of these studies are published in the Working Papers series (see 1.4.).

1.1.4 Other duties

1.1.4.1 AT INTERNATIONAL LEVEL

International Monetary Fund

In consultation with the government, the Bank takes part in the preparation of positions adopted by the Belgian Executive Director of the International Monetary Fund, who heads a constituency composed of ten countries (Austria, Belarus, Belgium, Hungary, Kazakhstan, Luxembourg, Czech Republic, Slovakia, Slovenia and Turkey). It finances Belgium's contributions to the Fund's capital and conducts financial transactions between Belgium and the IMF. It assists the IMF in its annual survey of Belgium's economic and financial situation.

(1) Including the Working Group on Risk Assessment (WGRA).

Organisation for Economic Cooperation and Development

The Bank is active in the Organisation for Economic Cooperation and Development (OECD), a discussion forum comprising 34 countries dedicated to democracy and the market economy. The OECD's activities concern economic policy in the broad sense, including the economic aspects of policies on education, scientific research, transport, the environment, and social affairs. The Bank takes part in the work of the Economic Policy Committee, the Financial Markets Committee and the Investment Committee.

European Union

The Bank helps to devise European legislation on banking and finance, and takes part in the work of a number of committees and working groups operating under the aegis of EU institutions. Thus, it is represented on the Economic Policy Committee and the Economic and Financial Committee which contribute to the preparation of the work of the Economic and Financial Affairs Council and express opinions. The maintenance of financial stability also entails close international cooperation, which takes place particularly at European level (see 1.1.2.1. – Reforms of the European architecture).

Technical assistance

Finally, the Bank provides technical assistance for some of its colleagues. It draws up priorities here, to refine the targeting of its action and augment its effectiveness. In recent years, the central banks of the Democratic Republic of Congo and of Burundi have been top of the list of priorities. In the Bank's opinion, it is very important that its cooperation with these central banks should be in line with the approach of the Belgian authorities and international institutions (IMF, World Bank). For the Central Bank of Congo, the Bank offers assistance on monetary policy, statistics, payment systems, trading rooms, banknote and coin circulation and IT, while for the Bank of the Republic of Burundi, the assistance concerns monetary policy, payment systems and financial stability. Several times a year, a team is sent out to devise or update an action plan, make recommendations, provide training or give assistance.

Next in order of priority come the countries represented by the Belgian Executive Director at the IMF, the EU candidates or potential candidates, and the partner countries for Belgian development cooperation.

(1) Article 127 (2) of the Treaty on the Functioning of the EU lists these tasks as follows: to define and implement the monetary policy of the Union, to conduct foreign exchange operations, to hold and manage the official foreign exchange reserves of the Member States, to promote the smooth operation of payment systems.

1.1.4.2 AT NATIONAL LEVEL

State Cashier

Ever since the Bank was founded, the State has entrusted it with the role of State Cashier. The content of that role has changed considerably over the years. Nowadays, it mainly involves centralising the State's current revenue and expenditure each day in a single account. Following addition of the balance of the Post Office transactions and in consultation with the Treasury, surpluses are allocated to investments, and deficits are covered by short-term borrowings.

The Bank also plays an important role in the issue of State loans, taking charge of their financial servicing. The Bond Centre payment agency enables bank branches to submit redeemable securities and coupons due direct to the Bank for encashment, without first collecting them centrally at their head office. Nowadays, securities issued by the State are dematerialised.

Exchange reserves

In connection with the basic tasks under the ESCB⁽¹⁾, the Bank holds and manages the State's foreign exchange reserves. The risks associated with this activity are listed in the management report (see 2.1.2).

In accordance with Article 30 of the Protocol on the Statutes of the ESCB and the ECB, the Bank has transferred to the ECB an amount of foreign exchange reserve assets proportionate to its share in the subscribed capital of the ECB. It manages those assets on behalf of the ECB and in accordance with its guidelines.

Information and protection for individuals

Protection against excessive debt

The Central Individual Credit Register is a tool for combating excessive debt. It records all credit contracts concluded for private purposes by individuals, and any instances of default on such loans. Lenders must consult the Register before granting credit, and borrowers may also consult their own data on it. The Register can be consulted via the internet or at the Bank's counters.

The impact of the crisis is clearly visible in the Central Register's figures. Since the end of 2008, the default indicators have risen steadily. In 2011, consumers still faced increasing payment problems. The number of borrowers with payment arrears was up by 3.3% at 319 092 persons, representing a total of € 2.55 billion, a rise of 5.4%. The number of collective debt settlements is also still rising.

In that context, there are calls for extending the Central Register to new types of debt. The federal minister responsible for consumer protection asked the Bank to examine this possibility.

Deposit and Financial Instrument Protection Fund

Belgium has a number of forms of protection for individuals, associations and small and medium-sized firms in the event of the failure of a credit institution or investment firm.

There is a guarantee of € 100 000 covering cash deposits and other similar savings assets. In the case of financial instruments which these customers have entrusted to the institutions concerned, protection amounting to € 20 000 applies to such instruments which cannot be returned despite the customers' direct right to claim them back.

The Deposit and Financial Instrument Protection Fund intervenes under these guarantee systems. This public institution is directed by a Management Committee with representatives of the government, credit institutions and investment firms. The Bank is responsible for its day-to-day management. Its operating procedures and annual reports can be consulted on its website (www.protectionfund.be).

Educational activities

In 2005, the EU's Economic and Financial Affairs Council (Ecofin) asked the Member States to step up their efforts in the field of financial education. In that same year, the OECD published the first international study on the subject, together with a number of guidelines concerning good practice in that area. This work highlighted the effectiveness of long-term financial education programmes so long as they are accompanied by raised awareness among the general public and in the teaching world. Since then, the economic crisis – which originated in financial practices which are often impossible for the general public to fathom – has reinforced this need.

At the Bank, publications and other information media aimed at the general public or schools have proliferated since 2002. In that year, the Bank's Museum was remodelled to become a popular point of contact with the educational world. In 2011, it presented an exhibition linked to the Europalia Brasil festival and devoted to exchange and value systems in Brazil.

Since 2008, the Bank has also been holding seminars for secondary teachers of economics. The 2011 seminar, which concerned a perspective on the Belgian economy in the crisis, was attended by almost 5 00 participants. In addition, in order to provide a permanent basis for its links with the teaching world, the Bank's Museum has a specific website (www.nbbmuseum.be), covering all the available teaching aids.

Finally, the Bank has one of the most comprehensive economic and financial libraries in Belgium. Its opening hours have been extended to Saturdays to provide greater access, especially for students.

1.2 Human Resources

On 1 April 2011, one hundred and ninety-one staff of the former CBFA were transferred to the Bank. They were allocated to the new services in charge of prudential supervision. The preparations for this operation were meticulous, ensuring trouble-free integration. The extension of the duties created new staffing requirements for which the Bank launched an internal and external recruitment campaign. A new code of ethics was also introduced on this occasion.

Following the reorganisation, the workforce totalled 2 101 full-time equivalents, or 174 units more than at the end of 2010.

Since the beginning of 2012, the staff IT system which used to run on mainframe computers has been replaced by an external application of the social secretariat *SD Worx*. A complete databank was constructed, combining all the information relating to human resources and payments, taking account of the Bank's structures.

The new staff promotion system permits promotions on the basis of job classifications, performance appraisal and seniority. In addition, development programmes are defined at job appraisal interviews, to ensure maximum staff employability.

The 2012 procedure for the election of staff representatives was launched. It is essential to adhere strictly to the legal timetable. The elected staff members will have a seat on the various staff consultation bodies at the Bank.

1.2.1 Staff movements

Number of staff

(full-time equivalents as at 31 December)

2000	2 406
2001	2 418
2002	2 319
2003	2 250
2004	2 174
2005	2 120
2006	2 052
2007	2 032
2008	2 008
2009	1 964
2010	1 927
2011	2 101

1.2.2 Obituaries and retirement

In 2011, the Bank was saddened to hear of the death of Frans Junius, Honorary Director. Mr Junius joined the Bank in 1955. He was appointed Secretary in 1978 and Director in 1980.

During the year under review, the Bank was also saddened by the death of Mr Paul Welis.

They will always be remembered.

*
* *

The Bank would like to express its gratitude to the members of its managerial and supervisory staff who reached the end of their career last year:

S. Bertholomé

C. Glavie

It also thanks a member of the clerical staff whose career came to an end in the past year: Mr T. Beeckmans.

1.3 Sustainable management

In 2008, the Bank had submitted an application to the Brussels Institute of Environmental Management (IBGE/BIM) for the award of the "Ecodynamic Enterprise" label, which it achieved with two stars. The candidacy procedure had led to the involvement of a large number of staff in the Bank's environmental management; they felt that they had been given responsibility, and took numerous initiatives in this area. Painstaking internal communication has converted this movement into a veritable 'green wave' at the Bank, which thus intended to make its contribution towards raising general environmental awareness.

The award of the third star – the top level – was the highlight of 2011 in this respect. It represents a new stage in sustainable management at the Bank. To obtain this new distinction, the Bank rigorously implemented the environmental programme launched in 2008. Various supplementary projects were also carried out, such as the combined generating project.

Since the Bank had already achieved a good performance in energy saving, it is the other environmental sectors relevant to its activities that have been the main focus of attention since 2008. A study was conducted to review waste flows and container facilities, while efforts were made to find ways of separating organic kitchen waste from other waste. Regarding mobility, and in order to reduce the number of journeys by air, teleconferences were encouraged, together with the use of high-speed trains for short European trips. On the purchasing side, 40 of the 119 types of products are now sustainable.

Examples of measures included in the new environmental programme are: constant communication on sustainable management via a specific intranet site, closer transverse cooperation between departments, improvements in the involvement of agencies, and finally, the launch of a number of environmental projects, such as adiabatic humidification in the printing rooms, to reduce the use of steam.

1.4 List of publications in 2011

Economic Review

JUNE

- *Economic projections for Belgium - Spring 2011*
- *Central bank rates, market rates and retail bank rates in the euro area in the context of the recent economic and financial crisis*
- *End of the crisis in the housing markets? An international survey*
- *Behaviour of Belgian firms in the context of globalisation: lessons from the conference on "International Trade: Threats and Opportunities in a Globalised World"*
- *The Belgian labour market during and after the crisis*

SEPTEMBER

- *Economic impact of the public debt*
- *The Europe 2020 strategy*
- *Developments in private consumption over the past three years*
- *The economic impact of the fight against climate change*
- *The impact of low interest rates on household financial behaviour*

DECEMBER

- *Economic projections for Belgium - Autumn 2011*
- *Public sector wages*
- *The distributive trade sector and its impact on euro area prices*
- *International trade in services*
- *Results and financial situation of firms in 2010*
- *The social balance sheet 2010*

Working Papers

- 210. *Estimating monetary policy reaction functions: A discrete choice approach*
- 211. *Firm entry, inflation and the monetary transmission mechanism*
- 212. *The link between mobile telephony arrears and credit arrears*
- 213. *Development of a financial health indicator based on companies' annual accounts*
- 214. *Wage structure effects of international trade: Evidence from a small open economy*
- 215. *Economic importance of the Belgian ports: Flemish maritime ports, Liège port complex and the port of Brussels - Report 2009*
- 216. *Verti-zontal differentiation in monopolistic competition*
- 217. *The evolution of Alexandre Lamfalussy's thought on the international and European monetary system (1961-1993)*
- 218. *Economic importance of air transport and airport activities in Belgium – Report 2009*

Belgian Prime News

This quarterly publication in English is produced jointly by the Bank, the Federal Public Service Finance (FPS Finance) and a number of Primary Dealers.

- 50. Special topic: *The Belgian Treasury's 2011 Funding Plan published, in a context of renewed strains in the bond market*
- 51. Special topic: *New architecture for the supervision of the financial system in Belgium*
- 52. Special topic: *Belgium's current robust economic performance should not be taken for granted*
- 53. Special topic: *The Belgian situation within the context of current turbulences*

Statistical publications

The Bank provides a mass of macroeconomic statistics for the public on its website and via its statistical database, Belgostat. It is possible to subscribe for updates of specific tables. To cut down on the use of paper, the following publications are available in electronic format; they can also be printed on request:

GENERAL STATISTICS:

- Statistical Bulletin

FOREIGN TRADE:

- *Quarterly Bulletin*

NATIONAL ACCOUNTS:

- *Quarterly sector accounts*
- *Quarterly accounts*
- *First estimate of the annual accounts*
- *Government accounts*
- *Detailed accounts and tables*
- *Supply and use tables*
- *Regional accounts*
- *Satellite accounts of non-profit institutions*

MICROECONOMIC DATA

- *Statistics. Central Individual Credit Register – 2010*

Every quarter, the Bank publishes in electronic format the Central Corporate Credit Register statistics on credit authorised and used. The Central Balance Sheet Office makes available the data on annual accounts which it collects, providing them for various target groups in various digital formats. A copy of the CD-ROM *Figures from standardised annual accounts* is also available on request.

Other publications

- *Corporate Report 2010. Activities, governance and annual accounts*
- *Report 2010. Economic and financial developments*
- *Financial Stability Review 2011*
- *Annual Report of the Securities Regulation Fund 2010*
- *Of gold and feathers. Exchange and value systems in Brazil, Europalia Brasil exhibition catalogue*

IN COLLABORATION WITH THE FEDERAL PLANNING BUREAU:

- *Note for the Formateur. Models and assumptions underlying the macroeconomic projections used in the simulations for reform of the Special Finance Act (excluding transfers of new powers) (September 2011)*
- *Reductions in social security contributions and alternative funding arrangements (April 2011)*

JOINT REPORT BY THE BANK, THE CENTRAL ECONOMIC COUNCIL AND THE FEDERAL PLANNING BUREAU

- *Competitiveness challenges in Belgium*

1.5 Contacts

SERVICES	ESTABLISHMENTS OFFERING SERVICES	OPENING HOURS
Banknotes and coins, State Cashier, Central Balance Sheet Office, Central Individual Credit Register	Brussels, Boulevard de Berlaimont 3, Antwerp, Kortrijk, Hasselt, Liège and Mons	9.00 to 15.30 hrs, Monday to Friday
Library	Brussels, Rue Montagne aux Herbes Potagères 57	10.00 to 17.00 hrs, daily except Sundays
Museum	Brussels, Rue du Bois Sauvage 10	10.00 to 18.00 hrs, daily except Mondays

INFORMATIONS

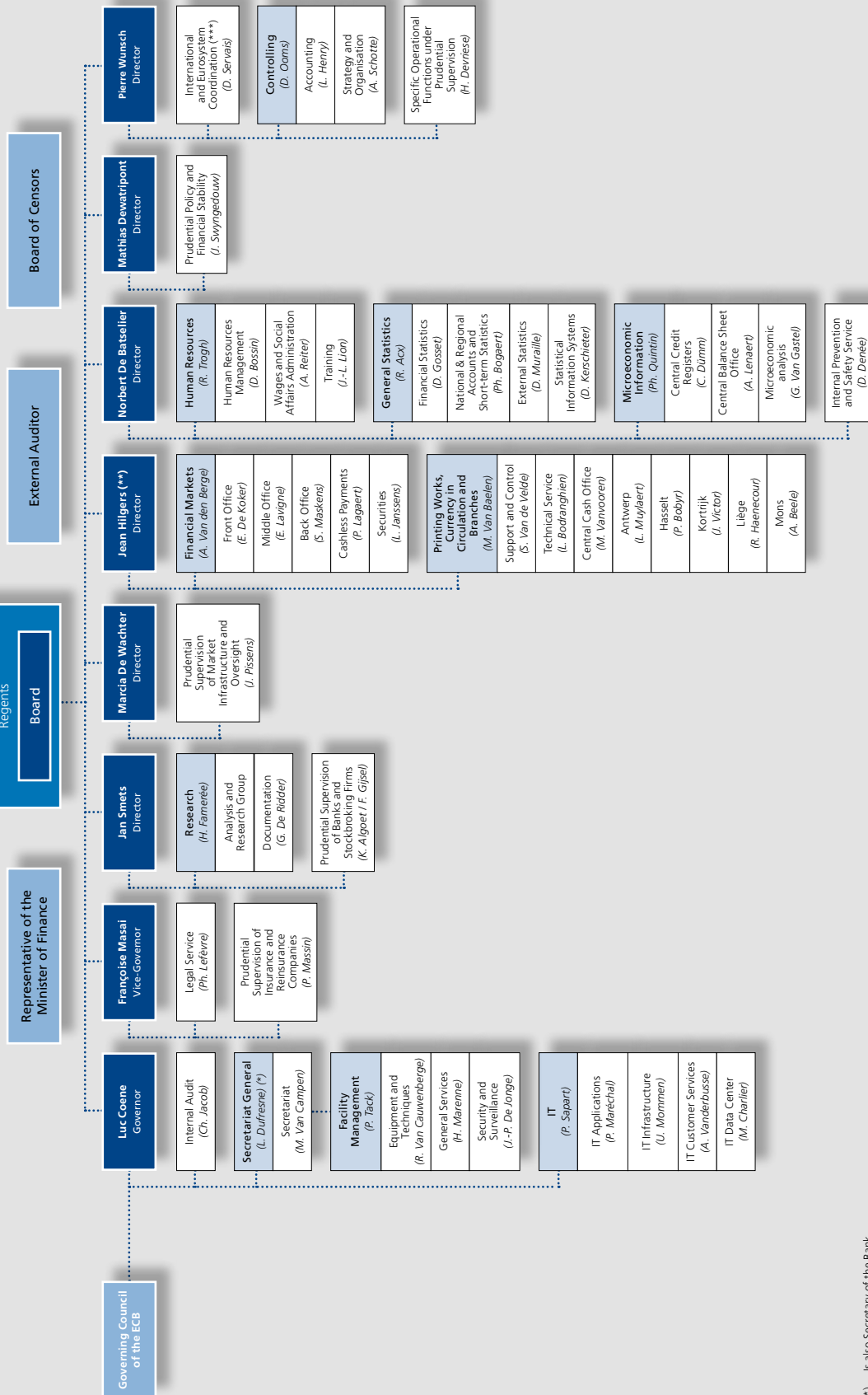
Website:	www.nbb.be
Inquiries:	info@nbb.be Tel. +32 2 221 21 11
Press officer:	Kristin Bosman, General Secretariat Tel. +32 2 221 46 28 Fax +32 2 221 31 60 pressoffice@nbb.be
Contact for the financial service for the Bank's shares:	Luc Janssens, Securities Service Tel. +32 2 221 45 90 Fax +32 2 221 31 19 securities@nbb.be

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Antwerp:	Leopoldplaats 8, 2000 Antwerp Tel. +32 3 222 22 11 Fax +32 3 222 22 69 antwerpensg@nbb.be	Liège :	Place St-Paul 12-14-16, 4000 Liège Tel. +32 4 230 62 11 Fax +32 4 230 63 90 liegesg@nbb.be
Kortrijk:	President Kennedypark 43, 8500 Kortrijk Tel. +32 56 27 52 11 Fax +32 56 27 53 90 kortrijksg@nbb.be	Mons :	Avenue Frère-Orban 26 7000 Mons Tel. +32 65 39 82 11 Fax +32 65 39 83 90 monssg@nbb.be

Departments and Services: see website.

Organisation chart as at 1 January 2012



(*) Is also Secretary of the Bank.
 (***) Is also Treasurer of the Bank.
 (***) Reports to the Governor.

2. Annual accounts and reports on the financial year

2.1 Annual report

2.1.1 Developments concerning the Bank's results and position

2.1.1.1 BALANCE SHEET

After contracting for two years, the balance sheet total expanded strongly by € 53 billion to € 127.7 billion.

This growth is due to a steep rise in the provision of liquidity via various channels. In connection with monetary policy, credit institutions made greatly increased use of the main and longer-term refinancing operations and the marginal lending facility, for a total of € 40.4 billion. In that same context, the Securities Markets Programme (SMP) continued and a Second Covered Bonds Purchase Programme (CBPP2) was launched. On the balance sheet date, the Bank's monetary policy portfolios thus came to € 9.1 billion, € 4.3 billion more than at the end of 2010. In addition, and still in relation to the Eurosystem, the provision of liquidity in USD amounted to € 7.5 billion. Finally, on the balance sheet date the Bank had granted Emergency Liquidity Assistance (ELA) totalling € 6.4 billion.

The principal counterparts to this substantial liquidity provision are outgoing payments via the TARGET2 payments system (€ 52.9 billion) and extensive use of the deposit facility (€ 10.8 billion).

SUMMARY OF FIXED-INCOME SECURITIES PORTFOLIOS AT BOOK VALUE

(in € billion)

	31-12-2011	31-12-2010
– fixed-income securities in foreign currencies ('outright portfolio') ..	6.0	5.5
– fixed-income securities in euro ('outright portfolio')	5.0	5.0
– fixed-income securities in euro held to maturity ('HTM portfolio')	9.8	9.8
– fixed-income securities in euro in the statutory portfolio	3.8	3.6
Total portfolios managed by the Bank	24.6	23.9
– securities held for monetary policy purposes	9.1	4.8
Total portfolios	33.7	28.7

The two 'outright portfolios' are valued at market price on the balance sheet date; the HTM, statutory and monetary policy portfolios are valued at the (amortised) purchase price.

BREAKDOWN OF FIXED-INCOME SECURITIES MANAGED BY THE BANK, BY ISSUER COUNTRY

(in € million)

	Nominal value	Book value	Market value	Revaluation accounts
Belgium	5 889.7	5 960.5	6 075.5	18.6
United States . . .	3 994.3	4 217.2	4 217.2	136.6
Germany	2 733.5	2 783.7	2 890.0	38.2
Spain	2 449.0	2 434.5	2 380.0	1.8
France	1 813.4	1 843.0	1 887.7	15.5
Austria	1 139.9	1 164.7	1 230.7	5.7
Ireland	1 010.2	993.8	887.3	0.0
Italy	917.5	899.4	863.3	0.0
Japan	901.1	900.9	900.9	0.1
International organisations . . .	787.1	808.5	840.8	9.3
The Netherlands	581.1	598.7	615.4	11.4
Portugal	568.9	553.7	385.4	0.0
Greece	519.5	485.1	127.7	0.0
Switzerland	471.1	483.2	483.2	12.8
Other	441.2	452.4	457.8	9.0
Total	24 217.5	24 579.3	24 242.9	259.0

Above is the geographical breakdown of the fixed-income securities in the own account portfolios.

If the Bank had sold all its own-account portfolios on the balance sheet date, it would have: (i) realised the gains currently recorded as unrealised in the revaluation accounts (€ 259 million), and (ii) incurred the negative difference between the market value and the book value (€ 336.4 million). On balance, a loss of around € 77.4 million would have been charged to the result.

On the basis of the above table, it is also possible to estimate the impact of a reduction in the own account portfolios on specific issuers.

In order to determine the Bank's aggregate risk position, it is obviously necessary to take account of the monetary policy portfolios as well. However, communication on that subject is a matter for the ECB.

The net position in USD was unchanged at USD 2.2 billion. At the end of the financial year, the revaluation accounts recorded positive exchange differences of € 173.2 million.

2.1.1.2 RESULT

The notes to the annual accounts give details of the individual profit and loss account items.

The factors behind the € 67 million increase in the profit can be summarised as follows:

The net interest income was up by € 232 million as a result of the yield on bonds acquired under the Securities Markets Programme (SMP) and interest received on the provision of Emergency Liquidity Assistance.

The net result of financial operations was negative owing to the significant decline in capital gains on securities, in both foreign currencies and in euro.

The reduction in income from equity shares and participating interests is due to a decline in income attributable equally to the income from the ECB and the BIS.

The net result of pooling of monetary income also contracted, solely on account of the write-back on the provision for monetary policy transactions which was smaller than in the previous financial year.

Other income increased as a result of the contributions covering the prudential supervision of financial institutions.

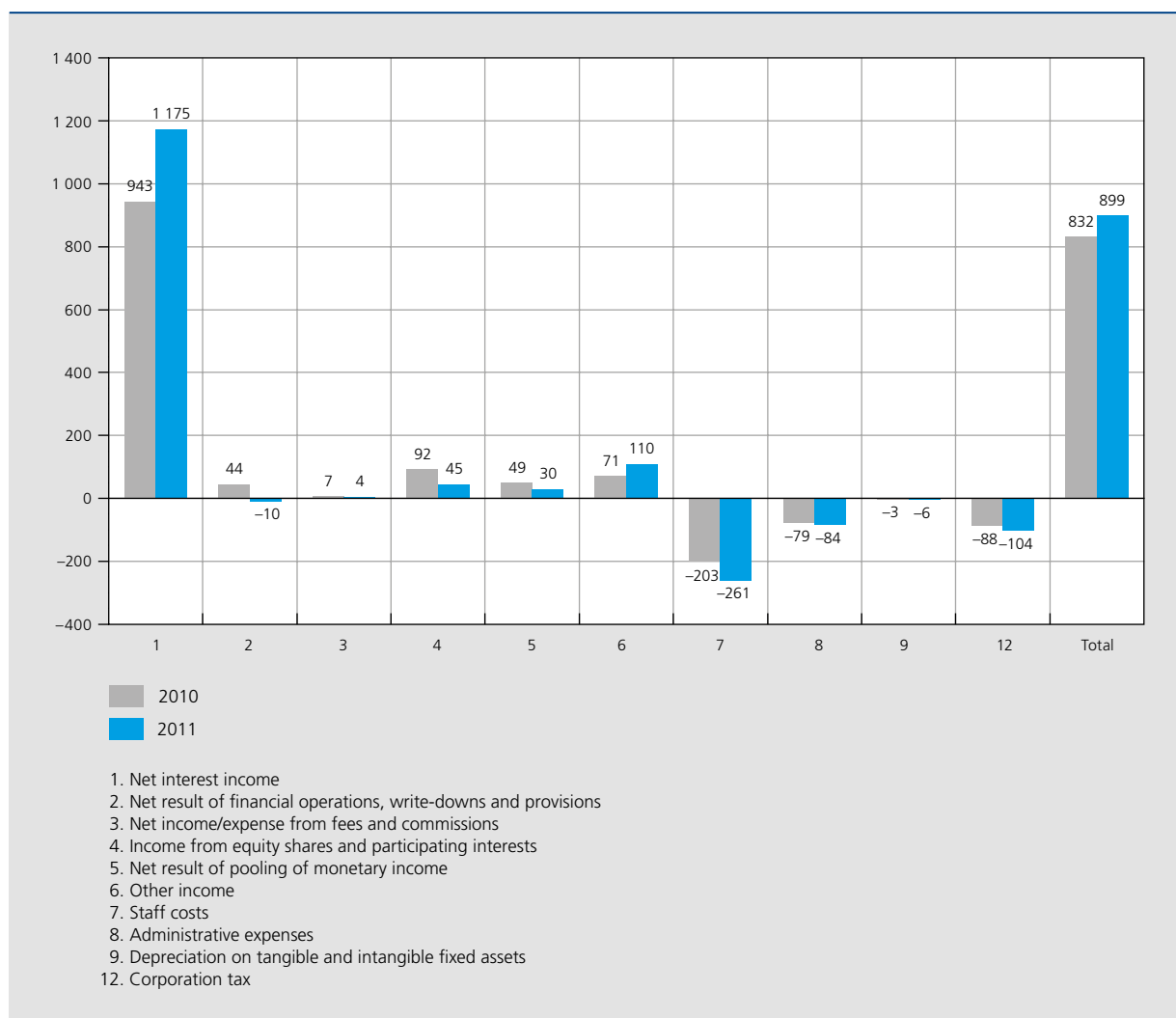
Staff costs were higher, partly because of the integration of the former CBFA staff and partly because of the increase in the provision for medical expenses.

Every year, the Bank assesses whether there are objective reasons for a special reduction in the value of the securities which it holds to maturity or in the statutory portfolio. In this connection, it examined in particular the developments concerning the Private Sector Involvement (PSI) initiative which proposes the restructuring of part of the Greek debt to ensure its long-term sustainability. However, since the PSI was designed as a voluntary restructuring of debt instruments held by the private sector, no change is expected in the future cash flows relating to securities in the Bank's portfolios. On 31 December 2011, the view was therefore that there were not sufficient grounds to assume that the PSI initiative would fail, and the Bank did not record any impairment at the end of the year (see also 2.1.3 Post-balance-sheet events).

No impairment was recorded in respect of the other securities valued at amortised purchase price.

GENERAL STRUCTURE OF THE RESULT

(in € million)



Source: NBB.

2.1.1.3 PROFIT DISTRIBUTION

The Bank determines the minimum amount of its reserves on the basis of an estimate of the calculable risks which it incurs. The risks on assets which the Bank manages for its own account are quantified on the basis of the Value at Risk methodology, in which the Bank uses very prudent parameters for the probabilities and horizons. In regard to the risk on its share in the monetary policy transactions and portfolios, the Bank bases its estimate on the ECB's calculations.

Application of these models as at the end of the 2011 financial year, a time of severe market tension, resulted in a risk figure of around € 5.2 billion. A substantial part of that amount concerns the risk which the Bank incurs

on its share of the Eurosystem's SMP portfolio. That share stood at € 6.7 billion. The ratio between the risk estimate and the portfolio volume is high.

To incur an estimated loss of € 5.2 billion, it would be necessary for several countries to restructure their debt simultaneously. The positive post-balance-sheet events concerning Greek government bonds, mentioned below, and the relative easing of the tension on some securities markets also attenuate the estimate of the risk; the resulting reserve target has to be assessed over a period of several years.

In the light of these considerations, the Bank feels that it can maintain unchanged its reserve and dividend policy of July 2009. Consequently, a sum of € 225 million was

allocated to the available reserve and the gross dividend for 2011 was set at € 141.76 per share. The balance of the profit distribution accruing to the State is € 618 million.

The current result is the first buffer for absorbing losses. Over the past five years, that result has fluctuated between € 0.8 and € 1.1 billion. Following the 2011 profit distribution, the Bank's capital and reserves (excluding the depreciation accounts) total € 4.0 billion; therefore, the Bank's total buffers now should amount to between € 4.8 and € 5.1 billion.

2.1.2 Risk management

2.1.2.1 MANAGEMENT OF THE GOLD AND FOREIGN CURRENCY RESERVES, PORTFOLIOS OF SECURITIES IN EURO AND MONETARY POLICY OPERATIONS

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

The Bank defines a level of risk which it deems appropriate according to its risk aversion, the level of which depends among other things on its ability to take even exceptional losses. That level is reviewed regularly as the Bank's tasks evolve and develop, and in the light of actual or expected changes in market risks. It then establishes a policy which aims to limit these risks and keep them at the pre-selected level. In particular, the Bank determines the currency mix and the strategic duration (and permitted deviations) of each portfolio by applying the Value at Risk method to assess 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. The limits set for the risk factors and the portfolio structure therefore reflect the level of risk which the Bank considers acceptable, and are adjusted if necessary on the basis of market developments and implications relating to the Bank's tasks, such as the formation of monetary policy portfolios (Securities Markets Programme, Covered Bonds Purchase Programmes).

Moreover, in order to limit its credit risk (risk of losses which could result from payment default – including debt restructuring – or deterioration in the credit quality of counterparties or issuers), the Bank gives preference to sovereign risk instruments which have a high credit rating or which are collateralised, imposing strict limits on its other investments, especially bank deposits. It also demands a high rating for its investment instrument issuers and counterparties, and ensures that its investments

are well diversified. In order to assess the credit risk of each issuer or counterparty, the Bank refers to the ratings accorded by a number of specialist agencies and uses 'prediction' methods (such as 'implied ratings') which take account of developments on certain markets (credit default swaps, stock market value, etc.). For overall credit risk assessment, it uses the Creditmetrics method with very cautious parameters.

In order to improve the return on its USD assets in the long term, the Bank invests a very small proportion of them in corporate bonds. Specific rules have been drawn up for this type of bond (minimum rating, strict diversification constraint, etc.) to limit the credit risk and any losses.

The portfolios of securities in euro consist mainly of euro-denominated government paper issued by Member States of the European Union and bonds backed by first-rate claims (Pfandbriefe type) which augment the expected yield.

The persistence and intensification of the crisis of confidence in relation to a number of euro area countries which had begun in 2010, and the resulting widening of the spreads on a number of sovereign debt markets, had a significant impact on part of the portfolios in euro-denominated securities. A deterioration in certain markets (covered type) also had an impact. However, the policy which the Bank established many years ago, which includes active diversification and exposure limits per country, and the long-term approach underlying certain investment strategies limited the negative impact on the results. This long-term policy accompanied by temporary measures also contained the risks facing the Bank at a level deemed acceptable. It is important to point out that the negative impact which the widening spreads had on the yield was very largely offset by the steep decline in interest rates on the international markets, which had a considerable beneficial effect on the Bank's long-term portfolios.

The SMP, which aims to remedy the malfunctioning of the securities markets and which continued in 2011, also helped to contain the risks on the Bank's portfolios. To avoid any conflict of interests, the introduction of this programme and the CBPPs led to a partial freezing of investment transactions on certain Bank portfolios.

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

The Eurosystem defines the risk management procedures applied to the lending transactions effected by the Bank in implementing the Eurosystem's monetary policy. Their application is harmonised so as to ensure that there is no discrimination in the conditions for the use of all types of eligible assets throughout the euro area. In regard to securities, a single list of eligible assets is drawn up and the same risk control measures are applied, while for bank loans, the same selection criteria and the same risk management measures are applied throughout the Eurosystem. Risk management procedures and eligibility rules may be adapted according to changing risks and market developments, as was the case in 2011.

2.1.2.2 INTEREST RATE RISK AND RISKS ASSOCIATED WITH THE VOLUME OF INTEREST-BEARING ASSETS

By far the most important component of the Bank's income is that obtained from issuing banknotes. For central banks, banknotes are unremunerated liabilities. As the counterpart, central banks hold interest-bearing or productive assets. The income from these assets is called 'seigniorage income'. It is pooled within the Eurosystem and redistributed among the central banks of the Eurosystem on the basis of their respective shares in the issuance of euro banknotes.

In return for the right of issue which it confers on the Bank, the State is entitled to the balance of the Bank's profits after the formation of reserves and payment of dividends. Thus, the State is the first to bear the consequences of the volatility in seigniorage income.

2.1.2.3 BUSINESS CONTINUITY RISK AND OPERATIONAL RISK

Since 2010, the Operational Risk Management (ORM) has been carried out by the Operational Risk Committee. This Committee is chaired by the Internal Audit Service and comprises the following members: the business continuity manager, the Strategy and Organisation Service, the IT security coordinator and the legal compliance officer.

In 2011, the ORM Committee focused mainly on conducting three specific risk analyses. The first specific risk analysis concerned the activities of the printing works in connection with the ESCB certification for printing banknotes. The second aimed to identify the changes in the operational risks which would occur if the Central Cash Office and agencies were to apply the common infrastructure principle, and to list any additional measures needed to guarantee the security of such a site. The last analysis formed part of the strategic exercise and concerned the construction of a high-security building accommodating all the activities presenting a high physical risk.

For many years, the Bank has had business continuity plans (BCPs) for its critical activities, and they are tested regularly. In December 2011, a full BCP test based on a crisis scenario was conducted without advance notice of the date. This exercise tested the emergency solutions and back-up arrangements for the Bank's critical services.

At the end of 2011, the business impact analyses (BIAs) of all the Bank's critical activities underwent a full review. In the case of ten activities, the impact level was raised in the event of non-availability, and they were incorporated for the first time into the BCM (Business Continuity Management) system. The BIA analysis will be used to improve existing BCPs and develop new ones during 2012.

The Financial Stability Committee (FSC) identified the Bank as one of the systemic infrastructures, owing to its role as lender of last resort for the Belgian financial system and co-manager of payment systems (TARGET2 and the CEC) and the securities settlement system. The Bank therefore defines the general outline of its BCM system partly by reference to the FSC's 2004 recommendations.

2.1.3 Post-balance-sheet events

In February 2012, the Bank, like the other Eurosystem central banks, exchanged all the Greek government bonds in its various portfolios for new securities issued by the Hellenic Republic. The newly acquired securities have the same characteristics as the old ones in terms of their nominal value, interest rate, coupon and redemption dates. The new securities were not included in the list of eligible assets for the purpose of a PSI restructuring.

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

There are no circumstances other than those mentioned above which could have a significant influence on the Bank's development.

2.1.5 Research and development

The research and development activities focused mainly on the provision of services within the Eurosystem concerning, in particular, the circulation of banknotes, the management of collateral relating to loans, and the use of information technology for banking applications.

2.1.6 Conflict of interest

During the year under review, no member of the Board of Directors had, directly or indirectly, any interest relating

to property conflicting with a decision or transaction for which the Board of Directors was responsible.

2.1.7 Financial instruments

In implementing monetary policy and managing its portfolios, the Bank uses financial instruments such as (reverse) repurchase agreements, currency and interest rate swaps and futures. The information on this subject is mentioned in the annual accounts, and in particular in the accounting principles and valuation rules (I.3 and I.7) and in the notes to the accounts (notes 2, 3, 5, 6, 9, 15, 16, 24, 37 and 38).

2.1.8 Expertise and independence of the Audit Committee

The Board of Censors is the Bank's Audit Committee.

In accordance with Article 36 of the Statutes, the Censors are chosen from among persons with special qualifications in the field of supervisory procedures. They are experts in accountancy and auditing, in view of their higher education qualifications in economics and finance and/or their acknowledged professional experience in those fields. Most of them satisfy the independence criteria mentioned in Article 526ter of the Company Code.

2.1.9 Governance statement

2.1.9.1 BELGIAN CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE CHARTER

For enterprises listed in Belgium, the Belgian Corporate Governance Code 2009 ('the Code') is the reference text on governance. The Code, which appears on the website www.corporategovernancecommittee.be, is a recommendation and sets out principles, provisions and lines of conduct in regard to governance which complement the legislation and cannot be interpreted in a manner contrary to the law.

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

In view of the pre-eminence of the Bank's tasks in the public interest, the law has given it a special legal framework. The provisions on public limited liability companies

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

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

That explains why certain provisions of the Belgian Corporate Governance Code, which is based on a governance model designed for ordinary companies with a monistic structure, with a board of directors which renders account to the general meeting of shareholders and whose members can be dismissed *ad nutum*, obviously do not apply to the Bank.

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

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

2.1.9.2 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE PROCESS OF FINANCIAL REPORTING

The financial and operational risks connected with the Bank's activities and the management of those risks are discussed in point 2.1.2 of this report.

The financial reporting process is subject to a series of control mechanisms, ranging from operational to external controls.

At operational level, the Bank's employees are placed under the authority of their superiors and the Board of Directors, who carry primary responsibility for supervising their activities.

The Internal Audit service helps the organs and operating entities to achieve their objectives. It systematically and methodically assesses the risk management, control and governance processes, and recommends ways of improving them. It bases its activities on the internal control system, and assesses whether that system is adequate and effective. It complies with the most widely accepted international auditing standards: the IIA's International Standards for the Professional Practice of International Auditing for operational audits, the ISACA (Information Systems Audit & Controls Association) standards for IT audits, the IFAC standards for financial audits and the IIA Code of Ethics. In regard to the ESCB audits, the Internal Audit Service conforms to the harmonised auditing approach devised by the ESCB.

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

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

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

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

2.1.9.3 SHAREHOLDERSHIP

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

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

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

at the General Meeting. They must also be approved by Royal Decree.

The dividend paid to shareholders is fixed by the Council of Regency. The latter announced its reserve and dividend policy on 22 July 2009 (see the Bank's website: www.nbb.be). In accordance with a decision by the General Meeting of Shareholders on 30 March 2009, the dividend is payable from the fifth working day following the General Meeting.

2.1.9.4 COMPOSITION AND FUNCTIONING OF THE ORGANS AND OTHER ACTORS

GOVERNOR

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

By Royal Decree dated 27 February 2011, Mr Luc Coene was appointed Governor with effect from 1 April 2011, as the successor to Mr Guy Quaden.

BOARD OF DIRECTORS

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

Members:

Mr Luc Coene, Governor
Mrs Françoise Masai, Vice-Governor
Mr Jan Smets, Director
Mrs Marcia De Wachter, Director
Mr Jean Hilgers, Director and Treasurer
Mr Norbert De Batselier, Director
Mr Mathias Dewatripont, Director
Mr Pierre Wunsch, Director

By Royal Decree dated 27 February 2011, the terms of office of the following members of the Board of Directors were renewed for six years: Mrs Françoise Masai, Mr Jan Smets, Mrs Marcia De Wachter and

Mr Jean Hilgers. On the same date, a Royal Decree appointed Mrs Françoise Masai as Vice-Governor with effect from 1 April 2011. That post was previously held by Mr Luc Coene. By Royal Decree dated 5 April 2011, Messrs Mathias Dewatripont and Pierre Wunsch were appointed as Directors with effect from 18 May and 1 June 2011 respectively, to fill vacancies on the Board of Directors arising from the departure of Messrs Guy Quaden and Peter Praet.

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

The Board of Directors met 50 times in 2011.

SPECIAL REPRESENTATIVES

In connection with the new prudential supervision architecture, two members of the Board of Directors of the former CBFA joined the Bank to advise the Board of Directors on the integration within the Bank of the competences and staff members which the Bank has taken over from the former CBFA. They have the title of special representative and will hold that office for a period corresponding to the remainder of their term of office as members of the Board of Directors of the former CBFA.

Special representatives:

Mr Michel Flamée
Mr Rudi Bonte

SECRETARY

Since 30 May 2011, the function of Secretary has been performed by Mr Luc Dufresne. It was previously performed by Mr Luc Coene.

COUNCIL OF REGENCY

The Council of Regency is composed of the Governor, the Directors, and ten Regents. The Regents are elected by the General Meeting for a renewable term of three years. Two Regents are chosen on the proposal of the most representative labour organisations, three on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders, and five on the proposal of the Minister of Finance. The terms of office of the Regents end after the Ordinary General

Meeting. They leave office each year in groups, one of four members and the other two of three members. The Regent elected to replace a member who has died or resigned completes the term of office of the one whom he replaces.

Regents:

Mr Gérald Frère⁽¹⁾
Mr Luc Cortebeeck⁽³⁾
Mrs Martine Durez⁽¹⁾
Mr Rudi Thomaes⁽²⁾
Mr Didier Matray⁽¹⁾
Mr Rudy De Leeuw⁽³⁾
Mr Karel Van Eetvelt⁽¹⁾
Mrs Michèle Detaille⁽¹⁾
Mr Jean-François Cats⁽²⁾
Mrs Sonja De Becker⁽²⁾

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

(2) Regent elected on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders.

(3) Regent elected on the proposal of the most representative labour organisations.

The Ordinary General Meeting on 30 May 2011 renewed the terms of office of the Regents Messrs Didier Matray and Karel Van Eetvelt. Mr Jean-François Cats and Mrs Sonja De Becker were elected as Regents to replace Mr Jacques Forest and Mr Piet Vanthemsche respectively. The term of office of Mrs Sonja De Becker, who is completing her predecessor's term, expires at the end of the Ordinary General Meeting in 2012. The other terms of office expire at the end of the Ordinary General Meeting in 2014.

The Council of Regency met 29 times in 2011. These meetings focused in particular on the approval of the 2010 annual accounts and Annual Report, and on the settlement of the year's profit distribution. In 2011, the Council of Regency also laid down the accounting rules for the year and approved the 2012 budget. It took note of the report on the activities and auditing work of the Board of Censors. It also took note of the new prudential supervision arrangements and, consequently, amended the Bank's Statutes, the internal Rules of Procedure and the code of ethics. Finally, it discussed general questions relating to the Bank and to the Belgian, European and global economy (dominated by the sovereign debt crisis in a number of euro area countries).

BOARD OF CENSORS/AUDIT COMMITTEE

The Board of Censors is composed of ten members. The censors are elected by the General Meeting of

Shareholders for a renewable term of three years. They are chosen from among persons with special qualifications in the field of supervisory procedures. The terms of office of the Censors end after the Ordinary General Meeting. The Censors leave office each year in groups, one of four members and the other two of three members. The Censor elected to replace a member who has died or resigned completes the term of office of the one whom he replaces.

Members:

Baron Paul Buysse
Mr Philippe Grulois
Mr Jean-François Hoffelt
Mr Bernard Jurion
Mr Luc Carsauw
Mr Michel Moll
Mr Jan Vercamst
Mrs Francine Swiggers
Mr Jean Eylenbosch
Mr David Szafran

The Ordinary General Meeting on 30 May 2011 renewed the terms of office of the Censors Messrs Michel Moll, Jan Vercamst and Jean Eylenbosch and Mrs Francine Swiggers. Their terms of office will expire at the end of the Ordinary General Meeting in 2014. Mr David Szafran was elected as Censor to replace Mr Jean-François Cats. He will complete his predecessor's term of office which expires at the end of the Ordinary General Meeting in 2013.

The Board of Censors met eight times in 2011. At these meetings, the Board of Censors, as the Audit Committee, examined *inter alia* the annual accounts and the Annual Report for the year 2010, took note of the work programme and the work of the Internal Audit Service, and checked the auditor's independence. The Board of Censors also supervised the preparation of the 2012 budget.

BUDGET COMMITTEE

The Budget Committee is responsible for examining the Bank's budget before it is submitted to the Council of Regency for approval. In the last financial year, the composition of this committee was expanded. It is now chaired by a member of the Board of Censors and also comprises three Regents, two additional Censors, the representative of the Minister of Finance and – in an advisory capacity – the member of the Board of Directors responsible for the Controlling Department.

In 2011 the Budget Committee was composed as follows:

Chairman: Baron Paul Buysse, Censor
Mr Pierre Wunsch, Director
Mr Gérald Frère, Regent
Mrs Martine Durez, Regent
Mr Rudi Thomaes, Regent
Mr Philippe Grulois, Censor
Mr Bernard Jurion, Censor
Mr Olivier Henin, representative of the Minister of Finance

This committee met once in 2011. At that meeting, Director Pierre Wunsch commented on the key facts concerning the budget. Special attention was paid to developments concerning general expenses, staff costs and the workforce, and the plans for reimbursement of past and current medical expenses. The Budget Committee considered it important that the 2012 budget should take account both of the Bank's general strategy and of the macroeconomic forecasts for 2012. Following an in-depth discussion, the Budget Committee approved the budget proposals for 2012.

REMUNERATION COMMITTEE

The Remuneration Committee's function is to advise the Council of Regency on the remuneration of the members of the Board of Directors, the Regents and Censors. It comprises two Regents, two Censors and the representative of the Minister of Finance. The Governor attends the Remuneration Committee meetings as an adviser when it is discussing the remuneration of the other members of the Board of Directors.

In 2011 the Remuneration Committee was composed as follows:

Chairman: Baron Paul Buysse, Censor
Mrs Martine Durez, Regent
Mr Didier Matray, Regent
Mrs Francine Swiggers, Censor
Mr Olivier Henin, representative of the Minister of Finance

The Remuneration Committee met twice in 2011. At those meetings, it analysed, assessed and confirmed the remuneration policy and the current remuneration. The minutes are included in the remuneration report (see point 2.1.10 of this Report).

SPECIAL FUND COMMITTEE

The Special Fund Committee is responsible for examining the allocation of the Special Fund for sponsorship by the Bank, prior to its approval by the Council of Regency. It is chaired by the Governor and also comprises two Regents, two Censors and one member of the Board of Directors.

In 2011, the Special Fund Committee was composed as follows:

Chairman: Mr Luc Coene, Governor
Mrs Françoise Masai, Vice-Governor
Mr Luc Cortebeeck, Regent
Mr Didier Matray, Regent
Mr Philippe Grulois, Censor
Mr Jean-François Hoffelt, Censor

The Special Fund Committee met once in 2011. On that occasion, it examined the various proposals for Bank sponsorship.

REPRESENTATIVE OF THE MINISTER OF FINANCE

In the last financial year, the post of representative of the Minister of Finance was held by Mr Olivier Henin with effect from 22 March 2011, as the successor to Mr Pierre Wunsch.

GENERAL MEETING OF SHAREHOLDERS

At the Ordinary General Meeting on 30 May 2011, the Governor and Director De Wachter reported on the operations of the financial year 2010. The Governor then read out the report of the Works Council on the annual information. The members of the Board of Directors answered numerous questions. Finally, the shareholders present conducted the necessary elections to fill the vacant posts of Regent and Censor and to appoint the auditor. At the Extraordinary General Meeting on 30 May 2011, the Bank's Statutes were amended, in particular to bring them into line with the Law of 20 December 2010 on the exercise of certain rights of listed company shareholders. The minutes of these two General Meetings are available on the Bank's website.

AUDITOR

The firm Ernst & Young Bedrijfsrevisoren/Réviseurs d'entreprises, represented by Mrs Christel Weymeersch, acts as the Bank's auditor and was appointed by the Ordinary General Meeting on 30 March 2011 for a renewable term of three years.

2.1.10 Remuneration report

2.1.10.1 PROCEDURE FOR DEVELOPING THE REMUNERATION POLICY AND DETERMINING REMUNERATION

The Council of Regency is authorised to determine the remuneration policy and the remuneration of the members of the Board of Directors, including that of the Governor, the Council of Regency and the Board of Censors. The Council of Regency is assisted by the Remuneration Committee in the exercise of that power. The role, composition and functioning of the latter are set out in the Remuneration Committee regulations, available on the Bank's website.

On the recommendation of the Remuneration Committee, the Council of Regency decided to assess at least once a year the principles underlying the remuneration policy and the actual remuneration. In other words, the Council of Regency meets at least once a year to discuss remuneration. In addition, the Council of Regency may at any time decide to hold additional meetings on this subject, e.g. in response to reports which it receives from the Remuneration Committee, which meets at least twice a year.

The remuneration policy and the remuneration paid are discussed in the remuneration report which is included in the Management Report each year. The present remuneration report relating to the year 2011 was prepared by the Remuneration Committee at its meetings on 7 December 2011 and 15 February 2012, and approved by the Council of Regency, in accordance with Article 30.5 of the Statutes, at its meeting on 28 March 2012.

2.1.10.2 DECLARATION ON THE REMUNERATION POLICY PRINCIPLES UNDERLYING THE REMUNERATION

GOVERNOR, VICE-GOVERNOR AND DIRECTORS

The Council of Regency determines the salaries and pensions of members of the Board of Directors. The latter cannot be present during the discussions or the voting by the Council of Regency concerning their own remuneration. For many years, the Council of Regency has pursued a policy of setting the remuneration of every new Governor, Vice-Governor or Director at the level of his predecessor. That practice is reviewed periodically, on the recommendation of the Remuneration Committee and taking account of the principles set out below.

The basic principle is that the Governor, Vice-Governor and other members of the Board of Directors are entitled to fair remuneration, commensurate with their responsibilities, making it possible to attract and motivate competent administrators.

Since the Bank, being a central bank, is unlike other listed companies in that maximising profits is not its primary objective, the Organic Law stipulates that the remuneration of the Governor, the Vice-Governor and the Directors must not include a share in the profits. Consequently, their remuneration consists solely of a fixed component, with no variable element. No bonuses are paid.

The Governor and the other members of the Board of Directors hand over to the Bank the remuneration that they receive in respect of any external posts held in connection with their position at the Bank. As the sole exception to this principle, the Council of Regency decided, on the proposal of the Remuneration Committee, that the Governor could keep the fee that he receives as a director of the Bank for International Settlements. Conversely, the Bank no longer pays the cost of accommodation and furnishings for the Governor.

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

The Bank's code of ethics prohibits the Governor, Vice-Governor and Directors from acquiring shares in the Bank. Any shares which they already own at the time of their appointment cannot be traded until their term of office has expired, except with the express prior consent of the Board of Directors.

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

REGENTS AND CENSORS

The Regents and Censors receive attendance fees and, if appropriate, travel expenses. The amount of these allowances is fixed by the Council of Regency, subject to the supervision of the Minister of Finance, exercised by his representative, and on the recommendation of the Remuneration Committee.

The amount of the attendance fees comprises only a fixed component, with no variable element, and is granted for each meeting actually attended by members of the Council of Regency and the Board of Censors. The same attendance fees are paid to the Regents and Censors for each meeting attended by the members of the Remuneration Committee, the Budget Committee and the Special Fund Committee, except if the meeting is held on the same day as a meeting of the Council of Regency or the Board of Censors.

The amount of the attendance fees is index-linked annually according to the movement in the health index, and is assessed periodically by the Council of Regency, on the recommendation of the Remuneration Committee.

PROPORTIONS OF THE VARIOUS REMUNERATION COMPONENTS

As explained above, the remuneration of the Governor, Directors, Regents and Censors comprises only a fixed component, and no variable remuneration is paid.

CHARACTERISTICS OF PERFORMANCE BONUSES

No performance bonuses are paid in any form to the Governor, Directors, Regents and Censors.

INFORMATION ON THE REMUNERATION POLICY FOR THE NEXT TWO FINANCIAL YEARS

At its meeting on 28 March 2012, the Council of Regency analysed, assessed and confirmed the remuneration policy as described in this report, on the recommendation of the Remuneration Committee. It did not propose any major changes for the coming financial years. However, the Council of Regency, on the reasoned recommendation of the Remuneration Committee, decided that, from 1 January 2012, the salaries of the members of the Board of Directors, the Regents and Censors would be subject to a scale increase of 0.30 %, in line with the central agreement for staff members. Finally, the Council of Regency, on the reasoned recommendation of the Remuneration Committee, decided that, from 1 January 2012, the calculation method and rules for granting travel expenses to the Regents and Censors would be aligned with the rules of tax law (fixed allowance per kilometre).

2.1.10.3 ATTENDANCE FEES PAID TO REGENTS AND CENSORS

The fee for attending the meetings of the Council of Regency, the Board of Censors, the Remuneration Committee, the Budget Committee and the Special Fund Committee stood at € 482 gross per meeting attended in 2011.

(in €)

	Attendance fees	Travel allowance	Total 2011
Regent			
Gérald Frère	9 640.00	685.00	10 325.00
Jacques Forest ⁽¹⁾	3 374.00	95.55	3 469.55
Luc Cortebeek	9 158.00		9 158.00
Martine Durez	13 496.00		13 496.00
Rudi Thomaes	12 050.00		12 050.00
Didier Matray	13 014.00	1 286.55	14 300.55
Rudy De Leeuw	11 568.00		11 568.00
Piet Vanthemsche ⁽²⁾	2 410.00	76.25	2 486.25
Karel Van Eetvelt	11 568.00		11 568.00
Michèle Detaille	12 532.00	1 701.70	14 233.70
Jean-François Cats ⁽³⁾	6 748.00		6 748.00
Sonja De Becker ⁽⁴⁾	6 266.00	198.25	6 464.25
Censor			
Paul Buysse	4 338.00	446.85	4 784.85
Philippe Grulois	1 928.00	152.20	2 080.20
Jean-François Hoffelt	3 856.00		3 856.00
Bernard Jurion	4 338.00	428.85	4 766.85
Luc Carsauw	1 928.00		1 928.00
Michel Moll	2 892.00		2 892.00
Jean-François Cats ⁽⁵⁾	1 446.00		1 446.00
Jan Vercamst	3 856.00	237.20	4 093.20
Francine Swiggers	2 892.00		2 892.00
Jean Eylenbosch	2 892.00		2 892.00
David Szafran ⁽⁶⁾	2 410.00		2 410.00

(1) Member of the Council of Regency until 31 March 2011.

(2) Member of the Council of Regency until 31 March 2011.

(3) Member of the Council of Regency with effect from 30 May 2011.

(4) Member of the Council of Regency with effect from 30 May 2011.

(5) Member of the Board of Censors until 30 May 2011.

(6) Member of the Board of Censors with effect from 30 May 2011.

2.1.10.4 INFORMATION ON THE AMOUNT OF THE REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS AS MEMBERS OF THE COUNCIL OF REGENCY

The Governor, Vice-Governor and Directors do not receive any payment for the duties which they perform in the Council of Regency. Neither do they receive any payment for their positions on the Remuneration Committee, the Budget Committee and the Special Fund Committee.

2.1.10.5 CRITERIA FOR ASSESSING PERFORMANCE IN CONNECTION WITH THE PAYMENT OF VARIABLE REMUNERATION

As already stated, the remuneration of the Governor, Directors and Censors comprises solely a fixed component and no variable remuneration is paid.

2.1.10.6 REMUNERATION AND OTHER BENEFITS GRANTED TO THE GOVERNOR, VICE-GOVERNOR AND OTHER MEMBERS OF THE BOARD OF DIRECTORS

For the 2011 financial year, the gross salary for the post of Governor is € 520 117. That amount was paid pro rata to the honorary Governor Guy Quaden for the period from 1 January 2011 to 31 March 2011, and to the Governor Luc Coene for the period from 1 April 2011 to 31 December 2011. These amounts are paid on the basis of self-employed status.

The gross salary for the post of Vice-Governor is € 417 788. For the 2011 financial year, that amount was paid pro rata to Luc Coene for the period from 1 January 2011 to 31 March 2011 and to Vice-Governor Françoise Masai for the period from 1 April 2011 to 31 December 2011. These amounts are paid on the basis of self-employed status.

The gross salary for the post of Director is € 359 279. For the 2011 financial year, that amount was paid pro rata to Françoise Masai for the period from 1 January 2011 to 31 March 2011, to honorary Director Peter Praet for the period from 1 January 2011 to 31 May 2011, to Director Mathias Dewatripont for the period from 18 May 2011 to 31 December 2011 and to Director Pierre Wunsch for the period from 1 June 2011 to 31 December 2011. These amounts are paid on the basis of self-employed status.

In accordance with the principles of the Organic Law and the remuneration policy determined by the Council of Regency, no variable remuneration is paid to the Governor, Vice-Governor and other members of the Board of Directors.

Under the pension plan, the employer's contribution for the 2011 financial year is € 1.1 million. This amount represents both the supplements paid on the individual contracts of the members of the Board of Directors and the (non-individualised) amount paid into the financing fund to spread the contributions evenly over time.

Members of the Board of Directors are provided with a company car. For the past financial year, the value of this benefit in kind is assessed as € 2 174.48 for the Governor, € 2 195.21 for the Vice-Governor and € 14 264.16 for the other Directors taken together.

2.1.10.7 SHARES, SHARE OPTIONS AND OTHER RIGHTS TO ACQUIRE SHARES IN THE BANK

The Bank does not grant any shares, share options or other rights to acquire shares in the Bank to the Governor, Directors, Regents and Censors.

2.1.10.8 PROVISIONS ON SEVERANCE PAY FOR MEMBERS OF THE BOARD OF DIRECTORS

Pursuant to Article 26 of the Organic Law, the Governor, Vice-Governor and other members of the Board of Directors may not hold any office in institutions which are subject to the Bank's supervision until one year after leaving office. On the recommendation of the Remuneration Committee, the Council of Regency therefore decided that, as a general principle, a payment equivalent to 12 months' salary can be made to members of the Board of Directors whose term of office is not renewed, so long as they do not take up any new professional activities and have not attained the age of 67 years. The Council of Regency will always ensure that these conditions are fulfilled on a case-by-case basis.

2.1.10.9 DECISIONS ON SEVERANCE PAY

No severance pay was granted.

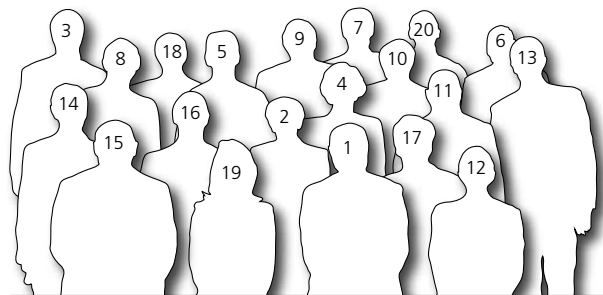
2.1.10.10 RIGHT TO RECLAIM VARIABLE REMUNERATION

As already stated, the remuneration of the Governor, Directors, Regents and Censors comprises solely a fixed component and no variable remuneration is paid.

Council of Regency



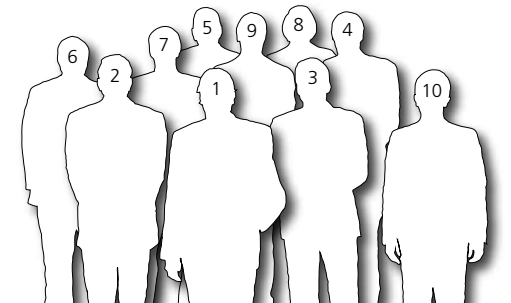
- 1 **Luc Coene**, GOVERNOR
- 2 **Françoise Masai**, VICE-GOVERNOR
- 3 **Jan Smets**, DIRECTOR
- 4 **Marcia De Wachter**, DIRECTOR
- 5 **Jean Hilgers**, DIRECTOR
- 6 **Norbert De Batselier**, DIRECTOR
- 7 **Mathias Dewatripont**, DIRECTOR
- 8 **Pierre Wunsch**, DIRECTOR
- 9 **Luc Dufresne**, SECRETARY
- 10 **Gérald Frère**, REGENT
- 11 **Luc Cortebeek**, REGENT
- 12 **Martine Durez**, REGENT
- 13 **Rudi Thomaes**, REGENT
- 14 **Didier Matray**, REGENT
- 15 **Rudy De Leeuw**, REGENT
- 16 **Karel Van Eetvelt**, REGENT
- 17 **Michèle Detaille**, REGENT
- 18 **Jean-François Cats**, REGENT
- 19 **Sonja De Becker**, REGENT
- 20 **Olivier Henin**, REPRESENTATIVE OF THE MINISTER OF FINANCE



Board of Censors / Audit Committee



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- 2 Philippe Grulois
- 3 Jean-François Hoffelt
- 4 Bernard Jurion
- 5 Luc Carsaw
- 6 Michel Moll
- 7 Jan Vercamst
- 8 Francine Swiggers
- 9 Jean Eylenbosch
- 10 David Szafran



2.2 Annual accounts

2.2.1 Balance Sheet

(before distribution of profit)

ASSETS

(in € thousand)

	See note below	31-12-2011	31-12-2010
1. Gold and gold receivables	1	8 898 631	7 719 706
2. Claims on non-euro area residents denominated in foreign currency ..	2	13 927 309	12 409 314
2.1 Receivables from the IMF		7 814 313	6 623 526
2.2 Balances with banks and security investments, external loans and other external assets		6 112 996	5 785 788
3. Claims on euro area residents denominated in foreign currency	3	7 895 734	420 739
4. Claims on non-euro area residents denominated in euro	4	772 684	582 177
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	40 420 650	7 215 000
5.1 Main refinancing operations		8 211 000	3 100 000
5.2 Longer-term refinancing operations		17 965 000	4 115 000
5.3 Fine-tuning reverse operations		–	–
5.4 Structural reverse operations		–	–
5.5 Marginal lending facility		14 244 650	–
5.6 Credits related to margin calls		–	–
6. Other claims on euro area credit institutions denominated in euro ...	6	9 234 449	2 299 437
7. Securities of euro area residents denominated in euro	7	23 395 730	19 088 255
7.1 Securities held for monetary policy purposes		9 113 796	4 768 180
7.2 Other securities		14 281 934	14 320 075
8. Intra-Eurosystem claims	8	17 972 233	20 051 968
8.1 Participating interest in ECB capital		220 584	180 157
8.2 Claims equivalent to the transfer of foreign currency reserves		1 397 304	1 397 304
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem		16 354 345	18 474 507
8.4 Other claims within the Eurosystem (net)		–	–
9. Other assets	9	5 197 597	4 911 442
9.1 Coins of euro area		9 997	13 362
9.2 Tangible and intangible fixed assets		394 590	383 914
9.3 Other financial assets		4 084 389	3 904 369
9.4 Off-balance-sheet instruments revaluation differences		–	–
9.5 Accruals and prepaid expenditure		627 276	541 293
9.6 Sundry		81 345	68 504
Total assets		127 715 017	74 698 038

LIABILITIES

(in € thousand)

	See note below	31-12-2011	31-12-2010
1. Banknotes in circulation	10	28 342 790	26 849 471
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	22 569 665	12 995 940
2.1 Current accounts (covering the minimum reserve system)		9 612 694	11 777 570
2.2 Deposit facility		10 796 971	718 370
2.3 Fixed-term deposits		2 160 000	500 000
2.4 Fine-tuning reverse operations		–	–
2.5 Deposits related to margin calls		–	–
3. Other liabilities to euro area credit institutions denominated in euro	12	–	21 906
4. Liabilities to other euro area residents denominated in euro	13	540 374	131 343
4.1 General government		65 330	82 277
4.2 Other liabilities		475 044	49 066
5. Liabilities to non-euro area residents denominated in euro	14	339 995	268 792
6. Liabilities to euro area residents denominated in foreign currency	15	1 264 394	679 502
7. Liabilities to non-euro area residents denominated in foreign currency	16	1 739 702	1 657 312
8. Counterpart of special drawing rights allocated by the IMF	17	5 130 512	5 002 973
9. Intra-Eurosystem liabilities	18	52 859 185	13 870 537
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)		52 859 185	13 870 537
10. Other liabilities	19	895 018	742 945
10.1 Off-balance-sheet instruments revaluation differences		303 053	65 811
10.2 Accruals and income collected in advance		20 719	21 470
10.3 Sundry		571 246	655 664
11. Provisions	20	33 643	78 240
11.1 For future exchange losses		–	–
11.2 For new premises		–	–
11.3 For contingencies		–	–
11.4 In respect of monetary policy operations		33 643	78 240
12. Revaluation accounts	21	9 013 808	7 689 840
13. Capital, reserve fund and available reserve	22	4 086 842	3 877 208
13.1 Capital		10 000	10 000
13.2 Reserve fund:			
Statutory reserve		1 168 694	1 168 694
Extraordinary reserve		1 150 790	1 150 790
Amortisation accounts in respect of tangible and intangible fixed assets		342 029	340 402
13.3 Available reserve		1 415 329	1 207 322
14. Profit for the financial year	23	899 089	832 029
Total liabilities		127 715 017	74 698 038

2.2.2 Profit and loss account

(in € thousand)

	See note below	31-12-2011	31-12-2010
1. Net interest income	24	1 175 478	943 380
1.1 Interest income ⁽¹⁾		1 654 136	1 375 550
1.2 Interest expense ⁽¹⁾⁽²⁾		-478 658	-432 170
2. Net result of financial operations, write-downs and provisions	25	-10 194	43 518
2.1 Realised gains/losses arising from financial operations ⁽¹⁾⁽²⁾		49 967	103 455
2.2 Write-downs on financial assets and positions ⁽²⁾		-60 161	-59 937
2.3 Transfer to/from provisions		-	-
3. Net income/expense from fees and commissions	26	4 172	7 033
3.1 Fees and commissions income		10 904	15 024
3.2 Fees and commissions expense		-6 732	-7 991
4. Income from equity shares and participating interests⁽¹⁾	27	44 905	91 719
5. Net result of pooling of monetary income	28	29 923	49 195
6. Other income	29	110 098	70 561
7. Staff costs	30	-261 285	-203 235
8. Administrative expenses	31	-84 200	-79 109
9. Depreciation of tangible and intangible fixed assets	32	-6 011	-3 331
10. Banknote production services		n.	n.
11. Other expenses		-	-
12. Corporation tax	35	-103 797	-87 702
Profit for the year		899 089	832 029
<hr/>			
(1) Of which proceeds from statutory investments:			
1.1 Interest income		137 468	127 694
1.2 Interest expense		-24	-194
2.1 Realised gains/losses arising from financial operations		66	5 912
4. Income from equity shares and participating interests		16 366	40 768
Total		153 876	174 180
(2) Of which due to (-) / by (+) the State:			
1.2 Interest expense		-36 638	-35 591
2.1 Realised gains/losses arising from financial operations		-4 574	-131 688
2.2 Write-downs on financial assets and positions		-	37
Total		-41 212	-167 242

2.2.3 Allocation of profit

(in € thousand)

	See note below	2011	2010
Profit for the financial year	36	899 089	832 029
The annual profits shall be distributed as follows, in accordance with Article 32 of the Organic Law:			
1. A first dividend of 6 % of the capital shall be allocated to the shareholders		600	600
2. From the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, shall be allocated to the reserve fund or to the available reserves		224 772	208 007
3. From the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and available reserves shall be allocated to the shareholders		56 104	65 848
4. The balance shall be allocated to the State; it shall be exempt from corporation tax		617 613	557 574

2.2.4 Dividend per share

(in €)

	2011	2010
Gross dividend	141.76	166.12
Withholding tax	35.44	41.53
Net dividend	106.32	124.59

In accordance with the decision of the General Meeting of 30 March 2009, the dividend will be payable from the fifth bank working day following the general meeting namely 5 June 2012, on presentation of coupon No. 210.

2.2.5 Off-Balance-Sheet Items

(in € thousand)

	See note below	31-12-2011	31-12-2010
Forward transactions in foreign currencies and in euro	37		
Forward claims		12 522 762	4 366 814
Forward liabilities		12 832 865	4 429 064
Forward transactions on interest rate and fixed-income securities	38	51 385	196 602
Liabilities which could lead to a credit risk	39		
Commitments towards international institutions		5 155 345	5 145 020
Commitments towards other institutions		501 356	1 210 189
Valuables and claims entrusted to the institution	40		
For encashment		63	154
Assets managed on behalf of the Treasury		75 214	64 828
Assets managed on behalf of the ECB		1 542 996	1 450 693
Custody deposits		756 934 279	707 925 800
Capital to be paid up on participations	41	263 378	298 262

2.2.6 Social Balance Sheet

1. Statement of persons employed

A. WORKERS ENTERED IN THE STAFF REGISTER

	Full-time	Part-time	Total (T) or total in full-time equivalents (FTE)	
			2011	2010
1. In the financial year and the previous year				
Average number of workers	1 481.24	928.67	2 213.01 (FTE)	2 079.48 (FTE)
Actual number of hours worked	2 213 765	1 095 905	3 309 670 (T)	3 113 475 (T)
Staff costs (in € thousand)	163 813	66 359	230 172 (T)	194 415 (T)
Value of benefits granted in addition to wages (in € thousand)	–	–	3 375 (T)	2 558 (T)
2. At the end of the financial year				
a. Number of workers entered in the staff register				
	1 498	947	2 244.58 (FTE)	
b. By type of employment contract				
Permanent contract	1 432	942	2 176.78 (FTE)	
Fixed-term contract	66	5	67.80 (FTE)	
Contract for a specific project	–	–	–	
Substitution contract	–	–	–	
c. By gender and standard of education				
Men	1 149	384	1 474.95 (FTE)	
Primary	11	5	15.30 (FTE)	
Secondary	448	219	632.95 (FTE)	
Higher non-university	264	80	332.20 (FTE)	
University	426	80	494.50 (FTE)	
Women	349	563	769.63 (FTE)	
Primary	11	15	22.43 (FTE)	
Secondary	175	339	424.25 (FTE)	
Higher non-university	60	127	154.45 (FTE)	
University	103	82	168.50 (FTE)	
d. By occupational category				
Management personnel	20	–	20 (FTE)	
Non-manual workers	1 478	947	2 224.58 (FTE)	
Manual workers	–	–	–	
Other	–	–	–	

B. TEMPORARY STAFF AND PERSONS MADE AVAILABLE TO THE FIRM

	Temporary staff	Persons made available to the firm
During the year		
Average number of persons employed	0.85	–
Actual number of hours worked	1 349	–
Costs to the firm (in € thousand)	40	–

2. Table of staff movements during the year

A. STAFF ENTERING SERVICE

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers entered in the staff register during the year	480	67	532.28
b. By type of contract of employment			
Permanent contract	162	55	207.38
Fixed-term contract	318	12	324.90
Contract for a specific project	–	–	–
Substitution contract	–	–	–

B. STAFF LEAVING

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers whose contract termination date was recorded in the staff register during the year	335	18	347.40
b. By type of employment contract			
Permanent contract	15	5	19.25
Fixed-term contract	320	13	328.15
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. Reason for termination of contract			
Retirement	3	–	3
Early retirement	–	–	–
Dismissal	7	1	7.80
Other reasons	325	17	336.60
of which: number of persons continuing to work for the firm at least half time on a self-employed basis	–	–	–

3. Information on training for workers during the year

	Men	Women
1. Formal further vocational training at the employer's expense		
Number of workers concerned	1 082	593
Number of hours of training completed	29 302	15 351
Net cost to the firm (in € thousand)	4 014	2 103
of which:		
Gross cost directly relating to training (in € thousand)	4 014	2 103
Contributions and payments to communal funds (in € thousand)	-	-
Subsidies and other financial benefits received (to be deducted) (in € thousand)	-	-
2. Semi-formal or informal further vocational training at the employer's expense		
Number of workers concerned	1 368	691
Number of hours of training completed	28 725	14 512
Net cost to the firm (in € thousand)	1 812	915
3. Basic vocational training at the employer's expense		
Number of workers concerned	-	-
Number of hours of training completed	-	-
Net cost to the firm	-	-

2.2.7 Notes to the annual accounts

2.2.7.1 LEGAL FRAMEWORK

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

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

- 1. in accordance with this Law and the mandatory rules drawn up pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;*
- 2. and otherwise in accordance with the rules laid down by the Council of Regency.*

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

The mandatory rules referred to in Article 33 (1) are defined in the Guideline of the ECB of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2010/20), OJ L35 of 09/02/2011, as amended by the Guideline dated 21 December 2011 (ECB/2011/27), OJ L 19 of 24/01/2012.

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

The accounts for the financial year under review have been drawn up in accordance with the above-mentioned Article 33, adhering to the format and the accounting rules approved by the Council of Regency on 14 December 2011.

They are presented in thousands of euro unless otherwise stated.

2.2.7.2 ACCOUNTING PRINCIPLES AND VALUATION RULES

I. MANDATORY ACCOUNTING RULES UNDER THE ESCB/ECB STATUTES

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

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

1. Assets and liabilities in gold and foreign currencies

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

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

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

2. Fixed-income securities

Fixed-income negotiable securities, excluding those in the statutory portfolio and those held to maturity or for monetary policy purposes, are valued at the market price prevailing on the balance sheet date. Securities are revalued individually.

The held-to-maturity portfolio consists exclusively of fixed or determinable income securities and fixed term securities which the Bank has the express intention to hold to maturity. The securities are treated as a separate portfolio and valued at the amortised purchase price, on the basis of their actuarial yield. The same applies to securities held for the purpose of monetary policy.

3. (Reverse) repurchase agreements

A repurchase agreement is a sale of securities in which the transferor expressly undertakes to repurchase them and the transferee expressly agrees to sell them back at an agreed price and on an agreed date. The transferor records, on the liabilities side of the balance sheet, the amount of the liquidity received as a debt to the transferee, and values the securities 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.

4. Share in the capital of the ECB

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

5. Banknotes in circulation

The ECB and the NCBs of the countries which have adopted the euro, and which together comprise the Eurosystem, issue euro banknotes⁽¹⁾. The total value of the euro banknotes in circulation is allocated on the last working day of each month in accordance with the banknote allocation key.

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

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that is actually put into circulation by each NCB gives rise

to intra-Eurosystem balances. These claims or liabilities, which incur interest, are disclosed under the sub-item 'Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem'.

6. Determination of the result

6.1 The result is determined in accordance with the following rules:

- income and expenses are recognised in the financial year in which they are earned or incurred;
- realised gains and losses are taken to the profit and loss account;
- at the end of the year, positive revaluation differences (on securities and foreign reserves) are not shown in the profit and loss account but are recorded in the revaluation accounts on the liabilities side of the balance sheet;
- negative revaluation differences are first of all deducted from the corresponding revaluation account, any balance then being taken to the profit and loss account;
- losses included in the profit and loss account are not offset during subsequent years by new positive revaluation differences; negative revaluation differences on a security, currency or asset in gold are not netted either against positive revaluation differences on other securities, currencies or assets in gold;
- for gold, no distinction is made between the price and currency revaluation;
- in order to calculate the acquisition cost of securities or currencies that are sold, the average cost method is used on a daily basis; at the end of the year, if any negative revaluation differences are taken to the profit and loss account, the average cost of the asset in question (gold, currency or security) is adjusted downwards to the level of the current exchange rate or market price value.

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

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

(1) Decision of the ECB of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29, OJ L35 of 09/02/2011).

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

- banknotes in circulation;
- liabilities to euro area credit institutions related to monetary policy operations and denominated in euro;
- net intra-Eurosystem liabilities resulting from TARGET2 transactions;
- net intra-Eurosystem liabilities 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 TARGET2 transactions;
- net intra-Eurosystem claims relating to the allocation of euro banknotes in the Eurosystem;
- euro-denominated securities held for monetary policy purposes;
- a limited amount of each NCB's gold holdings, in proportion to each NCB's subscribed capital key. Gold is considered to generate no income.

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

6.5 The whole of the income of the ECB arising from the 8 % share in euro banknotes allocated to it and that arising from the Securities Markets Programme (SMP) portfolio is payable to the NCBs in the financial year in which it is generated. The ECB distributes that income to the NCBs in January of the next financial year. The whole of that income is distributed unless the ECB's net profit is less than its income on banknotes in circulation and SMP securities.

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

7. Off-balance-sheet instruments

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

In the case of foreign exchange swaps, the forward position is revalued at the same time as the spot position. Since spot and forward amounts in foreign currencies are converted to euro at the same exchange rate, they do not influence the 'Revaluation accounts' item on the liabilities side.

Interest-rate swaps and futures are revalued individually and recorded under the off-balance-sheet items. In the case of futures, daily margin calls are recorded in the profit and loss account and influence the foreign exchange position.

Profits and losses arising from off-balance-sheet instruments are recognised and treated in the same manner as those appearing in the balance sheet.

8. Post-balance-sheet events

The assets and liabilities are adjusted to take account of information obtained between the balance sheet date and the date of adoption of the annual accounts by the Bank's Board of Directors if that information has a material effect on the balance sheet asset and liability items.

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

1. Gold and gold receivables

The capital gains realised by the Bank on arbitrage transactions in gold assets against other external reserve components are recorded in a special unavailable reserve account in accordance with Article 30 of the Organic Law and Article 54 of the Statutes.

(1) Decision of the ECB of 25 November 2010 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2010/23, OJ L35 of 09/02/2011) as amended by the Decision dated 3 November 2011 (ECB/2011/18, OJ L319 of 02/12/2011).

(2) Decision of the ECB of 25 November 2010 on the interim distribution of the income of the ECB on euro banknotes in circulation and arising from securities purchased under the Securities Markets Programme (recast) (ECB/2010/24, OJ L6 of 11/01/2011).

2. IMF operations

Under Article 1 of the agreement of 14 January 1999 between the Belgian State and the Bank determining certain procedures for implementing Article 9 of the Organic Law, the Bank carries the rights that the State holds as a member of the IMF in its accounts as its own assets. Article 9 (2) of the Organic Law goes on to stipulate that the State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank for the purpose of these operations.

3. Loans granted and other operations relating to financial stability

Under Article 9 (2) of the Organic Law, the State guarantees the Bank the reimbursement of any loan granted in connection with its contribution to the stability of the financial system, and guarantees the Bank against any loss incurred as a result of any operation required in that regard.

4. Treasury's current account

Pursuant to an agreement of 12 March 1999, the balance of the Treasury's current account bears interest, up to a maximum figure of € 50 million, at the marginal interest rate applying to the main refinancing operations.

5. Capital, reserve fund and available reserve

5.1 Capital

Under Article 4 of the Organic Law, the share capital, totalling € 10 million, is represented by 400 000 shares, which do not have any nominal value. The share capital is fully paid-up.

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

5.2 Reserve fund

The reserve fund, provided for in Article 31 of the Organic Law, consists of the statutory reserve, the extraordinary reserve and the amortisation accounts.

Its purpose is:

- 1° to make good the losses on the share capital;
- 2° to supplement the profits for the year up to an amount equalling a dividend of 6 % of the capital.

On expiry of the Bank's right of issue, the State has a priority right to one-fifth of the reserve fund. The remaining four-fifths are divided among all the shareholders⁽¹⁾.

5.3 Available reserve

The available reserve, provided for in Article 32 of the Organic Law may, by decision of the Council of Regency, be used to make good losses or to pay out the dividend.

6. Determination of the result

6.1 Proceeds fully assigned to the State

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

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

6.2 Net foreign exchange differences accruing to the State

In accordance with Article 9 of the Organic Law, the international monetary cooperation agreements or transactions which the Bank carries out on behalf of the State or with its express approval are guaranteed by the State. Foreign exchange gains and losses realised on these operations accrue entirely to the State.

Pursuant to Article 37 of the Organic Law, capital gains realised on the sale of gold to the Belgian Royal

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

Mint are handed over to the State. Sales of gold to that Institution with a view to issuance by the State of numismatic or commemorative coins may not exceed 2.75 % of the weight of gold shown under the assets of the Bank as at 1 January 1987.

7. Profit distribution

Pursuant to Article 32 of the Organic Law, the profits for the year are distributed as follows:

1. a first dividend of 6 % of the capital is assigned to the shareholders;
2. of the remainder, an amount proposed by the Board of Directors and determined by the Council of Regency, totally independently, is assigned to the reserve fund or to the available reserve;
3. from the surplus, a second dividend determined by the Council of Regency is assigned to the shareholders, totalling at least 50 % of the net proceeds from the assets which are the counterpart of the reserve fund and the available reserve;
4. the balance is assigned to the State; it is exempt from corporation tax.

III. ACCOUNTING RULES ESTABLISHED BY THE COUNCIL OF REGENCY

1. Participations in the statutory portfolio

The participations which the Bank holds in the form of shares representing the capital of various institutions are recorded in the balance sheet at their acquisition price, as recommended by the said ECB Guideline.

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

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

3. Ceiling on the portfolio of statutory investments

The ceiling on the statutory investments is determined annually at the time of the final profit distribution. It is equal to the sum of the following elements:

- the capital;
- the reserve fund (statutory reserve, extraordinary reserve and amortisation accounts);
- the available reserve;
- the additions to the reserves.

The valuation of the statutory investments is based on the principles described in points 1 and 2 above.

4. Transfer of securities between different portfolios

The transfer of securities between portfolios subject to different accounting rules is effected at market price.

5. Tangible and intangible fixed assets

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

Buildings under construction are recorded at the cost actually paid.

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

Useful economic life of the principal items:

– land:	unlimited
– buildings:	34 years
– renovations:	10 years
– furniture:	10 years
– software:	5 years
– machinery:	5 years
– security work:	3 years
– hardware:	3 years

6. Stocks

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

7. Corporation tax

Pursuant to Article 32 of the Organic Law, the balance of the profits for the financial year assigned to the State after profit distribution and allocations to the reserves

is exempt from corporation tax. For the purpose of calculating the average tax rate, in other words the ratio between the tax due and the pre-tax profit, the share of the profits accruing to the State is deducted from the result for the financial year.

The calculation of the average tax rate takes account of tax settlements for preceding financial years, regardless of whether they are positive or negative.

8. Calculation of the second dividend

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

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

9. Off-balance-sheet items

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

2.2.7.3 NOTES TO THE BALANCE SHEET

Note 1. Gold and gold receivables

GOLD STOCKS

	31-12-2011	31-12-2010
In ounces of fine gold	7 312 757.0	7 314 359.1
In kg of fine gold	227 452.2	227 502.0
At market price (in € million)	8 898.6	7 719.7

The reduction in gold stocks is due to the sale of 49.8 kg of gold at market price to the Belgian Royal Mint.

As at 31 December 2011, 9 tonnes of gold were still available for the issue of numismatic or commemorative coins by the State.

On the balance sheet date, gold is valued on the basis of the euro price per fine ounce, notified by the ECB and derived from the quotation in USD established at the London fixing on 30 December 2011.

GOLD PRICE

(in €)

	31-12-2011	31-12-2010
Ounce of fine gold	1 216.86	1 055.42
Kg of fine gold	39 123.08	33 932.47

The Bank lent 84.3 tonnes of its gold assets, on average, against guarantees covering 104 % of the credit risk.

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

EXCHANGE RATES

(per €)

	31-12-2011	31-12-2010
SDR	0.8427	0.8642
USD	1.2939	1.3362
JPY	100.2000	108.6500
CHF	1.2156	1.2504

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.

RECEIVABLES FROM THE IMF

RECEIVABLES FROM THE INTERNATIONAL MONETARY FUND

(in € million)

	31-12-2011	31-12-2010
Special drawing rights	5 024.3	5 101.4
Participation in the IMF	1 675.2	1 034.0
Loans to the IMF	972.6	341.5
Loans to the PRGT	142.2	146.6
Total	7 814.3	6 623.5

SPECIAL DRAWING RIGHTS (SDR)

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

The SDRs allocated to IMF members may be sold in exchange for convertible currency on the basis of swap agreements freely concluded between member countries. The agreement between the Bank and the IMF, which was revised in October 2009, stipulates that the Bank's SDR holdings must total between 65 and 135 % of the net cumulative allocation.

As at 31 December 2011, the holding recorded on the 'Special drawing rights' account stood at SDR 4 233.9 million against SDR 4 408.4 million a year earlier. The net SDR holding, i.e. the difference between the SDR allocation and the SDR holdings, stood at SDR 89.5 million on the balance sheet date.

PARTICIPATION IN THE IMF

This liquid claim of Belgium on the IMF is also called the reserve tranche position. It is equal to the difference between Belgium's quota in the IMF, namely SDR 4 605.2 million, and the Fund's holdings of euro with the Bank. The quota determines Belgium's voting rights in the IMF.

Belgium's participation in the IMF may be called upon at any time in order to obtain convertible currencies for financing a balance of payments deficit. Changes in the participation may also result from a contribution by Belgium to the granting of credit by the IMF in favour of member countries faced with 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 position amounted to SDR 1 411.6 million against SDR 893.5 million a year earlier. This increase is due to net loans to Fund member countries.

LOANS TO THE IMF

These receivables represent the counter-value of the loans granted to the IMF by the Bank in its own name and the claims of the Belgian State on the IMF in the event of implementation of loan agreements intended to increase the IMF's resources, namely the General Arrangements to Borrow and the New Arrangements to Borrow.

In order to provide short-term financial resources for the IMF, the European Union Member States decided to supply bilateral financing of € 75 billion. Belgium is contributing € 4.74 billion in the form of a bilateral loan by the Bank to the IMF, guaranteed by the Belgian State.

As at 31 December 2011, the Bank's claims under this heading came to SDR 819.6 million, against SDR 295.2 million a year earlier.

LOANS TO THE PRGT

The amount shown under this item is the equivalent of the money which the Bank has lent to the Poverty Reduction and Growth Trust (PRGT), managed by the IMF. This credit

facility is intended to support the efforts of low-income developing countries that commit themselves to macro-economic 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 PRGT 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 to SDR 119.8 million on 31 December 2011, against SDR 126.7 million a year earlier, as the repayments made during the year more than offset new credit line drawings.

BALANCES WITH BANKS AND SECURITY INVESTMENTS, EXTERNAL LOANS AND OTHER EXTERNAL ASSETS

BREAKDOWN BY TYPE OF INVESTMENT

(in € million)

	31-12-2011	31-12-2010
Sight deposits	44.6	51.2
Time deposits	202.0	381.4
Reverse repurchase agreements ...	116.1	112.9
Securities	5 750.3	5 240.3
Total	6 113.0	5 785.8

BREAKDOWN BY CURRENCY

(in € million)

	31-12-2011	31-12-2010
USD	5 208.8	5 147.1
JPY	898.0	631.1
CHF	1.6	3.1
Other	4.6	4.5
Total	6 113.0	5 785.8

BREAKDOWN OF FIXED-INCOME SECURITIES BY THEIR RESIDUAL TERM

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	2 094.6	1 784.1
> 1 year and ≤ 5 years	2 763.9	2 727.0
> 5 years	891.8	729.2
Total	5 750.3	5 240.3

VALUE OF FIXED-INCOME FOREIGN CURRENCY SECURITIES BY ISSUER COUNTRY

(in € million)

	Book value = Market value
United States	4 217.2
Japan	900.9
International organisations	35.1
Switzerland	483.2
Other	113.9
Total	5 750.3

On the balance sheet date, the unrealised gains and losses on the value of the securities at market prices came to € 152.8 million and € 1.5 million respectively.

Note 3. Claims on euro area residents denominated in foreign currency

BREAKDOWN BY TYPE OF INVESTMENT (USD)

(in € million)

	31-12-2011	31-12-2010
Time deposits	7 690.7	152.7
Reverse repurchase agreements ...	–	50.5
Securities	205.0	217.5
Total	7 895.7	420.7

An amount of €7.5 billion (USD 9.7 billion) relates to dollar-denominated liquidity-providing operations in a concerted action by the Eurosystem and the United States Federal Reserve.

At the end of 2011, these operations enabled euro area credit institutions to borrow a total of USD 85.4 billion from their respective central banks against provision of eligible collateral. The dollars were made available to the ECB by the Federal Reserve via a temporary mutual currency exchange (swap agreement). A similar swap agreement was then concluded between the ECB and the NCBs.

These operations increased sub-item 9.3 of the liabilities 'Other liabilities within the Eurosystem (net)' (see note 18).

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

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	49.5	32.9
> 1 year and ≤ 5 years	155.5	181.5
> 5 years	–	3.1
Total	205.0	217.5

VALUE OF FIXED-INCOME FOREIGN SECURITIES BY ISSUER COUNTRY

(in € million)

	Book value = Market value
Belgium	11.7
Germany	31.9
Spain	3.1
France	90.6
Austria	2.4
Italy	4.9
The Netherlands	60.4
Total	205.0

On the balance sheet date, the unrealised gains and losses on the value of the securities at market prices came to € 2.6 million and € 1.5 million respectively.

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

BREAKDOWN BY TYPE OF INVESTMENT

(in € million)

	31-12-2011	31-12-2010
Sight deposits	183.1	38.6
Securities	589.6	543.6
Total	772.7	582.2

BREAKDOWN OF FIXED-INCOME SECURITIES, OTHER THAN THOSE HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	–	39.9
> 1 year and ≤ 5 years	269.7	141.7
> 5 years	34.7	78.6
Total	304.4	260.2

VALUE OF FIXED-INCOME SECURITIES OTHER THAN THOSE HELD TO MATURITY, BY ISSUER COUNTRY

(in € million)

	Book value = Market value
International organisations	260.1
Other	44.3
Total	304.4

On the balance sheet date, the unrealised gains on the value of the securities at market prices came to € 10.6 million.

BREAKDOWN OF FIXED-INCOME SECURITIES HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	42.3	29.8
> 1 year and ≤ 5 years	133.7	117.5
> 5 years	109.2	136.1
Total	285.2	283.4

VALUE OF SECURITIES HELD TO MATURITY, BY ISSUER COUNTRY (THE MARKET VALUE IS GIVEN FOR INFORMATION)

(in € million)

	Book value	Market value
International organisations	285.2	302.1

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

This item comes to € 863.6 billion for the Eurosystem as a whole, of which € 40.4 billion is for the National Bank of Belgium. In accordance with Article 32.4 of the ESCB/ECB Statute, the whole of any loss resulting from operations under this heading, once realised, is shared between the Eurosystem NCBS in proportion to their shares in the ECB's capital key.

The increase from € 7.2 to € 40.4 billion in the level of lending via refinancing operations in euro led to an increase in liabilities towards TARGET2 relating to these operations (see note 18).

MAIN REFINANCING OPERATIONS

Liquidity granted to credit institutions for a one-week term via weekly tenders.

On the balance sheet date, the liquidity provided via the weekly main refinancing operations came to € 144.8 billion for the euro area as a whole, of which € 8.2 billion was attributed to credit institutions in Belgium, against € 227.9 billion and € 3.1 billion respectively at the end of 2010.

LONGER-TERM REFINANCING OPERATIONS

Credit extended to credit institutions by way of monthly tenders with a longer term than the main refinancing operations.

At the end of 2011, the longer-term refinancing operations of the Belgian banks came to € 18 billion, against € 4.1 billion at the end of 2010, indicating that the Belgian banks had a greater need to obtain long-term finance from the Bank. Those operations expanded sharply in the Eurosystem, from € 298.2 billion in 2010 to € 703.9 billion in 2011, notably on account of the success of the three-year operation organised in December.

MARGINAL LENDING FACILITY

Loans granted via the standing facility enabling credit institutions to obtain 24-hour loans from the Bank at a pre-specified interest rate against eligible assets.

The amount of € 14.8 billion at the end of 2011 for the Eurosystem originated mainly (€ 14.2 billion) in Belgium. This amount illustrates the banks' difficulties in raising finance on the interbank market over the New Year period, particularly for one Belgian institution.

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

Claims on credit institutions which do not relate to monetary policy operations.

BREAKDOWN BY TYPE OF INVESTMENT

(in € million)

	31-12-2011	31-12-2010
Current accounts	1.4	0.9
Reverse repurchase agreements ...	2 868.0	2 298.5
Emergency Liquidity Assistance ...	6 365.0	–
Total	9 234.4	2 299.4

The reverse repurchase agreement operations are connected with the Bank's policy of investing in foreign currencies (see notes 15 and 16).

This item also includes a sum of € 6.4 billion relating to the supply of Emergency Liquidity Assistance (ELA) to credit institutions outside the normal framework of Eurosystem monetary policy operations. These loans are granted against adequate collateral and covered by the State guarantee (Law of 15 October 2008).

Note 7. Securities of euro area residents denominated in euro

SECURITIES HELD FOR MONETARY POLICY PURPOSES

CBPP1 – FIRST COVERED BONDS PURCHASE PROGRAMME

Following the Governing Council's decisions (7 May and 4 June 2009) to purchase covered bonds in euro issued by euro area credit institutions for a planned nominal total of € 60 billion at the level of the Eurosystem, the Bank held covered bonds amounting to € 1.9 billion on 31 December 2011. This purchase programme expired on 30 June 2010.

BREAKDOWN OF FIRST PROGRAMME COVERED BONDS HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	296.4	61.6
> 1 year and ≤ 5 years	1 339.7	1 497.1
> 5 years	243.7	395.6
Total	1 879.8	1 954.3

CBPP2 – SECOND COVERED BONDS PURCHASE PROGRAMME

Following the ECB Governing Council's decision of 6 October 2011, a new programme was launched for the purchase of euro-denominated covered bonds issued in the euro area. These purchases for a planned nominal amount of € 40 billion across the euro area as a whole were to be effected by the end of October 2012 at the latest. On 31 December 2011, the Bank held covered bonds amounting to € 228.8 million under this programme.

BREAKDOWN OF SECOND PROGRAMME COVERED BONDS HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	–	–
> 1 year and ≤ 5 years	193.5	–
> 5 years	35.3	–
Total	228.8	–

SMP – SECURITIES MARKETS PROGRAMME

On 9 May 2010, the Governing Council decided to purchase both private and government bonds under the Securities Markets Programme. As at 31 December 2011, the total amount of bonds held by the Eurosystem as a whole comes to € 211.9 billion. The NCBs held SMP securities totalling € 194.2 billion, of which € 7 billion were held by the Bank. In accordance with Article 32.4 of the ESCB/ECB Statute, the whole of any losses incurred by the NCBs on SMP securities, once realised, is shared between the Eurosystem NCBs in proportion to their shares in the ECB's capital key.

BREAKDOWN OF SECURITIES MARKETS PROGRAMME BONDS HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	349.1	434.8
> 1 year and ≤ 5 years	3 600.0	1 292.8
> 5 years	3 056.1	1 086.3
Total	7 005.2	2 813.9

OTHER SECURITIES

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

BREAKDOWN OF FIXED-INCOME SECURITIES, OTHER THAN THOSE HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	1 277.5	1 360.0
> 1 year and ≤ 5 years	2 657.6	2 781.1
> 5 years	811.5	642.2
Total	4 746.6	4 783.3

VALUE OF FIXED-INCOME SECURITIES, OTHER THAN THOSE HELD TO MATURITY, BY ISSUER COUNTRY

(in € million)

	Book value = Market value
Belgium	1 182.8
Germany	1 278.5
Spain	288.8
France	875.9
Austria	154.2
Ireland	97.0
Italy	389.8
The Netherlands	298.0
Portugal	39.4
Greece	13.5
Other	128.7
Total	4 746.6

On the balance sheet date, the unrealised gains and losses on securities at their market price came to € 93 million and € 57.2 million respectively.

BREAKDOWN OF SECURITIES HELD TO MATURITY, ACCORDING TO THEIR RESIDUAL TERM

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	922.1	927.8
> 1 year and ≤ 5 years	3 834.5	3 805.7
> 5 years	4 778.7	4 803.3
Total	9 535.3	9 536.8

VALUE OF SECURITIES HELD TO MATURITY, BY ISSUER COUNTRY (THE MARKET VALUE IS GIVEN FOR INFORMATION)

(in € million)

	Book value	Market value
Belgium	3 237.0	3 324.6
Germany	1 020.0	1 088.1
Spain	1 850.7	1 817.6
France	458.5	483.1
Austria	777.7	828.5
Ireland	767.2	677.3
Italy	401.0	377.7
The Netherlands	109.9	116.5
Portugal	393.0	277.8
Greece	393.5	97.3
Other	126.8	130.8
Total	9 535.3	9 219.3

Note 8. Intra-Eurosystem claims

PARTICIPATING INTEREST IN ECB CAPITAL

Pursuant to the Decision of 13 December 2010 on the increase in the capital of the European Central Bank (ECB/2010/26, OJ L11 of 15/01/2011), the ECB increased its subscribed capital by € 5 billion, from € 5 761 million to € 10 761 million with effect from 29 December 2010. The Bank's share in that capital is 2.4256 %, or € 261 million. The NCBs of the euro area will pay their share in the capital increase in three equal annual instalments in accordance with the Decision of 13 December 2010 (ECB/2010/27, OJ L11 of 15/01/2011). The second payment was made on 28 December 2011 (€ 40.4 million for the Bank), and the last one will be made at the end of 2012. On 31 December 2011, the paid-up share in the ECB capital stood at € 220.6 million.

CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN CURRENCY RESERVES

Euro-denominated claim amounting to € 1 397.3 million on the ECB arising from the transfer of foreign reserves. 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 are managed by the Bank on behalf of the ECB. They are recorded off-balance-sheet.

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

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 placed in circulation.

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

(in € million)

	31-12-2011	31-12-2010
Banknotes in circulation	28 342.8	26 849.5
Banknotes put into circulation by the Bank	-11 988.5	-8 375.0
Total	16 354.3	18 474.5

The increase in the amount of banknotes issued by the Bank exceeded that in the Eurosystem, so that the claim on the Eurosystem has diminished.

Note 9. Other assets

COINS OF EURO AREA

The Bank's holding of euro coins. The coins are put into circulation by the Bank on behalf of the Treasury, and credited to the latter's account. In accordance with the ECB Decision of 29 November 2010 on the approval of the volume of coin issuance (ECB/2010/25), the maximum amount of the euro coins to issue in 2011 was € 177 million for Belgium. Since the net amount issued in 2010 was € 1 393.0 million, the total authorised amount for 2011 was € 1 570 million.

TANGIBLE AND INTANGIBLE FIXED ASSETS

In 2011, the Bank's investment in tangible and intangible fixed assets totalled € 15.1 million. Apart from that, an amount corresponding to the acquisition price of assets disposed of or taken out of use was deducted from the 'Tangible and intangible fixed assets' account (€ 4.4 million).

OTHER FINANCIAL ASSETS

In accordance with Article 19 (4) of the Organic Law, the Board of Directors decides on the statutory investments after consulting the Council of Regency. The statutory investments consist primarily of negotiable government bonds, bonds issued by certain credit institutions in euro area countries and backed by first-rate claims (*Pfandbriefe* type), securities representing the capital of financial institutions governed by special legal provisions or guaranteed or controlled by the State, and shares in the BIS.

BREAKDOWN BY TYPE OF INVESTMENT

(in € million)

	31-12-2011	31-12-2010
Fixed-income securities	3 752.5	3 545.2
Participating interests	331.9	331.9
Reverse repurchase agreements ...	-	27.3
Total	4 084.4	3 904.4

BREAKDOWN OF FIXED-INCOME SECURITIES ACCORDING TO THEIR RESIDUAL TERM

(in € million)

	31-12-2011	31-12-2010
≤ 1 year	408.7	377.4
> 1 year and ≤ 5 years	946.0	1 094.8
> 5 years	2 397.8	2 073.0
Total	3 752.5	3 545.2

**VALUE OF FIXED-INCOME SECURITIES BY ISSUER COUNTRY
(THE MARKET VALUE IS GIVEN FOR INFORMATION)**

(in € million)

	Book value	Market value
Belgium	1 529.1	1 556.4
Germany	453.4	491.5
Spain	291.9	270.6
France	418.0	438.0
Austria	230.5	245.6
Ireland	129.6	113.1
Italy	103.6	90.9
International organisations	228.0	243.4
The Netherlands	130.4	140.5
Portugal	121.4	68.2
Greece	78.0	16.9
Other	38.6	40.2
Total	3 752.5	3 715.3

BREAKDOWN OF PARTICIPATING INTERESTS

	31-12-2011		31-12-2010	
	Number of shares	In € million	Number of shares	In € million
BIS	50 100	329.8	50 100	329.8
SBI	801	2.0	801	2.0
SWIFT	91	0.1	91	0.1
Total		331.9		331.9

ACCRUALS AND PREPAID EXPENDITURE

These are subdivided into:

- Expenses carried forward (€ 3.4 million);
- Income acquired (€ 623.9 million), essentially interest accrued but not received on securities and other assets.

SUNDRY

Principally:

- 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 (€ 70.4 million);
- Trade receivables (€ 4.9 million);
- Printing Works stocks (€ 1.1 million).

Note 10. Banknotes in circulation

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

Note 11 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro

CURRENT ACCOUNTS (COVERING THE MINIMUM RESERVE SYSTEM)

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

DEPOSIT FACILITY

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

At the end of the period under review, as a result of the illiquidity of the money market and the strong rise in the amounts granted via monetary policy operations, a sum of € 413.9 billion (€ 104.5 billion in 2010) was placed in the deposit facility for the Eurosystem as a whole, of which € 10.8 billion (€ 0.7 billion in 2010) in Belgium.

FIXED-TERM DEPOSITS

Deposits formed with the Bank for the purpose of absorbing market liquidity in connection with the Eurosystem's fine-tuning operations.

In 2011, the ECB continued to collect fixed-term deposits to neutralise the injection of liquidity resulting from the purchase of securities under the Securities Market Programme (SMP).

On the balance sheet date, liquidity amounting to € 211 billion had been removed from the market, of which € 2.2 billion came from credit institutions in Belgium. At the end of 2010, the corresponding amount came to € 60.8 billion of which € 0.5 billion came from credit institutions in Belgium.

Note 12. Other liabilities to euro area credit institutions denominated in euro

Liabilities to credit institutions unconnected with monetary policy operations. This concerns "repurchase agreement" operations relating to the management of the securities portfolio.

Note 13. Liabilities to other euro area residents denominated in euro

GENERAL GOVERNMENT

Balances of the current accounts opened in the name of the State and of general government. On the balance sheet date, the Treasury's current account balance stood at € 0.4 million.

OTHER LIABILITIES

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

Note 14. Liabilities to non-euro area residents denominated in euro

Current accounts held by central banks, other banks, international and supranational institutions and other account holders situated outside the euro area.

Note 15. Liabilities to euro area residents denominated in foreign currency

(in € million)

	31-12-2011	31-12-2010
Repurchase agreements in USD . . .	1 264.4	679.5

These repurchase agreements in USD are the counterpart of the reverse repurchase agreements in euro (see note 6).

Note 16. Liabilities to non-euro area residents denominated in foreign currency

(in € million)

	31-12-2011	31-12-2010
Repurchase agreements in USD . . .	1 739.7	1 657.3

These repurchase agreements in USD are the counterpart of the reverse repurchase agreements in euro (see note 6).

Note 17. Counterpart of special drawing rights allocated by the IMF

Countervalue of SDRs, converted to euro at the same rate as applies to the SDR assets, which must be returned to the IMF if SDRs are cancelled, if the SDR Department established by the IMF is closed, or if Belgium decides to withdraw from it. This liability, of unlimited duration, amounts to SDR 4 323.3 million.

Note 18. Intra-Eurosystem liabilities

OTHER LIABILITIES WITHIN THE EUROSISTEM (NET)

The Bank's net liabilities resulting from all the intra-Eurosystem liabilities and claims, excluding those recorded under the balance sheet item "Net claims related to the allocation of euro banknotes within the Eurosystem" (see note 8).

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

1. the Bank's liabilities vis-à-vis the ECB resulting from cross-border transfers effected via TARGET2 with the other NCBs of the Eurosystem and the ECB (€ 52 867.1 million); the increase in the volume of TARGET2 transfers is due to the rise in the volume of refinancing operations in euro (see note 5) and the euro leg of the dollar-denominated liquidity-providing operations (see note 3);
2. the intra-Eurosystem liability of € 14.7 million, resulting from the mechanism for the pooling and distribution of monetary income within the Eurosystem (see note 28);
3. the intra-Eurosystem claim of € 22.6 million relating to the allocation of the ECB's income (see note 27).

Note 19. Other liabilities

OFF-BALANCE-SHEET INSTRUMENTS REVALUATION DIFFERENCES

Net negative revaluation differences on forward foreign exchange transactions and on interest rates, and on spot transactions in foreign exchange between the contract date and the settlement date.

ACCRUALS AND INCOME COLLECTED IN ADVANCE

The costs (€ 20.7 million) attributable to interest accrued but not yet paid on liabilities.

SUNDRY

In particular:

- unavailable reserve of capital gains on gold (€ 298.9 million);
- taxes, wages and social contributions due (€ 173.4 million);
- interest payable by the Bank on its net debt to the ECB in connection with TARGET2 (€ 43.6 million);
- proceeds accruing entirely to the State (€ 39.6 million);
- trade debts (€ 9.6 million).

Note 20. Provisions

In accordance with Article 32.4 of the ESCB/ECB Statutes, the provision for counterparty risks resulting from monetary policy operations is allocated to the NCBs of the participating Member States in proportion to their paid-up share in the capital of the ECB as at the time of the occurrence of the risk. In accordance with the accounting principle of prudence, the ECB Governing Council revalued the amount of that provision. It decided to reduce it from a total of € 2 207 million on 31 December 2010 to € 949 million on 31 December 2011.

The Bank's share in that provision is € 33.6 million, compared to € 78.2 million at the end of 2010.

Changes in the provision are shown in the profit and loss account. For the Bank, the corresponding proceeds come to € 44.6 million in 2011 (see note 28).

Note 21. Revaluation accounts

Positive exchange rate and price revaluation differences corresponding to the difference between, on the one hand, the market value of the net foreign reserve and security positions (other than the statutory portfolio, the portfolio of held-to-maturity securities and the portfolios held for monetary policy purposes) and, on the other hand, their average cost value.

(in € million)

	31-12-2011	31-12-2010
Positive exchange revaluation differences on:		
– gold	8 581.6	7 402.6
– foreign currencies	173.2	123.1
Positive price revaluation differences on:		
– securities in foreign currencies other than held to maturity (items 2 and 3 of the assets) ...	155.4	95.4
– securities in euro other than held to maturity (items 4 and 7 of the assets) ...	103.6	68.7
Total	9 013.8	7 689.8

Note 22. Capital, reserve fund and available reserve

CAPITAL

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

REPRESENTATION OF THE CAPITAL

(number of shares)

	31-12-2011	31-12-2010
Registered shares	206 110	205 610
Dematerialised shares	182 246	177 553
Bearer shares	11 644	16 837
Total	400 000	400 000

RESERVE FUND

The amortisation accounts in respect of tangible and intangible fixed assets are up by € 1.6 million, as the amount written off on investments effected in 2011 was more than the amount of assets sold or taken out of service.

The tax-exempt part of the extraordinary reserve comes to € 15.7 million.

AVAILABLE RESERVE

An amount of € 208 million relating to the profit distribution for the previous year was allocated to the available reserve.

CAPITAL, RESERVE FUND, AVAILABLE RESERVE AND CORRESPONDING PROFIT DISTRIBUTION

(in € million)

	31-12-2011	31-12-2010
Capital	10.0	10.0
Reserve fund	2 661.5	2 659.9
Available reserve	1 415.3	1 207.3
Profit distribution	224.8	208.0
Total	4 311.6	4 085.2

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

2.2.7.4 NOTES TO THE PROFIT AND LOSS ACCOUNT

Note 24. Net interest income

INTEREST INCOME

INTEREST INCOME OF ASSETS IN EURO

	31-12-2011			31-12-2010		
	Income	Average volume	Average rate	Income	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
Credit transactions relating to monetary policy ..	155.0	11 451.3	1.4	231.1	22 782.4	1.0
Securities portfolio in euro (including securities held to maturity)	874.1	20 708.3	4.2	708.3	17 983.0	3.9
Claims on the ECB equivalent to the transfer of foreign currency reserves	15.0	1 397.3	1.1	12.0	1 397.3	0.9
Net claims related to the allocation of euro banknotes within the Eurosystem	220.9	17 496.3	1.3	189.7	18 706.9	1.0
Statutory investments (fixed-income securities and reverse repos)	137.5	3 703.1	3.7	127.7	3 556.0	3.6
Other claims ⁽¹⁾	142.2	6 039.6	2.4	8.5	2 155.9	0.4
Total	1 544.7	60 795.9	2.5	1 277.3	66 581.5	1.9

(1) For 2011, the item comprises the interest income from the Emergency Liquidity Assistance (ELA) granted to credit institutions in Belgium and the average of the corresponding interest-bearing assets.

INTEREST INCOME OF EXTERNAL ASSETS

	31-12-2011			31-12-2010		
	Income	Average volume	Average rate	Income	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
Claims related to international cooperation transactions	8.3	2 223.8	0.4	4.4	1 560.8	0.3
Investments in foreign currencies and in gold ⁽¹⁾ ..	101.1	6 199.1	1.6	93.9	5 846.2	1.6
Total	109.4	8 422.9	1.3	98.3	7 407.0	1.3

(1) The average volume includes the amount of the dollar-denominated liquidity-providing operations (2011: € 0.4 billion; 2010: € 0.1 billion). These do not generate income for the Bank.

INTEREST EXPENSE

INTEREST EXPENSE ON LIABILITIES IN EURO

	31-12-2011			31-12-2010		
	Expenses	Average volume	Average rate	Expenses	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
Monetary reserve accounts, deposit facility and other interest-bearing deposits	160.7	14 439.0	1.1	124.9	16 013.6	0.8
Net liabilities to the ECB related to TARGET2 ⁽¹⁾	277.6	21 838.0	1.3	266.6	26 440.1	1.0
Statutory investments (repos)	0.0	4.5	0.5	0.2	70.4	0.3
Other liabilities	–	–	–	0.1	35.9	0.4
Total	438.3	36 281.5	1.2	391.8	42 560.0	0.9

(1) The average volume comprises the euro equivalent of the dollar-denominated liquidity-providing operations corresponding to the Bank's liabilities towards the ECB. These operations do not generate interest for the Bank. The item also includes the interest expense relating to the "ELA" and the average outstanding amounts relating thereto.

INTEREST EXPENSE ON EXTERNAL LIABILITIES

	31-12-2011			31-12-2010		
	Expenses	Average volume	Average rate	Expenses	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
Repurchase agreement transactions in foreign currencies	3.6	1 967.8	0.2	4.7	1 950.1	0.2
Net use of assets in SDR	0.1	28.1	0.4	–	–	–
Total	3.7	1 995.9	0.2	4.7	1 950.1	0.2

PROCEEDS ACCRUING ENTIRELY TO THE STATE

(in € million)

	Expenses	
	31-12-2011	31-12-2010
Income earned on the capital gains on gold recorded in a special unavailable reserve account	12.2	11.2
Annual sum paid to the State in compensation for the additional expenses due to the conversion of its consolidated debt to the Bank into freely negotiable securities ⁽¹⁾	24.4	24.4
Total	36.6	35.6

(1) The extra cost for the State of this conversion, which took place in 1991, amounts to the difference between the 3% which accrued to the Bank in accordance with the allocation rule prevailing at that time, and the 0.1% fixed allocation due from the State at that time on its consolidated debt to the Bank. That difference applied to the amount of that debt, namely 34 billion francs, gives a figure of 986 million francs, i.e. 24.4 million euro.

Note 25. Net result of financial operations, write-downs and provisions

REALISED GAINS/LOSSES ARISING FROM FINANCIAL OPERATIONS

(in € million)

	31-12-2011	31-12-2010
Capital gains/losses		
on statutory investments	0.1	5.9
on investments		
in USD	32.1	56.8
in EUR	13.2	27.3
Foreign exchange gains/losses		
on USD	4.3	12.7
on other currencies	0.3	0.8
on SDR	3.0	131.4
on gold	1.6	0.3
Foreign exchange gains/losses accruing to the State (SDR and gold)	-4.6	-131.7
Total	50.0	103.5

WRITE-DOWNS ON FINANCIAL ASSETS AND POSITIONS

(in € million)

	31-12-2011	31-12-2010
Capital losses on investments		
in USD	-3.0	-12.1
in EUR	-57.2	-47.7
Foreign exchange losses		
on USD	-	-
on other currencies	-	-0.1
on SDR	-	-
Foreign exchange losses charged to the State (SDR)	-	-
Total	-60.2	-59.9

Following the decline in yields on the American market, there was an increase in unrealised capital gains on securities in USD (see note 21). Conversely, the capital gains realised on these securities were lower than in 2010. In the case of securities in euro, unrealised capital losses occurred on some securities, while unrealised gains were recorded on others (see note 21).

Compared to 2010, the appreciation of the dollar exchange rate led to higher positive exchange rate differences in foreign currencies (see note 21) at the end of the year than in 2010.

SDR operations generated foreign exchange gains of € 3 million, and sales of gold to the Belgian Royal Mint generated gains of € 1.6 million. A net amount of € 4.6 million was allocated to the State.

Note 26. Net income/expense from fees and commissions

FEES AND COMMISSIONS INCOME

Commissions received as remuneration for the Bank's services as financial intermediary: € 10.9 million of which € 10 million related to the collateralisation of securities and € 0.9 million to transactions with customers. Recourse by commercial banks to liquidity provided by the central banks remained considerable in 2011. Guarantees mobilised by the Bank within the framework of the Correspondent Central Banking Model (CCBM) fluctuated throughout 2011. However, their annual average was below the 2010 figure, a notable factor being the loss of eligibility of certain assets.

FEES AND COMMISSIONS EXPENSE

Commissions paid by the Bank for financial services rendered to the Bank by third parties (€ 6.7 million).

The slight fall in this item is due both to a decline in assets deposited and a reduction in the rates charged by some depositaries.

Note 27. Income from equity shares and participating interests

(in € million)

	31-12-2011	31-12-2010
Dividend on participation in the ECB	5.9	50.9
Income distributed by the ECB ...	22.6	–
Dividends on participations in the statutory investment portfolio	16.4	40.8
Total	44.9	91.7

In 2011, the Bank received a dividend of € 5.9 million on its share in the capital of the ECB in respect of the year 2010, against € 50.9 million in 2010.

For the year 2011, the ECB retained part of the income from its allotted share in the issue of euro banknotes and the income generated by the securities which it holds in its Securities Markets Programme (SMP) portfolio, in accordance with the Governing Council decision of 21 December 2011, in order to replenish the provision for foreign exchange rate, interest rate, credit and gold price risks. Of the balance paid out, € 22.6 million accrues to the Bank.

For the 2010-2011 financial year, the BIS paid a dividend of SDR 295 per share, or € 16.4 million, compared to € 40.8 million last year.

Note 28. Net result of pooling of monetary income

(in € million)

	31-12-2011	31-12-2010
Net monetary income allocated ...	–14.7	–14.8
Provision for monetary policy operations	44.6	64.0
Total	29.9	49.2

The monetary income pooled within the Eurosystem is allocated among the NCBs of the euro area in accordance with the paid-up capital key (3.4666 % for the Bank since 1 January 2011).

CALCULATION OF NET MONETARY INCOME ALLOCATED TO THE BANK

(in € million)

	31-12-2011	31-12-2010
Monetary income pooled by the Bank in the Eurosystem ...	–559.9	–375.7
Monetary income allocated to the Bank by the Eurosystem ...	545.2	360.9
Net monetary income allocated	–14.7	–14.8

Note 29. Other income

(in € million)

	31-12-2011	31-12-2010
Amounts recovered from third parties	109.6	69.7
Other	0.5	0.9
Total	110.1	70.6

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

- the Central Balance Sheet Office, the Central Individual Credit Register and the Central Corporate Credit Register (€ 37 million);
- prudential supervision (€ 35.7 million);
- work done by the Printing Works (€ 1.9 million);
- payment systems such as TARGET2 and the CEC (€ 5.4 million);
- the securities settlement system (€ 6.9 million);
- cooperation with the FSMA (€ 7.1 million);
- the Cash and Bond Centres (€ 3.5 million);
- the internationalisation of IT applications (€ 8.4 million of which € 6.1 million for CCBM2).

In accordance with the Royal Decree of 3 March 2011 implementing the change in the financial sector supervision structures, the Bank passes on to the sectors in question the costs of the prudential supervision of banks and

investment companies, on the one hand, and insurance and reinsurance companies on the other.

In addition to the costs relating to the staff concerned, those costs also include logistics expenses (offices, IT, etc.) and general administrative expenses.

For the nine months concerned in 2011, the costs came to € 21.3 million for banks and investment companies, and € 13.9 million for insurance and reinsurance companies.

Other institutions subject to supervision, such as clearing and settlement institutions and mutual guarantee schemes, paid a flat charge in accordance with the rules applicable for the CBFA, namely a total of € 0.5 million for the part of the 2011 financial year concerned.

During 2012, a final settlement concerning coverage of the Bank's administrative expenses relating to the supervision of financial institutions will be determined by Royal Decree.

The item 'Other' comprises, if applicable, proceeds from the sale of property, the disposal of used equipment and furniture, and miscellaneous other proceeds.

Note 30. Staff costs

These costs comprise the remuneration and social costs of the staff, special representatives, 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 Council of Regency and the Board of Censors.

The increase in relation to 2010 is mainly due to the integration of the prudential supervision staff and the revision of the provision for medical expenses following an adjustment to the technical parameters.

Note 31. Administrative expenses

This item comprises in particular administrative and IT expenses (€ 21.5 million), those relating to the repair and maintenance of premises (€ 11.7 million), printing work (€ 8.8 million) and work done and services rendered by third parties (€ 21.5 million). The withholding tax on income from immovable property and the regional, provincial and municipal taxes are also included here (€ 4.6 million).

Note 32. Depreciation of tangible and intangible fixed assets

The depreciation covers the following investments:

(in € million)

	31-12-2011	31-12-2010
Renovation of premises	1.6	0.5
Hardware and software	2.0	1.3
Equipment for the Printing Works ..	0.7	0.6
Other equipment and furniture ...	1.7	0.9
Total	6.0	3.3

Note 35. Corporation tax

TAX DUE

(in € million)

	31-12-2011	31-12-2010
Tax on the result for the financial year	104.4	87.2
Tax on the result for previous financial year	-0.6	0.5
Total	103.8	87.7

MAIN DIFFERENCES

(in € million)

	31-12-2011	31-12-2010
Profit before tax	1 002.9	919,7
Tax-free profit accruing to the State	-617.6	-557.6
Taxable profit	385.3	362.1
Differences		
Provision for medical expenses ..	22.3	-
Risk capital deduction	-102.4	-107.1
Surplus depreciation	-7.6	-9.9
Other	3.0	-1.4
Taxable profit	300.6	243.7
Average tax rate (in %)	26.9	24.2

2.2.7.5 NOTE ON THE PROFIT DISTRIBUTION FOR THE FINANCIAL YEAR (NOTE 36)

Pursuant to Article 32 of the Organic Law, the profits for the year are distributed as follows:

1. a first dividend of 6% of the capital is assigned to the shareholders 0.6
2. of the remainder, an amount proposed by the Board of Directors and determined by the Council of Regency, totally independently, is assigned to the reserve fund or to the available reserve. In accordance with the reserve and dividend policy of 22/07/2009, the Council of Regency decided to allocate 25% of the profit for distribution to the available reserve. 224.8
3. from the surplus, a second dividend determined by the Council of Regency is assigned to the shareholders, totalling at least 50% of the net proceeds from the assets which are the counterpart of the reserve fund and the available reserve.
 - Gross proceeds from the statutory investments

	Income	Average volume	Yield
	(in € million)		(in %)
Bonds	137.5	3 698.6	3.7
Participating interests ...	16.4	331.9	4.9
Total	153.9	4 030.5	3.8

- Share of the income generated by the capital in the total proceeds from the statutory investments:
 $10 \times 153.9 / 4\,030.5 = 0.4$
 - Average tax rate: 26.9%
 (see note 35)
 - Calculation of the second dividend
 $[(153.9 - 0.4) \times (1 - 0.269) \times 0.5]$ 56.1
 - 4. the balance is assigned to the State; it is exempt from corporation tax 617.6
- Profit for the year** **899.1**

2.2.7.6 NOTES TO THE OFF-BALANCE-SHEET ITEMS

Note 37. Forward transactions in foreign currencies and in euro

	31-12-2011	31-12-2010
(in € million)		
Forward claims		
EUR	11 582.3	3 727.6
USD	928.0	639.2
SDR	12.5	–
Forward liabilities		
EUR	39.1	26.3
USD	9 223.1	2 169.6
JPY	897.2	630.5
SDR	2 673.4	1 602.7

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

These transactions include the forward liabilities to the ECB, an amount equivalent to € 7.5 billion, following the concerted liquidity-providing operations with the Federal Reserve (see note 3).

Forward transactions in SDR are intended to limit the net position on which the foreign exchange risk is borne by the State.

Note 38. Forward transactions on interest rate and fixed-income securities

At the end of the financial year, the Bank holds a net long position in futures in US and German government securities for an amount of € 51.4 million.

In 2011, the Bank also effected interest rate swaps in dollar for a nominal amount of € 7.7 million.

These transactions relate to the management of the portfolios.

Note 39. Liabilities which could lead to a credit risk

Liabilities towards international institutions include the commitment signed by the Bank to lend to the IMF SDR 350 million (€415.3 million) via the PRGT and €4 740 million in the form of a bilateral loan. The amount still available comes to €3 767.4 million. These loans are guaranteed by the Belgian State.

Liabilities towards other bodies comprise the guarantees which the Bank gives in connection with clearing operations for credit institutions established in Belgium. In return, the Bank itself received guarantees from those same institutions.

At the end of 2011, the outstanding amount came to €501.4 million.

Note 40. Valuables and claims entrusted to the institution

The custody deposits comprise the nominal amount of securities (Treasury certificates, linear bonds, securities resulting from the splitting of linear bonds, Treasury bills, certificates of deposit and certain classical loans) recorded under the securities settlement system and held on behalf of third parties.

The rise in the custody deposits is due mainly to the increase in the guarantees received by the Bank, and to the expansion in securities issued by enterprises and recorded in the securities settlement system.

Note 41. Capital to be paid up on participations

The BIS shares held by the Bank are paid up to the extent of 25%. The amount shown under this item represents the uncalled capital, totalling SDR 187.9 million (€223 million).

The share in the subscribed capital of the ECB increased by €121.3 million. This item also includes the residual amount to be paid (€40.4 million) at the end of 2012.

2.2.7.7 AUDITOR'S REMUNERATION

The remuneration paid to Ernst & Young Reviseurs d'Entreprises SCCRL/ Ernst & Young Bedrijfsrevisoren BCVBA totalled €87 460 for the audit assignment. That remuneration comprises a sum of €50 000 for certification of the annual accounts, a sum of €7 760

for the limited audit of the interim accounts, and a sum of €29 700 for certification work on behalf of the ECB auditor.

In addition, the auditor received remuneration charged to the 2011 financial year totalling €18 000 for other assignments, separate from the audit assignment, carried out for the Bank.

2.2.7.8 LEGAL PROCEEDINGS

On 1 June 2011, the Brussels Court of Appeal issued a judgment dismissing as unfounded the application by a group of shareholders claiming that the Bank and the State should be ordered to pay them a sum of €9 333.67 per share (plus interest) on the grounds that, between 1996 and 2002, the State wrongfully appropriated the capital gains realised on the sale of gold reserves. In its judgment, the Court of Appeal confirmed that private shareholders cannot claim any right to the capital gains realised on gold. The applicant shareholders accepted this judgment and have not lodged an appeal in cassation. The dispute has therefore been finally settled.

On 7 July 2011, a group of shareholders lodged an appeal in cassation against a judgment by the Brussels Court of Appeal dated 30 September 2010 confirming that the Bank does have the right to issue banknotes – the right of issue – and that it has not lost that right owing to the advent of Economic and Monetary Union: since then, it shares the right of issue with the European Central Bank and the other central banks of the Eurosystem. There is therefore no reason to liquidate the Bank's reserve fund. Since the Bank considers that the appeal in cassation is unfounded, it has not formed any provision for current litigation.

Another judgment by the Brussels Court of Appeal, issued on 30 September 2010, was not followed by an appeal in cassation. This concerned a judgment in which the Court dismissed the application by a group of shareholders seeking cancellation of the decision by the Council of Regency, at the end of the 2003 financial year, to effect a write-back on the provision for future exchange losses and to add the amount concerned to the proceeds to be shared between the Bank and the State, in accordance with the rule laid down in the former Article 29 of the Organic Law and Article 53 of the Bank's Statutes.

2.2.8 Comparison over five years

2.2.8.1 BALANCE SHEET

ASSETS

(in € thousand)

	2011	2010	2009	2008	2007
1. Gold and gold receivables	8 898 631	7 719 706	5 605 644	4 546 679	4 158 103
2. Claims on non-euro area residents denominated in foreign currency	13 927 309	12 409 314	11 080 062	6 663 472	6 996 921
2.1 Receivables from the IMF	7 814 313	6 623 526	5 770 551	1 208 242	815 795
2.2 Balances with banks and security investments, external loans and other external assets	6 112 996	5 785 788	5 309 511	5 455 230	6 181 126
3. Claims on euro area residents denominated in foreign currency	7 895 734	420 739	245 659	36 119 658	793 962
4. Claims on non-euro area residents denominated in euro ..	772 684	582 177	506 611	344 108	186 819
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	40 420 650	7 215 000	41 277 000	57 966 948	56 311 590
5.1 Main refinancing operations	8 211 000	3 100 000	5 002 000	4 185 000	51 050 000
5.2 Longer-term refinancing operations	17 965 000	4 115 000	36 275 000	52 050 000	5 261 590
5.3 Fine-tuning reverse operations	–	–	–	–	–
5.4 Structural reverse operations	–	–	–	–	–
5.5 Marginal lending facility	14 244 650	–	–	1 731 948	–
5.6 Credits related to margin calls	–	–	–	–	–
6. Other claims on euro area credit institutions denominated in euro	9 234 449	2 299 437	2 387 636	2 851 076	30 881
7. Securities of euro area residents denominated in euro	23 395 730	19 088 255	15 305 044	15 175 921	5 109 271
7.1 Securities held for monetary policy purposes	9 113 796	4 768 180	984 249	–	–
7.2 Other securities	14 281 934	14 320 075	14 320 795	15 175 921	5 109 271
8. Intra-Eurosystem claims	17 972 233	20 051 968	20 235 274	24 374 279	25 502 215
8.1 Participating interest in ECB capital	220 584	180 157	139 730	143 548	143 548
8.2 Claims equivalent to the transfer of foreign currency reserves	1 397 304	1 397 304	1 397 304	1 423 342	1 423 342
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem	16 354 345	18 474 507	18 698 240	22 807 389	23 935 325
8.4 Other claims within the Eurosystem (net)	–	–	–	–	–
9. Other assets	5 197 597	4 911 442	4 817 578	5 162 371	13 266 360
9.1 Coins of euro area	9 997	13 362	4 788	7 495	7 479
9.2 Tangible and intangible fixed assets	394 590	383 914	373 657	390 579	390 643
9.3 Other financial assets	4 084 389	3 904 369	3 734 720	2 434 094	11 976 665
9.4 Off-balance-sheet instruments revaluation differences	–	–	–	1 450 628	61 914
9.5 Accruals and prepaid expenditure	627 276	541 293	629 703	618 595	522 982
9.6 Sundry	81 345	68 504	74 710	260 980	306 677
Total assets	127 715 017	74 698 038	101 460 508	153 204 512	112 356 122

LIABILITIES

(in € thousand)

	2011	2010	2009	2008	2007
1. Banknotes in circulation	28 342 790	26 849 471	25 784 992	24 877 907	22 129 413
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	22 569 665	12 995 940	14 776 795	10 804 294	17 789 308
2.1 Current accounts (covering the minimum reserve system)	9 612 694	11 777 570	11 881 016	9 196 994	16 735 366
2.2 Deposit facility	10 796 971	718 370	2 895 779	1 607 300	3 942
2.3 Fixed-term deposits	2 160 000	500 000	–	–	1 050 000
2.4 Fine-tuning reverse operations	–	–	–	–	–
2.5 Deposits related to margin calls	–	–	–	–	–
3. Other liabilities to euro area credit institutions denominated in euro	–	21 906	226 403	130 193	–
4. Liabilities to other euro area residents denominated in euro	540 374	131 343	115 753	85 307	55 065
4.1 General government	65 330	82 277	107 777	58 396	44 595
4.2 Other liabilities	475 044	49 066	7 976	26 911	10 470
5. Liabilities to non-euro area residents denominated in euro	339 995	268 792	257 674	273 713	412 580
6. Liabilities to euro area residents denominated in foreign currency	1 264 394	679 502	–	–	–
7. Liabilities to non-euro area residents denominated in foreign currency	1 739 702	1 657 312	2 206 790	2 529 999	1 563 587
8. Counterpart of special drawing rights allocated by the IMF	5 130 512	5 002 973	4 706 392	536 100	521 154
9. Intra-Eurosystem liabilities	52 859 185	13 870 537	42 489 874	104 242 930	61 659 594
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)	52 859 185	13 870 537	42 489 874	104 242 930	61 659 594
10. Other liabilities	895 018	742 945	654 546	1 065 755	848 029
10.1 Off-balance-sheet instruments revaluation differences	303 053	65 811	52 597	–	–
10.2 Accruals and income collected in advance	20 719	21 470	19 547	58 872	47 344
10.3 Sundry	571 246	655 664	582 402	1 006 883	800 685
11. Provisions	33 643	78 240	142 194	1 156 915	948 068
11.1 For future exchange losses	–	–	–	150 020	144 519
11.2 For new premises	–	–	–	–	–
11.3 For contingencies	–	–	–	803 549	803 549
11.4 In respect of monetary policy operations	33 643	78 240	142 194	203 346	–
12. Revaluation accounts	9 013 808	7 689 840	5 515 358	4 655 322	3 930 309
13. Capital, reserve fund and available reserve	4 086 842	3 877 208	2 671 829	2 401 477	2 215 797
13.1 Capital	10 000	10 000	10 000	10 000	10 000
13.2 Reserve fund:					
Statutory reserve	1 168 694	1 168 694	1 168 694	862 429	676 971
Extraordinary reserve	1 150 790	1 150 790	1 150 790	1 150 790	1 150 543
Amortisation accounts in respect of tangible and intangible fixed assets	342 029	340 402	342 345	378 258	378 283
13.3 Available reserve	1 415 329	1 207 322	–	–	–
14. Profit for the financial year	899 089	832 029	1 911 908	444 600	283 218
Total liabilities	127 715 017	74 698 038	101 460 508	153 204 512	112 356 122

2.2.8.2 PROFIT AND LOSS ACCOUNT⁽¹⁾

(in € thousand)

	2011	2010	2009	2008
1. Net interest income	1 175 478	943 380	990 635	912 171
1.1 Interest income	1 654 136	1 375 550	1 829 606	4 097 961
1.2 Interest expense	-478 658	-432 170	-838 971	-3 185 790
2. Net result of financial operations, write-downs and provisions	-10 194	43 518	1 085 720	90 644
2.1 Realised gains/losses arising from financial operations	49 967	103 455	145 958	106 246
2.2 Write-downs on financial assets and positions	-60 161	-59 937	-13 806	-10 102
2.3 Transfer to/from provisions	-	-	953 568	-5 500
3. Net income/expense from fees and commissions	4 172	7 033	7 440	4 773
3.1 Fees and commissions income	10 904	15 024	15 994	12 346
3.2 Fees and commissions expense	-6 732	-7 991	-8 554	-7 573
4. Income from equity shares and participating interests ...	44 905	91 719	50 193	56 506
5. Net result of pooling of monetary income	29 923	49 195	63 821	-255 763
6. Other income	110 098	70 561	69 403	70 993
7. Staff costs	-261 285	-203 235	-188 080	-187 155
8. Administrative expenses	-84 200	-79 109	-74 187	-61 748
9. Depreciation of tangible and intangible fixed assets	-6 011	-3 331	-918	-13 738
10. Banknote production services	n.	n.	n.	n.
11. Other expenses	-	-	-	-247
12. Corporation tax	-103 797	-87 702	-92 119	-171 836
Profit for the year	899 089	832 029	1 911 908	444 600

(1) In 2009, the Bank adopted a new format for its profit and loss account. In order to ensure comparability of the annual accounts, the 2008 profit and loss account has been reformatted.

2.2.8.3 DIVIDEND PER SHARE

(in €)

	2011	2010	2009	2008	2007
Gross dividend	141.76	166.12	126.48	75.00	72.00
Withholding tax	35.44	41.53	31.62	18.75	18.00
Net dividend	106.32	124.59	94.86	56.25	54.00

2.3 Auditor's report to the Council of Regency

AUDITOR'S REPORT TO THE COUNCIL OF REGENCY OF THE NATIONAL BANK OF BELGIUM ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

We report to you on the performance of the audit mandate. This report contains our opinion on the financial statements as well as certain additional comments.

UNQUALIFIED OPINION ON THE FINANCIAL STATEMENTS

In accordance with Article 27.1 of the Protocol on the Statutes 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 2011, prepared in accordance with the financial reporting framework applicable to the National Bank of Belgium (the 'Bank'), which show a balance sheet total of € 127 715 017 thousands and a profit for the year of € 899 089 thousands.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE PREPARATION AND FAIR PRESENTATION OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation 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.

RESPONSIBILITY OF THE AUDITOR

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 Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Bank and the presentation of the financial statements, taken as a whole. Finally, we have obtained from the Board of Directors and the Bank's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the financial statements for the year ended 31 December 2011 give a true and fair view of the Bank's financial position and the results of its operations in accordance with the financial reporting framework applicable to the Bank.

ADDITIONAL COMMENTS

The preparation and the content of the annual report as well as the Bank's compliance with the Organic Law, its bylaws, the applicable requirements of the Company Code (*Wetboek van vennootschappen/Code des sociétés*) 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 include in our report the following additional comments, which do not modify the scope of our opinion on the financial statements:

- The annual report deals with the information required by law and is consistent with the financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the Bank is facing, and on its financial situation,

its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

- 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.
- We do not have to report any 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.
- The appropriation of the results proposed to you complies with the legal and statutory provisions.

Brussels, 15 March 2012

Ernst & Young Réviseurs d'Entreprises scrl
Auditor
represented by

Christel Weymeersch
Partner

2.4 Approval by the Council of Regency

Having taken note of the examination by the Audit Committee, the Council of Regency approved the annual accounts and the report on the company's activities in the year 2011 at its meeting on 28 March 2012, and determined the final distribution of the profits for that year. In accordance with Article 44 of the Statutes, the approval of the accounts implies a discharge for the administration.

Annex 1 Organic Law⁽¹⁾

Art. 1. – This Law shall govern a matter referred to in Article 78 of the Constitution.

Chapter I – Nature and objectives

Art. 2. – The National Bank of Belgium, in Dutch “Nationale Bank van België”, in French “Banque Nationale de Belgique”, in German “Belgische Nationalbank”, established by the Law of 5 May 1850, shall form an integral part of the European System of Central Banks, hereinafter referred to as ESCB, whose Statute has been established by the Protocol relating to it and annexed to the Treaty establishing the European Community.

Furthermore, the Bank shall be governed by this Law, its own Statutes and, additionally, by the provisions relating to limited liability companies by shares [*sociétés anonymes* – *naamloze vennootschappen*]⁽²⁾.

Art. 3. – The Bank’s registered office shall be in Brussels.

The Bank shall establish outside offices in locations on Belgian territory where the need for them exists.

Art. 4. – The Bank’s share capital, which shall amount to ten million euro, shall be represented by four hundred thousand shares, of which two hundred thousand – registered and non-transferable – shall be subscribed by the Belgian State and two hundred thousand shall

be registered, bearer or dematerialised shares. The share capital shall be fully paid up.

Bearer shares, which have already been issued and held on securities accounts as at 1 January 2008, shall be converted into dematerialised shares on this date. Other bearer shares shall be automatically converted into dematerialised shares as they are booked onto securities accounts from 1 January 2008 onwards.

Except for those belonging to the State, the shares may be converted into registered or dematerialised shares, free of charge, as the owner wishes.

Chapter II – Tasks and transactions

Art. 5. – 1. In order to achieve the objectives of the ESCB and to carry out its tasks, the Bank may:

- operate in the financial markets, by buying and selling outright (spot and forward), or under repurchase agreement or by lending or borrowing claims and marketable instruments expressed in Community or in non-Community currencies, as well as precious metals;

- conduct credit operations with credit institutions and other money market or capital market participants, with lending being based on adequate collateral.

2. The Bank shall comply with the general principles defined by the ECB for open market and credit operations, including those relating to announcement of the conditions under which such transactions are carried out.

(1) Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium (unofficial coordinated translation dated 1 September 2011).

(2) The provisions on limited liability companies by shares do not apply to the National Bank of Belgium except:
1. in regard to matters which are not governed either by the provisions of Title VII of Part Three of the Treaty establishing the European Community and the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, or by the above-mentioned Law of 22 February 1998 or the Statutes of the National Bank of Belgium; and

2. insofar as they are not in conflict with the provisions referred to in 1. (Article 141 § 1 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services).

Art. 6. – Within the limits and in accordance with the detailed terms and conditions adopted by the ECB, the Bank may also carry out, *inter alia*, the following transactions:

1. issue and redeem its own loan instruments;
2. accept deposits of securities and precious metals, undertake the redemption of securities and act on behalf of other parties in transactions in securities, other financial instruments and precious metals;
3. carry out transactions in interest-rate instruments;
4. carry out transactions in foreign currencies, gold or other precious metals;
5. carry out transactions with a view to the investment and financial management of its holdings of foreign currencies and of other external reserve elements;
6. obtain credit from foreign sources and provide guarantees for that purpose;
7. carry out transactions relating to European or international monetary cooperation.

Art. 7. – The Bank's claims arising from credit transactions shall entail a preferential claim on all securities which the debtor holds in an account with the Bank or in its securities clearing system as his own assets.

This preferential claim shall have the same rank as the preferential claim of the creditor secured with a pledge. It takes precedence over the rights set out in Article 8, paragraph 3, of the Law of 2 January 1991 on the market in public debt securities and monetary policy instruments, Articles 12, paragraph 4, and 13, paragraph 4, of Royal Decree N° 62 on the deposit of fungible financial instruments and the settlement of transactions involving such instruments, as coordinated by the Royal Decree of 27 January 2004, and 471, paragraph 4, of the Company Code.

In the event of default on payment of the Bank's claims referred to in the first paragraph, the Bank may, after notifying the debtor in writing that he is in default, take action automatically, without a prior court decision, to realise the securities on which it has a preferential claim, notwithstanding the possible bankruptcy of the debtor or any other situation in which there is concurrence as between his creditors. The Bank must endeavour to convert the securities into cash at the most advantageous price and as quickly as possible, account being taken of the volume of the transactions. The proceeds from this

conversion into cash shall be allocated to the Bank's claim in respect of principal, interest and costs, any balance remaining after settlement reverting to the debtor.

When the Bank accepts claims as a pledge, as soon as the pledge agreement has been entered into, it is noted in a register kept at the National Bank of Belgium or with a third party appointed for this purpose.

By being recorded in this register, which is not subject to any specific formalities, the National Bank of Belgium's pledge is given a firm date and becomes opposable *erga omnes*, with the exception of the debtor of the pledged claim.

The register may only be consulted by third parties who are considering acceptance of an *in rem* (collateral) right over claims which may be taken as a pledge by the National Bank of Belgium. Consultation of the register is governed by terms to be stipulated by the National Bank of Belgium.

In the event of insolvency proceedings being instituted, as set out in Article 3, paragraph 5 of the Law of 15 December 2004 relating to financial collateral and various tax provisions in relation to *in rem* collateral arrangements and loans relating to financial instruments, to the account of a credit institution having pledged claims to the National Bank of Belgium, the following provisions will apply:

a) the registered lien of the National Bank of Belgium on claims takes precedence of all other *in rem* collateral subsequently arranged or granted to third parties over the same claims, irrespective of whether or not the debtor of the pledged claims has been notified of the above-mentioned liens and whether or not the above-mentioned liens have been recognised by the debtor of the pledged claims; in the event that the National Bank of Belgium brings the pledge to the attention of the debtor of the pledged claim, the latter may now only make payment in full discharge to the National Bank of Belgium.

b) third parties acquiring a lien concurrent with that of the National Bank of Belgium, as described in the preceding paragraph, are obliged, in any event, to transfer to the National Bank of Belgium, without delay, the amounts which they have received from the debtor of the pledged claim upon insolvency proceedings being instituted. The National Bank of Belgium is entitled to demand payment of these amounts, without prejudice to its right to damages and interest.

c) notwithstanding any provisions to the contrary, set-off that might result in the cancellation of all or part of the claims pledged to the National Bank of Belgium is not authorised under any circumstances.

d) Article 8 of the Law of 15 December 2004 relating to financial collateral and various tax provisions in relation to *in rem* collateral arrangements and loans relating to financial instruments, shall apply by analogy to the taking of claims as a pledge by the National Bank of Belgium, the words “financial instruments” being replaced by “claims”.

e) the combined provisions of Articles 5 and 40 of the Law relating to mortgages (*loi hypothécaire*) do not apply.

Art. 8. – The Bank shall ensure that the clearing and payment systems operate properly and shall make certain that they are efficient and sound.

It may carry out all transactions or provide facilities for these purposes.

It shall provide for the enforcement of the regulations adopted by the ECB in order to ensure the efficiency and soundness of the clearing and payment systems within the European Community and with other countries.

Art. 9. – Without prejudice to the powers of the institutions and organs of the European Communities, the Bank shall implement the international monetary cooperation agreements by which Belgium is bound in accordance with the procedures laid down by agreements concluded between the Minister of Finance and the Bank. It shall provide and receive the means of payment and credits required for the implementation of these agreements.

The State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank as a result of the implementation of the agreements referred to in the preceding paragraph or as a result of its participation in international monetary cooperation agreements or transactions to which, subject to approval by the Council of Ministers, the Bank is a party. The State shall also guarantee the Bank the repayment of any credit granted in the context of its contribution to the stability of the financial system and guarantee the Bank against any loss incurred as a result of any transaction necessary in this regard.

Art. 9bis. – Within the framework set by Article 105(2) of the Treaty establishing the European Community and Articles 30 and 31 of the Protocol on the Statute of the European System of Central Banks and of the European

Central Bank, the Bank shall hold and manage the official foreign reserves of the Belgian State. Those holdings shall constitute assets allocated to the tasks and transactions coming under this chapter and the other tasks of public interest entrusted to the Bank by the State. The Bank shall record these assets and the income and charges relating thereto in its accounts in accordance with the rules referred to in Article 33.

Art. 10. – The Bank may, on the conditions laid down by, or by virtue of, law, and subject to their compatibility with the tasks within the domain of the ESCB, be entrusted with the performance of tasks of public interest.

Art. 11. – The Bank shall act as State Cashier on the conditions determined by law.

In regard to currencies borrowed by the State, it shall be entrusted, to the exclusion of all other Belgian or foreign bodies, with the conversion into euro of the currencies of States not participating in Monetary Union or of States which are not members of the European Community.

The Bank shall be informed of all plans for the contracting of foreign currency loans by the State, the Communities and the Regions. At the request of the Bank, the Minister of Finance and the Bank shall consult together whenever the latter considers that these loans are liable to prejudice the effectiveness of monetary or foreign exchange policy. The terms and conditions of this giving of information and this consultation shall be laid down in an agreement to be concluded between the Minister of Finance and the Bank, subject to approval of this agreement by the ECB.

Art. 12. – The Bank shall contribute to the stability of the financial system. For all decisions and transactions made in the context of its contribution to the stability of the financial system, the Bank shall enjoy the same degree of independence as that determined by Article 108 of the Treaty establishing the European Community.

The Bank may further be charged with the gathering of statistical information or with the international cooperation relating to any task referred to in Article 10.

Art. 12bis. – **§ 1.** The Bank shall exercise supervision of financial institutions in accordance with this Law and specific laws governing the supervision of these establishments.

§ 2. Within the areas of supervision pertaining to its competence, the Bank may lay down regulations supplementing the legal or regulatory provisions on points of a technical nature.

Without prejudice to any consultation provided for in other laws or regulations, the Bank may, in accordance with the procedure of open consultation, explain, in a consultative memorandum, the content of any regulation it is considering adopting, and publish this on its website with a view to obtaining any comments by those concerned.

These regulations shall come into force only after their approval by the King and their publication in the *Moniteur belge/Belgisch Staatsblad* (Belgian Official Gazette). The King may amend those regulations or establish any rules Himself that He shall determine if the Bank has not laid down those regulations.

§ 3. The Bank shall carry out its supervisory tasks exclusively in the general interest. The Bank, the members of its bodies and the members of its staff shall not bear any civil liability for their decisions, non-intervention, acts or conduct in the exercise of the legal supervisory tasks of the Bank, save in the event of fraud or gross negligence.

§ 4. The Bank's operating costs relating to the supervision referred to in paragraph 1 are borne by the institutions subject to its supervision, according to the terms and conditions laid down by the King.

The Bank may make the administration of the Land Registry, Public Records and Crown Lands Office responsible for recovery of unpaid taxes.

Art. 13. – The Bank may carry out all transactions and provide all services which are ancillary to or follow from the tasks referred to in this Law.

Art. 14. – The Bank may entrust the performance of tasks not within the domain of the ESCB with which it is charged or for which it takes the initiative, to one or more distinct legal entities specially set up for this purpose and in which the Bank holds a significant interest; one or more members of the Bank's Board of Directors shall participate in directing such entities.

If the task is entrusted by law to the Bank, the prior consent of the King, on the proposal of the competent minister, shall be required.

Art. 15. – *Repealed.*

Art. 16. – The legal entities referred to in Article 14 and controlled exclusively by the Bank shall be subject to auditing by the Court of Auditors [*Cour des Comptes – Rekenhof*].

Chapter III – Organs – Composition – Incompatibilities

Art. 17. – The organs of the Bank shall be the Governor, the Board of Directors, the Council of Regency, the Board of Censors and the Sanctions Committee.

Art. 18. – 1. The Governor shall direct the Bank and preside over the Board of Directors and the Council of Regency.

2. If he is unable to attend, he shall be replaced by the Vice-Governor without prejudice to the application of Article 10.2 of the Statute of the ESCB.

Art. 19. – 1. In addition to the Governor, who presides, the Board of Directors shall be composed of at least five but not more than seven directors, one of whom shall bear the title of Vice-Governor, conferred on him by the King. The Board of Directors shall include an equal number of French and Dutch speakers, with, possibly, the exception of the Governor.

2. The Board shall be responsible for the administration and management of the Bank and shall decide on the direction of its policy.

3. It shall exercise regulatory power in the cases laid down by law. In circulars or recommendations, it shall lay down all measures with a view to clarifying the application of the legal or regulatory provisions whose application the Bank supervises.

4. It shall decide on the investment of the capital, reserves and depreciation accounts after consultation with the Council of Regency and without prejudice to the rules adopted by the ECB.

5. It shall pronounce upon all matters which are not expressly reserved for another organ by law, the Statutes or the Rules of Procedure.

6. It shall provide opinions to the various authorities that exercise legal or regulatory power on all draft legislative or regulatory acts relating to the supervisory tasks with which the Bank is or may be charged.

7. In urgent cases determined by the Governor, except for adopting regulations, it may take decisions by written procedure or by using a voice telecommunications system, in accordance with the specific rules laid down in the Bank's Rules of Procedure.

Art. 20. – 1. The Council of Regency shall be composed of the Governor, the Directors and ten Regents. It shall include an equal number of French- and Dutch-speaking Regents.

2. The Council shall exchange views on general issues relating to the Bank, monetary policy and the economic situation of the country and the European Community, supervisory policy with regard to each of the sectors subject to the Bank's supervision, Belgian, European and international developments in the field of supervision, as well as, in general, any development concerning the financial system subject to the Bank's supervision; without however having any competence to intervene at operational level or take cognisance of individual dossiers. It shall take cognisance every month of the situation of the institution.

On a proposal from the Board of Directors it shall lay down the Rules of Procedure, containing the basic rules for the operation of the Bank's organs and the organisation of its departments, services and outside offices.

3. The Council shall fix the individual salaries and pensions of the members of the Board of Directors. These salaries and pensions may not include a share in the profits and no remuneration whatsoever may be added thereto by the Bank, either directly or indirectly.

4. The Council shall approve the expenditure budget and the annual accounts submitted by the Board of Directors. It shall finally determine the distribution of profits proposed by the Board.

5. *Repealed.*

Art. 21. – 1. The Board of Censors shall be composed of ten members. It shall include an equal number of French and Dutch speakers. At least one member of the Board of Censors shall be independent as defined by Article 526ter of the Company Code.

2. The Board of Censors shall supervise the preparation and implementation of the budget. It is the Audit Committee of the Bank and shall exercise in this capacity the tasks laid down by Article 21bis.

3. The Censors shall receive an allowance, the amount of which shall be set by the Council of Regency.

Art. 21bis. – 1. Without prejudice to the responsibilities of the organs of the Bank and without prejudice to the execution of the tasks and transactions within the domain

of the ESCB and their review by the statutory auditor, the Audit Committee shall, at least:

- a) monitor the financial reporting process;
- b) monitor the effectiveness of the internal control and risk management systems, and of the Bank's internal audit;
- c) monitor the statutory audit of the annual accounts, including the compliance with the questions and recommendations formulated by the statutory auditor;
- d) review and monitor the independence of the statutory auditor, and in particular the provision of additional services to the Bank.

2. Without prejudice to Article 27.1 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, and without prejudice to the competence of the Works Council with respect to the nomination, the proposal of the Board of Directors for the appointment of the statutory auditor shall be given on proposal of the Audit Committee. The Works Council shall be informed of this proposal. The Audit Committee shall also advise on the tender procedure for the appointment of the statutory auditor.

3. Without prejudice to any reports and notices of the statutory auditor to the organs of the Bank, he shall report to the audit committee on key matters arising from the statutory audit, and in particular on material weaknesses in internal control in relation to the financial reporting process.

4. The statutory auditor shall:

- a) confirm annually in writing to the audit committee his independence from the Bank;
- b) disclose annually to the audit committee any additional services provided to the Bank;
- c) discuss with the audit committee the threats to his independence and the safeguards applied to mitigate those threats and that have been documented by him in the audit working papers.

5. The Rules of Procedure shall specify the Audit Committee Regulations.

Art. 22. – 1. Except as regards the tasks and transactions within the domain of the ESCB, the Minister of Finance, through his representative, shall have the right

to supervise the Bank's transactions and to oppose the implementation of any measure which is contrary to the law, the Statutes or the interests of the State.

2. The representative of the Minister of Finance shall, *ex officio*, attend the meetings of the Council of Regency and the Board of Censors. Except as regards the functions and transactions within the domain of the ESCB, he shall supervise the Bank's transactions and suspend and bring to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State.

If the Minister of Finance has not given a decision within eight days on the suspension, the decision may be implemented.

3. The salary of the representative of the Minister of Finance shall be fixed by the Minister of Finance in consultation with the management of the Bank and shall be borne by the latter.

The representative of the Minister shall report to the Minister of Finance each year on the performance of his task.

Art. 23. – 1. The Governor shall be appointed by the King for a renewable term of five years. He may be relieved from office by the King only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. With regard to this decision, he shall have the right of appeal as provided in Article 14.2 of the Statute of the ESCB.

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

3. The Regents shall be elected for a three-year term by the General Meeting. Their term may be renewed. Two Regents shall be chosen on the proposal of the most representative labour organisations. Three Regents shall be chosen on the proposal of the most representative organisations from industry and commerce, from agriculture and from small firms and traders. Five Regents shall be chosen on the proposal of the Minister of Finance. The methods of proposing candidates for these appointments shall be laid down by the King, after deliberation in the Council of Ministers.

4. The Censors shall be elected for a three-year term by the General Meeting of Shareholders. They shall be

chosen from among persons with special qualifications in the field of supervisory procedures. Their term may be renewed.

Art. 24. – The Regents shall receive attendance fees and, if appropriate, a travel allowance. The amount of such remunerations shall be fixed by the Council of Regency.

Art. 25. – Members of the Legislative Chambers, the European Parliament, the Councils of the Communities and the Regions, persons who hold the position of minister or secretary of state or of member of the Government of a Community or Region and members of the staff of a member of the Federal Government or of the Government of a Community or Region may not hold the office of Governor, Vice-Governor, member of the Board of Directors, member of the Sanctions Committee, regent or censor. The last-mentioned functions shall automatically cease when their holder takes the oath of office for exercise of the above-mentioned offices or performs such functions.

Art. 26. – § 1. The Governor, the Vice-Governor and the other members of the Board of Directors may not hold any office in a commercial company or a company which is commercial in form or in any public body which carries on an industrial, commercial or financial activity. Subject to the approval of the Minister of Finance, they may however hold office in :

1. international financial institutions established under agreements to which Belgium is party;

2. the Securities Regulation Fund (*Fonds des Rentes – Rentenfonds*), the Protection Fund Deposit and Financial Instrument (*Fonds de protection des dépôts et des instruments financiers – Beschermingsfonds voor deposito's en financiële instrumenten*), the Rediscount and Guarantee Institute (*Institut de Réescompte et de Garantie – Herdiscontering- en Waarborginstituut*) and the National Delcredere Office (*Office National du Ducroire – Nationale Delcredere dienst*);

3. the legal entities referred to in Article 14.

For duties and mandates in an institution subject to the Bank's supervision pursuant to Articles 8, 12 or 12*bis*, the prohibitions referred to in the first paragraph shall continue to apply for one year after the Governor, Vice-Governor and other members of the Board of Directors have relinquished their office.

The Council of Regency shall determine the conditions relating to the relinquishment of office. It may, on the

recommendation of the Board of Directors, waive the prohibition laid down for the period concerned after the relinquishment of office if it finds that the activity envisaged has no significant influence on the independence of the person in question.

§ 2. The Regents and the majority of Censors may not be a member of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank pursuant to Articles 8, or 12*bis*, nor may they perform management duties in such an institution.

§ 3. On a proposal from the Board of Directors, the Council of Regency shall lay down the code of conduct which must be respected by the members of the Board of Directors and the staff, as well as the monitoring measures concerning respect for this code. Persons responsible for supervising compliance with that code must maintain professional secrecy as provided for in Article 458 of the Penal Code.

Art. 27. – The terms of office of the members of the Board of Directors, the Council of Regency and the Board of Censors shall expire no later than when they reach the age of sixty-seven years.

However, subject to authorisation by the Minister of Finance, they may complete their current term. The terms of the members of the Board of Directors may after-while still be extended by one year, which term may be renewed. In the case of the Governor's term of office, the authorisation to complete the current term or its extension shall be granted by Royal Decree deliberated in the Council of Ministers.

On no account may the office-holders referred to above remain in office beyond the age of seventy years.

Art. 28. – The Governor shall send to the Chairmen of the Chamber of Representatives and the Senate the annual report referred to in Article 109 B(3) of the Treaty establishing the European Community, as well as a yearly report on the activities of the Bank in the field of prudential supervision. The Governor may be heard by the competent committees of the Chamber of Representatives and the Senate at the request of these committees or on his own initiative.

(1) The right of issue shall include the right which the Bank may exercise pursuant to Article 106 (1) of the Treaty establishing the European Community (Art. 141 § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services).

Chapter IV – Financial provisions and revision of the statutes

Art. 29. – *Repealed.*

Art. 30. – Any capital gain realised by the Bank through arbitrage transactions of gold assets against other external reserve components shall be entered in a special unavailable reserve account. This capital gain shall be exempt from all taxation. However, where some external reserve components have been arbitrated against gold, the difference between the purchase price of that gold and the average purchase price of the existing gold stock shall be deducted from the amount of that special account.

The net income from the assets which form the counterpart to the capital gain referred to in the first paragraph shall be allocated to the State.

External reserve components acquired as a result of the transactions referred to in the first paragraph shall be covered by the State guarantee as provided in Article 9(2) of this Law.

The terms and conditions for application of the provisions contained in the preceding paragraphs shall be fixed by agreements to be concluded between the State and the Bank. These agreements shall be published in the Belgian Gazette (*Moniteur belge/Belgisch Staatsblad*).

Art. 31. – The reserve fund is intended for:

1. compensating for losses in capital stock;
2. supplementing any shortfall in the annual profit up to a dividend of six per cent of the capital.

Upon expiration of the Bank's right of issue⁽¹⁾, the State shall have a priority claim to one-fifth of the reserve fund. The remaining four-fifths shall be distributed among all the shareholders.

Art. 32. – The annual profits shall be distributed as follows:

1. a first dividend of 6% of the capital shall be allocated to the shareholders;
2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency shall be independently allocated to the reserve fund or to the available reserves;

3. from the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and available reserves shall be allocated to the shareholders;

4. the balance shall be allocated to the State; it shall be exempt from company tax.

Art. 33. – The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

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

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

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

Art. 34. – The Bank and its outside offices shall comply with the statutory provisions on the use of languages in administrative matters.

Art. 35. – Except when called upon to give evidence in court in a criminal case, the Bank and members and former members of its organs and its staff shall be subject to professional secrecy and may not divulge to any person or authority whatsoever confidential information of which they have had knowledge on account of their duties.

Paragraph 1 shall not preclude the communication of confidential information to third parties in cases laid down by or by virtue of the law.

The Bank, members of its organs and its staff shall be exempt from the obligation contained in Article 29 of the Code of Criminal Procedure.

Contraventions of this article shall incur the penalties laid down by Article 458 of the Penal Code. The provisions of Book 1 of the Penal Code, including Chapter VII and Article 85, shall be applicable to contraventions of this article.

This article does not prevent the observance, by the Bank, the members of its organs and its staff, of specific legal provisions as to professional secrecy, whether more restrictive or not, notably when the Bank is charged with collecting statistical data or information on prudential supervision.

Art. 36. – The Council of Regency shall amend the Statutes in order to bring them into conformity with this Law and with the international obligations which are binding on Belgium.

Other amendments to the Statutes shall be adopted, on the proposal of the Council of Regency, by a majority of three-quarters of the votes pertaining to the total number of shares present or represented at the General Meeting of Shareholders.

Amendments to the Statutes shall require the approval of the King.

Chapter IV/1 – Provisions concerning the supervision of financial institutions

Section 1 – General provisions

Art. 36/1. – Definitions: For the purpose of this chapter and chapter IV/2, the following definitions shall apply:

1° “the Law of 2 August 2002”: the Law of 2 August 2002 on the supervision of the financial sector and on financial services;

2° “financial instrument”: an instrument as defined in Article 2, 1° of the Law of 2 August;

3° “credit institution”: any institution referred to in Titles II to IV of the Law of 22 March 1993 on the legal status and supervision of credit institutions;

4° “electronic money institution”: any institution referred to in Title IIbis of the Law of 22 March 1993 on the legal status and supervision of credit institutions;

5° “investment firm with the status of stockbroking firm”: any investment undertaking referred to in Book II of the Law of 6 April 1995 on the legal status and supervision of investment firms that is recognised as a stockbroking firm or authorised to provide investment services which would require authorisation to operate as a stockbroking firm to be obtained if they were being provided by a Belgian investment firm;

6° “insurance company”: any undertaking referred to in the Law of 9 July 1975 on the supervision of insurance companies;

7° “reinsurance company”: any undertaking referred to in the Law of 16 February 2009 on reinsurance activities;

8° “mutual insurance association”: any undertaking referred to in Article 57 of the Programme Law of 10 February 1998 on the promotion of the independent company;

9° “payment institution”: any undertaking referred to in the Law of 21 December 2009 on the legal status of payment institutions, access to the activity of payment service provider and access to payment systems;

10° “regulated market”: any Belgian or foreign regulated market;

11° “Belgian regulated market”: a multilateral system, run and/or managed by a market operator, which ensures or facilitates the matching – even within the system itself and according to its non-discretionary rules – of manifold interest expressed by third parties in buying and selling financial instruments, in a way that leads to making contracts in financial instruments admitted to trading under its rules and/or its systems, and that is recognised and operates regularly in accordance with the provisions of Chapter II of the Law of 2 August;

12° “foreign regulated market”: any market for financial instruments that is organised by a market operator whose home State is a Member State of the European Economic Area other than Belgium and that has been recognised in this Member State as a regulated market pursuant to Title III of Directive 2004/39/EC;

13° “clearing institution”: any institution that undertakes conversion into net debt by means of novation or of the clearing of mutual claims arising from transactions on financial instruments or forward exchange transactions;

14° “settlement institution”: any institution that undertakes the settlement of orders to transfer financial instruments, or rights in respect of those financial instruments or of forward exchange transactions, whether or not settlement is in cash;

15° “FSMA”: the Financial Services and Markets Authority (“*Autorité des services et marchés financiers*”/“*Autoriteit voor Financiële Diensten en Markten*”, in German “*Autorität Finanzielle Dienste und Märkte*”);

16° “competent authority”: the Bank, the FSMA or the authority indicated by each Member State pursuant to Article 48 of Directive 2004/39/EC, unless otherwise mentioned in the Directive;

17° “Directive 2004/39/EC”: Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC;

18° “CSRSFI”: the Committee for Systemic Risks and System-relevant Financial Institutions.

Art. 36/2. – In accordance with Article 12bis, with the provisions of this chapter and the specific laws governing the supervision of financial institutions, the Bank’s mission shall be to undertake prudential supervision of credit institutions, including electronic money institutions, investment firms with the status of stockbroking firm, insurance companies, reinsurance companies, mutual insurance associations, clearing institutions, settlement institutions, institutions equivalent to settlement institutions and payment institutions.

By derogation from the preceding paragraph, supervision of mutual insurance companies referred to in Articles 43bis, § 5, and 70, §§ 6, 7 and 8, of the Law of 6 August 1990 on mutual insurance companies and national unions of mutual insurance companies, as well as their operations, falls within the competence of the Control Office of mutual health funds and national unions of mutual health funds.

In carrying out its tasks, the Bank shall take account, in its capacity as competent prudential authority, of the convergence, in terms of supervision instruments and practices, of the implementation of the legislative, regulatory and administrative obligations imposed under the applicable European Directives.

To this end, it is required to:

a) take part in the work of the European Banking Authority;

b) comply with the guidelines, recommendations, standards and other measures agreed by the European Banking Authority and, if it fails to do so, shall explain the reasons.

In its capacity as competent prudential authority, when carrying out its general interest duties, the Bank shall take due account of the potential impact of its decisions on the stability of the financial system in all the other Member States concerned and, particularly, in emergency situations, on the strength of information available at the time.

Art. 36/3. – § 1. Without prejudice to Article 36/2, and in accordance with Articles 12 and 12*bis* and the specific laws that govern the supervision of financial institutions, the Bank's mission shall also be:

1° to intervene in the detection of any threats to the stability of the financial system, in particular by following up and assessing strategic developments in and the risk profile of systemic financial institutions;

2° to submit recommendations to the federal government and federal parliament on measures that are necessary or useful for the stability, the smooth running and the efficiency of the country's financial system;

3° to coordinate financial crisis management;

4° to contribute to the missions of the European and international institutions, organisations and organs in the areas described in 1° to 3° and to collaborate in particular with the European Systemic Risk Board.

§ 2. The Bank shall determine, among the financial institutions referred to in Article 36/2, those that must be considered as system-relevant and shall inform each one of these institutions. From this moment onwards, these institutions are required to send the Bank their proposals for strategic decisions. Within two months of receipt of a complete file supporting the strategic decision, the Bank may oppose these decisions if it feels that they go against sound and prudent management of the system-relevant financial institution or are liable to have a significant effect on the stability of the financial system. It may use all the powers conferred on it by this Law and the specific laws governing the supervision of the financial institutions concerned.

Strategic decisions shall be understood to mean decisions, once they assume a certain degree of importance, that concern any investment, disinvestment, participation or strategic cooperation relationship on the part of the system-relevant financial institution, notably decisions to acquire or establish another institution, to set up a joint venture established in another State, to conclude cooperation agreements or agreements on capital investment or acquisition of a branch of activity, merger or demerger. The Bank shall specify the decisions that are to be considered as strategic and of a certain importance for the application of this article. It shall publish these stipulations.

§ 3. When the Bank considers that a system-relevant financial institution has an inadequate risk profile or that its policy is liable to have a negative impact on the stability of the financial system, it may impose specific measures

on the institution in question, notably particular requirements in respect of solvency, liquidity, risk concentration and risk positions.

§ 4. To enable the Bank to exercise the competences laid down by the preceding paragraphs, each system-relevant financial institution shall send it a report on developments in its business activities, its risk position and its financial situation.

The Bank shall determine the content of the information that must be sent to it as well as the frequency and the arrangements for this reporting.

§ 5. Failure to respect the provisions of this article may give rise to the imposition of administrative fines, penalties and penal sanctions provided for by this Law and the specific laws applicable to the financial institutions in question.

§ 6. The FSMA shall provide the Bank with the information it possesses and which the latter has requested for the purposes of carrying out the tasks referred to in this article.

Art. 36/4. – In carrying out its tasks referred to in Article 12*bis*, the Bank shall have no competence in respect of fiscal matters. However, it shall notify the judicial authorities of any special mechanisms set up by an institution falling within the scope of its prudential supervision, the aim or result of which mechanisms is to promote fraud by third parties, where it is aware of the fact that those special mechanisms constitute a fiscal offence under the Penal Code, punishable by penal sanctions for the institutions themselves as author, co-author or accessory.

Art. 36/5. – § 1. In the instances stipulated by the law regulating the task in question, the Bank may give prior written consent on an operation. The Bank make its consent dependent on the conditions that it deems appropriate.

§ 2. The consent referred to in § 1 shall be binding on the Bank, save:

1° where it appears that the operations to which it refers are incompletely or incorrectly described in the request for consent;

2° where those operations are not performed in the manner proposed to the Bank;

3° where the effects of those operations are modified by one or more subsequent operations, with the result

that the operations to which the consent refers no longer conform to the definition given of them in the request for consent;

4° where the conditions upon which the consent is dependent are not or no longer fulfilled.

§ 3. Upon the recommendation of the Bank, the King determines the terms and conditions for application of the present article.

Art. 36/6. – The Bank shall organise a website and keep it up to date. This website shall contain all regulations, proceedings and resolutions that are required to be published in the context of its legal tasks pursuant to Article 12*bis*, as well as any other information that the Bank deems appropriate to disseminate in the interest of these same tasks.

Without prejudice to the means of publication prescribed by the appropriate legal or regulatory provisions, the Bank shall specify other possible means of publishing the regulations, resolutions, opinions, reports and other proceedings it makes public.

Art. 36/7. – All notifications that the Bank or the Minister are required to make by registered letter or recorded delivery in accordance with the laws and regulations whose application is supervised by the Bank may be made by writ of execution or by any other method determined by the King.

Section 2 – Sanctions Committee

Art. 36/8. – **§ 1.** The Sanctions Committee shall pronounce on the imposition by the Bank of administrative fines and penalties laid down by the laws applicable to the institutions that it supervises.

§ 2. The Sanctions Committee shall comprise six members appointed by the King:

1° a State counsellor or honorary State counsellor, appointed on a proposal from the First President of the Council of State;

2° a counsellor at the Court of Cassation or honorary counsellor at the Court of Cassation, appointed on a proposal from the First President of the Court of Cassation;

3° two magistrates who are neither members of the Court of Cassation, nor of the Brussels Court of Appeal;

4° two other members.

§ 3. The chairman is elected by the members of the Sanctions Committee from among the persons mentioned in § 2, 1°, 2° and 3.

§ 4. For the three years preceding their appointment, the members of the Sanctions Committee may not have been on either the Board of Directors of the Bank, or a member of the Bank's staff, or of the CSRSFI.

During the course of their mandate, members may not carry out any duties whatsoever or any mandate whatsoever in an institution subject to the supervision of the Bank or in a professional association representing institutions subject to the supervision of the Bank, nor may they provide services for a professional association representing institutions subject to the supervision of the Bank.

§ 5. The mandate of the members of the Sanctions Committee is six years and renewable. Members may be removed from office by the King only if they no longer fulfil the conditions for the performance of their duties or if they have been guilty of serious misconduct.

Should a member of the Sanctions Committee's seat fall vacant, whatever the reason, a replacement for that member shall be found for the remaining term of office.

§ 6. The Sanctions Committee may take valid decisions when two of its members and its chairman are present and in a position to deliberate. If its chairman is unable to attend, it may take valid decisions when three of its members are present and in a position to deliberate.

Members of the Sanctions Committee may not deliberate in a case in which they have a personal interest that may influence their opinion.

§ 7. The King shall determine, in consultation with the management of the Bank, the amount of compensation allocated to the chairman and to the members of the Sanctions Committee in accordance with the cases on which they have deliberated.

§ 8. The Sanctions Committee shall lay down its rules of procedure and its rules of conduct.

Section 3 – Rules of procedure for the imposition of administrative fines and penalties

Art. 36/9. – **§ 1.** Where, in carrying out its legal tasks pursuant to Article 12*bis*, the Bank determines that there are serious indications of the existence of a practice liable to give rise to the imposition of an administrative

fine or a penalty or where, following a complaint, it is made aware of such a practice, the Board of Directors shall decide to open an investigation and entrust the auditor with it. The auditor shall investigate the charges and the defence.

The auditor is designated by the Council of Regency from among the members of staff of the Bank. He shall enjoy total independence in the performance of his duties as auditor.

In order to carry out his task, the auditor may exercise all the powers of investigation vested in the Bank by the legal and regulatory provisions governing the matter concerned. He shall be assisted in the conduct of each inquiry by one or more members of the Bank's staff that he chooses from among the members of staff designated to this end by the Board of Directors.

§ 2. At the end of the investigation, once the persons concerned have been heard or at least duly summoned, the auditor shall draw up a report and send it to the Board of Directors.

Art. 36/10. – § 1. On the basis of the auditor's report, the Board of Directors shall decide to close the case, propose a compromise settlement or refer it to the Sanctions Committee.

§ 2. If the Board of Directors decides to close a case, it shall inform the persons concerned of this decision. It may make the decision public.

§ 3. If the Board of Directors puts forward a proposal for a compromise settlement, and its proposal is accepted, the compromise settlement shall be published on the Bank's website without specifying any names.

The amount of the compromise settlements shall be recovered in favour of the Treasury by the Land Registry, Public Records and Crown Lands Office.

§ 4. If the Board of Directors decides to refer the case to the Sanctions Committee, it shall send a notification of grievance together with the investigation report to the persons concerned and the chairman of the Sanctions Committee. If the Board of Directors considers that the grievances can lead to the imposition of a penalty, this shall be expressly mentioned.

§ 5. In the event that one of the grievances is liable to constitute a criminal offence, the Board of Directors shall inform the Crown prosecutor. The Board of Directors can decide to make its decision public.

When the Crown prosecutor decides to set criminal proceedings in motion for the charges to which the notification of grievances refers, he shall immediately inform the Bank. The Crown prosecutor can give the Bank, automatically or upon request from the latter, a copy of any material from the procedure relating to the charges that are the subject of the transmission.

Decisions taken by the Board of Directors pursuant to this article are not open to appeal.

Art. 36/11. – § 1. Persons to whom a notification of grievances has been addressed have two months in which to submit their written observations on the charges to the chairman of the Sanctions Committee. If the notification made by the Board of Directors mentions that the charges could give rise to the imposition of a penalty, this period shall be reduced to eight calendar days. In exceptional circumstances, the chairman of the Sanctions Committee may extend these periods.

§ 2. Persons implicated may obtain copies of case documents from the Sanctions Committee and may be assisted or represented by a lawyer of their choice.

They may request an objection to a member of the Sanctions Committee if they have any doubts about the independence or impartiality of this member. The Sanctions Committee shall pronounce on this request by a reasoned decision.

§ 3. Following an adversary procedure and after the auditor has been heard, the Sanctions Committee may impose an administrative fine or penalties on the persons in question. The Sanctions Committee shall pronounce by a reasoned decision. No sanctions may be decided without the person or his/her representative first having been heard or at least duly summoned. At the hearing, the Board of Directors shall be represented by the person of its choice and may have its observations heard.

§ 4. The amount of the fine or the extent of the penalties shall be set in accordance with the seriousness of the breaches committed and in relation to any benefits or profits that may have been drawn from these breaches.

§ 5. The Sanctions Committee's decision shall be sent by registered letter to the persons concerned. The letter of notification shall indicate the legal remedies, the competent authorities in order for cognisance to be taken of them, as well as the form and terms that are required to be respected, failing which the period of limitation for bringing an appeal shall not come into effect.

§ 6. The Sanctions Committee shall publish its decisions nominatively on the Bank's website, unless such publication risks threatening financial stability or being disproportionately detrimental to the interests of those concerned or the institutions to which they belong, in which case the decision shall be published on the Bank's website non-nominatively. In the event of an appeal against the sanction decision, this shall be published non-nominatively pending the outcome of the legal proceedings.

The Board of Directors shall be notified of the Sanctions Committee's decisions before they are published.

Art. 36/12. – The administrative fines and penalties imposed by the Sanctions Committee and that have become definitive, as well as the compromise settlements made before the criminal judge has made a definite pronouncement on the same facts, shall be imputed to the amount of any penal fine that is imposed for those facts in respect of the same person.

Section 4. – Professional secrecy, exchange of information and cooperation with other authorities

Art. 36/13. – Notwithstanding Article 35, paragraph 1, the Bank may communicate confidential information:

1° where the communication of such information is stipulated or authorised by or pursuant to this Law and the laws regulating the tasks entrusted to the Bank;

2° to expose criminal offences to the judicial authorities;

3° within the framework of administrative or judicial appeal proceedings against acts or decisions of the Bank and in any other proceedings to which the Bank is a party;

4° in abridged or summary form, in order that individual natural or legal persons cannot be identified.

The Bank may publish the decision to expose criminal offences to the judicial authorities.

Art. 36/14. – § 1. By derogation from Article 35, the Bank may also communicate confidential information:

1° to the European Central Bank and the other central banks and institutions with a similar mission in their capacity as monetary authorities when such information is relevant for carrying out their respective legal duties, notably conduct of monetary policy and provision of liquidity connected with it, oversight of payment, clearing

and settlement systems, as well as preserving the stability of the financial system, and also to other public authorities in charge of overseeing payment systems.

Whenever an emergency situation arises, including unfavourable developments on the financial markets, that is likely to threaten market liquidity and the stability of the financial system in one of the Member States in which entities of a group comprising credit institutions or investment firms have been authorised or in which branches of significant importance are established within the meaning of Article 49, §§ 5*bis* and 5*ter*, of the Law of 22 March 1993 on the legal status and supervision of credit institutions or of Article 95, §§ 5*bis* and 5*ter*, of the Law of 6 April 1995 on the legal status and supervision of investment firms, the Bank may pass on information to the central banks in the European System of Central Banks when this information is relevant for carrying out their respective legal duties, notably conduct of monetary policy and provision of liquidity connected with it, oversight of payment, clearing and settlement systems, as well as preserving the stability of the financial system.

In the event of an emergency situation as referred to above, the Bank may disclose, in all the Member States concerned, any information that may be of interest for central government departments responsible for legislation governing the supervision of credit institutions, financial institutions, investment services and insurance companies;

2° within the limits of European Directives, to the competent authorities of the European Union and of other Member States of the European Economic Area that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3;

3° in compliance with European Directives, to the competent authorities of third countries that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3 and with which the Bank has concluded a cooperation agreement providing for the exchange of information;

4° to the FSMA;

5° to Belgian institutions or to institutions of other Member States of the European Economic Area that manage a system for the protection of deposits or investors;

6° to institutions for the clearing or settlement of financial instruments that are authorised to provide services for transactions in financial instruments conducted on a

Belgian organised market, where the Bank deems that communication of the information concerned is necessary for the orderly operation of those institutions to be protected against any shortcomings – even potential – of participants on the market in question;

7° within the limits of European Directives, to market operators for the orderly operation, control and supervision of the markets that they organise;

8° during civil or commercial proceedings, to the authorities and legal representatives involved in bankruptcy or composition proceedings or analogous collective proceedings concerning companies subject to the Bank's supervision, with the exception of confidential information in respect of the participation of third parties in rescue attempts prior to such proceedings;

9° to statutory auditors, to company auditors and to other persons charged with the legal examination of the accounts of companies subject to the supervision of the Bank, of the accounts of other Belgian financial institutions or of the accounts of similar foreign companies;

10° to sequestrators for the exercise of their task as envisaged in the laws regulating the tasks entrusted to the Bank;

11° to the authorities supervising the persons charged with the legal examination of the annual accounts of companies subject to the supervision of the Bank;

12° within the limits of European Directives, to rapporteurs and to the officers of the Competition Office charged with the examination as referred to in the Law of 10 June 2006 on the protection of economic competition;

13° within the limits of European Directives, to the stockbroker approval board as referred to in Article 21 of the Law of 2 August 2002;

14° within the limits of European Directives, to the Treasury Administration, in accordance with the legal and regulatory provisions laid down for the implementation of measures in respect of financial embargos;

15° within the limits of European Directives, to actuaries independent of enterprises who, by virtue of the law, carry out an assignment whereby they supervise those enterprises, and to the bodies in charge of supervising these actuaries;

16° to the Industrial Accidents Fund.

§ 2. The Bank may communicate confidential information in accordance with § 1 only on condition that the recipient authorities or institutions use that information to carry out their tasks and that, as regards that information, they are subject to an obligation of professional secrecy equivalent to that referred to in Article 35. Furthermore, information communicated by an authority of another Member State of the European Economic Area may be divulged in the instances as referred to in 7°, 9°, 10°, 12° and 16° of § 1 and to the authorities or bodies of third countries as referred to in 4°, 6°, 10° of § 1 only with the express agreement of that authority and, as the case may be, only for the purposes for which that authority has given its consent.

§ 3. Without prejudice to the more stringent provisions of the specific laws governing them, the Belgian authorities and bodies referred to in § 1 shall be bound by professional secrecy as referred to in Article 35 as regards the confidential information they receive from the Bank in application of § 1.

Art. 36/15. – Article 35 shall apply to statutory auditors, to company auditors and to experts as regards the information of which they have become cognisant by virtue of the tasks of the Bank or by virtue of the verifications, expert appraisals or reports that the Bank, within the framework of its tasks as referred to in Articles 36/2 and 36/3, has charged them with carrying out or producing.

Paragraph 1 and Article 78 of the Law of 22 July 1953 establishing an *Institut des réviseurs d'entreprises/ Instituut der Bedrijfsrevisoren* shall not apply to the communication of information to the Bank that is stipulated or authorised by the legal or regulatory provisions governing the tasks of the Bank.

Art. 36/16. – § 1. Without prejudice to Articles 35 and 36/13 to 36/15 and to the provisions of specific laws, the Bank shall, in matters pertaining to its competence, cooperate with foreign competent authorities that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3.

§ 2. Without prejudice to the obligations arising for Belgium from the law of the European Union, the Bank may, on the basis of reciprocity, conclude agreements with competent authorities, as referred to in § 1, with a view to establishing the terms and conditions of that cooperation, including the method of any distribution of supervisory tasks, the designation of a competent authority as supervision coordinator and the method of supervision through on-the-spot inspections or otherwise, what cooperation procedures shall apply, as well as the terms

and conditions governing the collection and exchange of information.

Art. 36/17. – § 1. Without prejudice to the relevant provisions of Article 36/19, the following provisions shall apply in the context of the competences referred to in Articles 36/2 and 36/3 with regard to mutual cooperation between the Bank and the other competent authorities referred to in Article 4, paragraph 1, 2) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments and in Article 4, 4) of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions, for the purposes of meeting the obligations arising from the said Directive 2004/39/EC :

1° The Bank shall collaborate with the other competent authorities whenever that is necessary in order to fulfil their duties, by making use of the powers conferred upon it either by the above-mentioned Directives, or by national legislation. To this end, the Bank shall notably have the powers that are attributed to it by this Law. The Bank shall offer its assistance to the competent authorities of the other Member States. In particular, it shall exchange information and cooperate with the other competent authorities in enquiries or supervisory activities including on-the-spot checks, even if the practices that are subject to an investigation or verification do not constitute a violation of any rules in Belgium.

2° The Bank shall immediately notify any information required for the purposes referred to in 1°. To this end, apart from the appropriate organisational measures for facilitating the correct execution of the cooperation referred to in 1°, the Bank shall immediately take the necessary measures to collect the information requested. As regards the competences referred to in this paragraph, when the Bank receives a request for an on-the-spot verification or for an enquiry, it shall follow this up within the limits of its powers :

- by inspecting or investigating itself;
- by permitting the authority submitting the request or auditors or experts to carry out the inspection or investigation directly.

3° The information exchanged in the context of the cooperation is covered by the professional secrecy obligation referred to in Article 35. When it passes on information in the framework of such cooperation, the Bank may specify that this information cannot be disclosed without its express consent or can only be disclosed for purposes

for which it has given its agreement. Likewise, when it receives information, the Bank must, by derogation from Article 36/14, respect any restrictions that may be set out to it by the foreign authority as to the possibility of passing on the information thus received.

4° Where the Bank believes that the acts infringing the provisions of the aforementioned Directives are being or have been committed on the territory of another Member State, or that the acts are damaging to financial instruments traded on a regulated market in another Member State, it shall inform the competent authority of this other Member State, and also the FSMA, about these acts in as detailed a manner as possible. If the Bank has been informed by an authority of another Member State that such acts have been committed in Belgium, it shall inform the FSMA about this, take appropriate measures and send the authority that informed it, as well as the FSMA, the results of its intervention and notably, in so far as possible, the main provisional outcome of its action.

§ 2. In the execution of § 1, the Bank may refuse to follow up a request for information, investigation, on-the-spot verification or monitoring if :

- following up such a request is liable to threaten Belgium's sovereignty, security or public order, or
- legal proceedings have already been initiated for the same charges against the same persons in Belgium, or
- these persons have already been tried irrevocably for the same charges in Belgium.

In such cases, it shall inform the competent authority which presented the request, if necessary, by providing it with as detailed information as possible on the proceedings or judgment in question.

§ 3. As regards the competences referred to in § 1, without prejudice to the obligations that rest on it in legal proceedings of a penal nature, the Bank may only use the information that it has received from a competent authority or from the FSMA for the purposes of monitoring respect for the conditions of access to the business of the institutions subject to its supervision pursuant to Article 36/2 and in order to facilitate supervision, on an individual or consolidated basis, of the conditions for carrying out this business, impose sanctions, in the context of an administrative appeal or legal action taken against a decision by the Bank, in the framework of the extrajudicial mechanism for settling investors' complaints. However, if the competent authority transmitting the information agrees to this, the Bank may use this information for

other purposes or pass it on to the competent authorities of other States.

§ 4. Paragraphs 1 and 2 shall also apply, according to the conditions determined in the cooperation agreements, in the context of cooperation with the authorities of third States.

§ 5. The Bank is the authority that acts as point of contact in charge of receiving requests for exchange of information or cooperation in execution of § 1 for matters that come under its remit.

The Minister shall notify the European Commission as well as the other Member States of the European Economic Area of this.

Art. 36/18. – Without prejudice to Articles 35 and 36/13 to 36/15, and to the provisions of specific laws, the Bank and the FSMA shall conclude cooperation agreements with the Control Office of mutual health funds and national unions of mutual health funds on the subject of supplementary health insurance practised by the mutual insurance companies referred to in Articles 43*bis*, § 5, and 70, §§ 6, 7 and 8, of the Law of 6 August 1990 on mutual insurance companies and national unions of mutual insurance companies. The cooperation agreements shall govern, *inter alia*, exchange of information and the uniform application of the legislation concerned.

Section 5 – Powers of investigation, penal provisions and means of appeal

Art. 36/19. – Without prejudice to the powers of investigation conferred upon it by the legal and regulatory provisions governing its tasks, the Bank may, in order to verify whether an operation or an activity is envisaged by the laws and regulations whose application it is responsible for supervising, demand all necessary information from those carrying out the operation or activity in question and from all third parties permitting that operation or activity to take place.

The Bank shall have the same power of investigation in order to verify whether, within the framework of a cooperation agreement concluded with a foreign authority and in respect of the substantive points indicated in the written request from that authority, an operation or activity carried out in Belgium is envisaged by the laws and regulations whose application that foreign authority is responsible for supervising.

The person or institution concerned shall communicate that information within the deadline and in the form specified by the Bank.

The Bank may verify or have verified in the books and documents of interested parties the accuracy of the information communicated to it.

If the person or institution in question has not sent the information requested upon expiry of the deadline set by the Bank, once the person or institution concerned have been heard, and without prejudice to the other measures provided for by law, the Bank may impose the payment of a fine which may not be less than 250 euro nor higher than 50 000 euro per calendar day, nor exceed 2 500 000 euro in total.

The penalties and fines imposed in application of this article shall be recovered in favour of the Treasury by the Land Registry, Public Records and Crown Lands Office.

Art. 36/20. – § 1. The following shall be punishable by a prison term of between one month and one year and by a fine of between 250 and 2 500 000 euro or by one of these penalties alone :

– those who hamper the Bank's investigations pursuant to the present Chapter or who knowingly provide it with inaccurate or incomplete information ;

– those who knowingly, through declarations or otherwise, intimate or allow it to be believed that the operation or operations that they carry out or intend to carry out are conducted under the conditions stipulated by the laws and regulations whose application is supervised by the Bank, whereas those laws and regulations either do not apply to them or have not been respected by them.

§ 2. The provisions of Book I of the Penal Code shall, without the exception of Chapter VII and Article 85, be applicable to the infringements referred to in § 1.

Art. 36/21. – § 1. An appeal with the Brussels Court of Appeal may be lodged against any decision by the Bank imposing a penalty or an administrative fine.

§ 2. Without prejudice to the special provisions laid down by or pursuant to the law, the term for appeal shall, on pain of extinction, be 30 days.

The term for appeal shall commence from notification of the decision in dispute.

§ 3. On pain of inadmissibility, pronounced officially, the appeal as referred to in § 1 shall be lodged by signed petition delivered to the Registry of the Brussels Court of Appeal in as many copies as there are parties.

On pain of inadmissibility, the petition shall contain:

- 1° mention of the date, month and year;
- 2° where the petitioner is a natural person, his or her name, first names and address; where the petitioner is a legal entity, its name, legal form, registered office and the body that is representing it;
- 3° mention of the decision that is the subject of the appeal;
- 4° statement of the arguments;
- 5° indication of the place, day and hour of the court appearance fixed by the Registry of the Court of Appeal;
- 6° inventory of the supporting documents lodged together with the petition with the Registry.

Notification of the petition shall be given by the Registry of the Brussels Court of Appeal to all parties summoned in the suit by the petitioner.

The Brussels Court of Appeal may at any time officially summon to appear in the suit all other persons whose situation threatens to be affected by the ruling on the appeal.

The Brussels Court of Appeal shall determine the term within which the parties are required to exchange their written comments and to lodge a copy of those comments with the Registry. It shall likewise determine the date of the hearing.

Each of the parties may lodge their written comments with the Registry of the Brussels Court of Appeal and consult the dossier there on the spot.

The Brussels Court of Appeal shall determine the term within which the comments are required to be produced. The Registry shall notify the parties of them.

§ 4. Within five days after registration of the petition, the Registry of the Brussels Court of Appeal shall request the Bank to forward the procedure dossier. The dossier shall be forwarded within five days after receipt of the request.

§ 5. The appeal as referred to in § 1 shall serve to suspend the decision of the Bank.

Art. 36/22. – According to an accelerated procedure determined by the King, an appeal may be lodged with the Council of State:

1° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Articles 10 and 11 of the Law of 22 March 1993 on the legal status and supervision of credit institutions. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 10; in the latter case, the appeal shall be handled as if the request had been rejected;

2° by the credit institution, against decisions taken by the Bank pursuant to Article 34, paragraph 3, of the aforementioned Law of 22 March 1993;

3° by the credit institution, against decisions taken by the Bank pursuant to Article 57, § 1, paragraph 2, 1°, 1°bis, 2°, 3° and 4°, and against similar decisions taken pursuant to Article 75, § 2, and Article 84 of the aforementioned Law of 22 March 1993. The appeal shall serve to suspend the decision and its publication save where the Bank, for reasons of serious threat to savers, has declared its decision executory notwithstanding any appeal;

4° by the applicant, against decisions taken by the Bank regarding authorisation pursuant to Articles 50 and 51 of the Law of 6 April 1995 on the legal status and supervision of investment firms. A like appeal may be lodged by the applicant where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 50. In the latter case, the appeal shall be handled as if the request had been rejected;

5° by the investment firm, against decisions taken by the Bank pursuant to Article 104, § 1, 1°, 1°bis, 2°, 3° and 4°, of the aforementioned Law of 6 April 1995 or decrees referring to it. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to investors, has declared its decision executory notwithstanding any appeal;

6° by the applicant for registration and by the company concerned, against decisions taken by the Bank to refuse, suspend or withdraw the registration, pursuant to Article 139 of the aforementioned Law of 6 April 1995 and pursuant to its implementing measures; the appeal shall serve to suspend the decision, save where the Bank, for serious reasons, has declared its decision executory notwithstanding any appeal;

7° by the applicant for an authorisation, against decisions taken by the Bank pursuant to Article 4 of the

Law of 9 July 1975 on the supervision of insurance undertakings; a like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 4 of the aforementioned Article 4; in the latter case, the appeal shall be handled as if the request had been rejected;

8° by the insurance undertaking, against decisions to extend the request for information taken by the Bank pursuant to Article 21, § 1^{ter}, of the aforementioned Law of 9 July 1975;

9° by the insurance undertaking, against decisions to raise tariffs taken by the Bank pursuant to Article 21octies, § 2, of the aforementioned Law of 9 July 1975;

10° by the insurance undertaking, against decisions taken by the Bank pursuant to Article 26, § 1, paragraph 2, 1°, 2°, 3°, and 4°, and §§ 5, 8 and 9 of the aforementioned Law of 9 July 1975;

11° by the insurance undertaking, against decisions to withdraw the authorisation taken by the Bank pursuant to Article 43 of the aforementioned Law of 9 July 1975;

12° by the insurance undertaking, against decisions to protest taken by the Bank pursuant to Articles 51, 55 and 58 of the aforementioned Law of 9 July 1975, or where the Bank has not ruled within the period laid down in Article 51, paragraph 2, of the same Law;

13° by the applicant for authorisation and by the authorised institution, against the decision by the Bank to refuse, suspend or revoke the authorisation pursuant to Articles 3, 12 and 13 of the Law of 2 January 1991 on the national debt securities market and monetary policy instruments, and its implementing decrees. The appeal shall serve to suspend the decision unless the Bank, for serious reasons, has declared its decision executory notwithstanding any appeal;

14° by the applicant for an authorisation, against decisions taken by the Bank pursuant to Articles 9 and 15, and against similar decisions taken pursuant to Article 59 of the Law of 16 February 2009 on reinsurance. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 9 and in paragraph 2 of the aforementioned Article 59. In these cases, the appeal shall be handled as if the request had been rejected;

15° by the reinsurance undertaking, against decisions to protest taken by the Bank pursuant to Article 32 of the aforementioned Law of 16 February 2009;

16° by the reinsurance undertaking, against decisions taken by the Bank pursuant to Articles 47, § 1, paragraph 2, 1°, 2°, 3° and 4°, 48, §§ 1, 4 and 5, and 50, paragraph 2, and against similar decisions taken pursuant to Articles 58, paragraph 2, and 67 of the aforementioned Law of 16 February 2009;

17° by the reinsurance undertaking, against decisions revoking the authorisation taken by the Bank pursuant to Article 53, and against similar decisions taken pursuant to Article 67 of the aforementioned Law of 16 February 2009;

18° by the reinsurance undertaking, against decisions taken by the Bank pursuant to Article 72, paragraphs 3 and 4, of the aforementioned Law of 16 February 2009;

19° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Article 8 of the Law of 21 December 2009 on the legal status of payment institutions, access to the activity of payment service provider and access to payment systems. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 3 of the aforementioned Article 8. In the latter case, the appeal shall be handled as if the request had been rejected;

20° by the payment institution, against decisions taken by the Bank pursuant to Article 19, paragraph 3, of the Law of 21 December 2009 on the legal status of payment institutions, access to the activity of payment service provider and access to payment systems;

21° by the payment institution, against decisions taken by the Bank pursuant to Article 35, § 1, paragraph 2, 1°, 2°, 3° and 4° and against similar decisions taken pursuant to Article 44 of the Law of 21 December 2009 on the legal status of payment institutions, access to the activity of payment service provider and access to payment systems. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to users of payment services, the Bank has declared its decision executory notwithstanding any appeal;

22° by the institution concerned, against decisions taken by the Bank pursuant to Article 26, § 1, paragraph 4, of the Law of 9 July 1975 on the supervision of insurance companies, Article 57, § 4, of the Law of 22 March 1993 on the legal status and supervision of credit institutions, and Article 104, § 1, last paragraph, of the Law of 6 April 1995 on the legal status and supervision of investment firms; 18° by the applicant for an authorisation, against decisions taken by the Bank pursuant to Article 36/25, § 2;

23° by the applicant for an authorisation, against decisions taken by the Bank pursuant to Article 36/25, § 2;

24° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Article 4 of the Royal Decree of 26 September 2005 on the legal status of settlement institutions and assimilated institutions. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 4. In the latter case, the appeal shall be handled as if the request had been rejected;

25° by the settlement institution or assimilated institution, against decisions taken by the Bank pursuant to Article 17 of the aforementioned Royal Decree of 26 September 2005;

26° by the settlement institution or assimilated institution, against decisions taken by the Bank pursuant to Article 33, § 1, paragraph two, 1°, 1°bis, 2° and 3°, of the aforementioned Royal Decree of 26 September 2005 and against similar decisions taken by the Bank pursuant to Article 36 of the aforementioned Royal Decree of 26 September 2005. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to clients or financial markets, has declared its decision executory notwithstanding any appeal.

Art. 36/23. – With a view to requesting enforcement of the criminal law, the Bank is authorised to intervene, at any stage of the proceedings, before the criminal court to which an infraction punishable by this Law or by a law charging the Bank with supervision of its provisions has been referred, without the Bank thereby being required to demonstrate the existence of any prejudice. The intervention shall be according to the rules applying to the plaintiff.

Section 6 – Anti-crisis measures

Art. 36/24. – § 1. Upon the recommendation of the Bank, the King may, in the event of a sudden crisis on the financial markets or in the event of a serious threat of a systemic crisis, with a view to limiting the extent or the consequences of this crisis:

1° determine regulations supplementing or derogating from the Law of 9 July 1975 on the supervision of insurance companies, the Law of 2 January 1991 on the national debt securities market and monetary policy instruments, the Law of 22 March 1993 on the legal status

and supervision of credit institutions, the Law of 6 April 1995 on the legal status and supervision of investment firms, the Law of 2 August 2002 on the supervision of the financial sector and on financial services, Book VIII, Title III, chapter II, section III, of the Company Code, and Royal Decree 62 on the deposit of fungible financial instruments and the settlement of transactions in these instruments, coordinated by Royal Decree of 27 January 2004;

2° put in place a system for granting a State guarantee for commitments entered into by institutions supervised pursuant to the aforementioned laws that He shall determine, or for granting the State guarantee to certain claims held by these institutions;

3° put in place, if necessary by means of regulations laid down in accordance with 1°, a system for granting a State guarantee for the reimbursement of associates who are natural persons of their share of the capital of cooperative societies, authorised in accordance with the Royal Decree of 8 January 1962 on the license requirements for the national groups of cooperative societies and for cooperative societies, which are institutions supervised pursuant to the aforementioned laws or at least half of whose capital is invested in such institutions ;

4° put in place a system for granting State cover for losses incurred on certain assets or financial instruments by institutions supervised pursuant to the aforementioned laws;

5° put in place a system for granting a State guarantee for commitments entered into by entities whose activity consists of acquiring and managing certain assets held by institutions supervised pursuant to the aforementioned laws;

6° as well as grant the State guarantee for commitments entered into by Holding Communal SA.

The Royal Decrees taken under the terms of paragraph 1, 1°, shall cease to have effect if they have not been confirmed by law within twelve months from their date of entry into force. The confirmation shall be retroactive to the date of entry into force of the Royal Decrees. The Royal Decrees taken pursuant to paragraph 1, 2° to 6°, shall be deliberated in the Council of Ministers.

§ 2. As regards the application of paragraph 1, first indent, 2° to 5°, institutions supervised pursuant to the laws referred to in paragraph 1, first indent, 1° are financial companies included on the list referred to in Article 13, paragraph 4, of the Law of 22 March 1993 on the legal status and supervision of credit institutions, mixed financial companies, credit establishments,

investment firms and insurance undertakings, as well as their direct or indirect subsidiaries.

Chapter IV/2 – Provisions concerning the supervision of clearing institutions and settlement institutions and institutions equivalent to settlement institutions

Art. 36/25. – § 1. As clearing institutions, the following may provide clearing services in respect of transactions on a Belgian regulated market or, on Belgian territory, provide such services in respect of transactions on a foreign regulated market:

1° institutions with registered office in Belgium that are authorised as credit institutions;

2° the branches established in Belgium of foreign credit institutions;

3° institutions not established in Belgium that, in their home country, are subject to a legal status and supervision deemed equivalent by the FSMA and the Bank.

§ 2. Clearing institutions with registered office in Belgium and which are not authorised as credit institutions, and which desire to provide clearing services in respect of transactions on a Belgian or foreign regulated market, are required to be authorised in advance by the Bank. Branches established in Belgium of a foreign clearing institution that is not authorised as a credit institution and which desire to provide clearing services in respect of transactions on a Belgian or foreign regulated market are likewise required to be authorised in advance by the Bank.

§ 3. The initial rules for clearing, applying within the framework of §§ 1 and 2, as well as amendments to those rules, shall be subject to prior approval by the Bank, upon the recommendation of the FSMA. The approval of the Bank, the initial rules and amendments to those rules shall be published in the *Moniteur belge/Belgisch Staatsblad* (Belgian Official Gazette).

§ 4. The Bank is charged with the prudential supervision of clearing institutions.

§ 5. Upon the recommendation of the Bank and the FSMA, each within their field of competence, the King determines:

1° the conditions and procedures for the granting of authorisation and approval as referred to in §§ 2 and 3, the cases where that authorisation may be reviewed or withdrawn and the procedures to apply, as well as the fate of the authorisation should there be a change in control, a merger, splitting or other form of restructuring of the clearing institution;

2° the rules regarding supervision by the Bank of clearing institutions that are not credit institutions as referred to in § 1, 1°;

3° the minimum requirements in respect of organisation, operation, financial position, internal control and risk management applicable to clearing institutions that are not credit institutions as referred to in § 1, 1°, as well as the rules regarding incompatibility with other activities;

§ 6. The provisions of the present article and of the decrees issued implementing them shall not impair the competence of the Bank as laid down in Article 8 of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.

§ 7. With the agreement of the Minister, the Bank may conclude agreements with competent foreign supervisory authorities, on the basis of reciprocity, on more detailed rules for cooperation in respect of supervision and the mutual exchange of information.

§ 8. The King may extend the application of the present article to the clearing of transactions on other organised markets.

§ 9. The present article shall not apply to the Eurosystem central banks, nor to the clearing institutions that they manage.

Art. 36/26. – § 1. As settlement institutions, the following may provide clearing services in respect of transactions on a Belgian regulated market or, on Belgian territory, provide such services in respect of transactions on a foreign regulated market:

1° institutions with registered office in Belgium that are authorised as credit institutions;

2° the branches established in Belgium of foreign credit institutions

3° institutions recognised as central depositories pursuant to Royal Decree 62 of 10 November 1967 on promotion of the circulation of securities;

4° institutions designated by the King to provide settlement services for transactions in dematerialised securities pursuant to Article 468 of the Company Code;

5° institutions not established in Belgium that, in their home country, are subject to a legal status and supervision deemed equivalent by the FSMA and the Bank.

§ 2. The Bank is charged with the prudential supervision of the settlement institution designated in Article 4 of the Law of 2 January 1991 on the national debt securities market and monetary policy instruments, and its implementing decrees, of settlement institutions that are recognised as central depositories pursuant to the aforementioned Royal Decree 62 of 10 November 1967 as well as of those designated by the King to provide settlement services in respect of transactions in dematerialised securities pursuant to Article 468 of the Company Code. Upon recommendation of the Bank, the King may determine:

1° the rules, as well as the corrective measures, regarding prudential supervision by the Bank of institutions as referred to in § 1 that are not credit institutions established in Belgium;

2° the minimum requirements in respect of organisation, operation, financial position, internal control and risk management applicable to institutions as referred to in § 1 that are not credit institutions established in Belgium.

§ 3. The provisions of the present article and of the decrees issued implementing them shall not impair the competence of the Bank as laid down in Article 8. Upon recommendation of the Bank, the King may determine:

1° the standards regarding the supervision of settlement systems;

2° the obligation on the settlement institution to disclose information requested by the Bank;

3° coercive measures where the settlement institution no longer satisfies the standards laid down or where the obligation to disclose has not been observed.

§ 4. With the agreement of the Minister, the Bank may conclude agreements with competent foreign supervisory authorities, on the basis of reciprocity, on more detailed rules for cooperation in respect of supervision and the mutual exchange of information.

§ 5. The King may extend the application of the present article to the settlement of transactions on other organised markets.

§ 6. Before any decision is taken on the opening of bankruptcy proceedings or on a provisional removal of a case within the meaning of Article 8 of the Law of 8 August on bankruptcies with respect to a settlement institution as referred to in § 1, 3° or 4°, the president of the Commercial Court shall submit to the Bank a request for an opinion. The clerk of the court shall transmit this request immediately. He shall inform the Crown prosecutor.

The Bank shall submit the case to the court in writing. This request shall include the items necessary for information.

The Bank shall hand down its opinion with fifteen days from the date of receipt of the request for an opinion. In the event of a procedure relating to a settlement institution that it deems liable to have major systemic implications or which requires prior coordination with foreign authorities, the Bank may hand down its opinion within a longer timeframe, on condition however that the total period does not exceed thirty days. When it considers that it must make use of this exceptional period, the Bank shall inform the court called upon to decide. The period that the Bank has in which to hand down its opinion shall serve to suspend the period in which the court must rule. If the Bank has not responded within the period specified, the court may decide on the request.

The opinion of the Bank shall be in writing. It shall be transmitted by any means to the clerk, who shall hand it over to the president of the Commercial Court and the Crown prosecutor. The opinion shall be annexed to the dossier.

§ 7. As regards the application of §§ 2 to 6, shall be deemed equivalent to settlement institutions any institutions established in Belgium whose business consists in providing full or partial operational management of services provided by settlement institutions as referred to in § 1, including when the latter are credit institutions established in Belgium. The Bank shall designate the institutions that fall within the scope of this paragraph.

The institutions referred to in paragraph 1 are required to be authorised by the Bank. Upon the recommendation of the Bank and the FSMA, the King shall notably regulate, both on a consolidated and non-consolidated basis, the conditions and procedures for the granting of the authorisation and for maintaining the authorisation of these institutions by the Bank, including the conditions that persons who are in charge of the actual management and persons who hold a major stake, must meet.

Upon the recommendation of the Bank, the King may, in compliance with Belgium's international obligations, apply

totally or partially the rules referred to in paragraphs 1 and 2 to institutions established abroad whose business consists in providing full or partial operational management of services provided by settlement institutions as referred to in § 1 which are established in Belgium, including when the latter are credit institutions established in Belgium.

§ 8. The present article shall not apply to the Eurosystem central banks, nor to the settlement institutions or to institutions equivalent to settlement institutions that they manage.

Art. 36/27. – § 1. When an institution as referred to in Article 36/26, § 1, 3^o, or an equivalent institution as referred to in Article 36/26, § 7, is not operating in accordance with the provisions of this law and of the decrees issued implementing them, when its management or financial position are of a nature to call into question the performance of its obligations or do not offer sufficient guarantees for its solvency, liquidity or profitability, or when its management structures, its administrative or accounting organisation or its internal audit reveal serious shortcomings such that the stability of the Belgian or international financial system is likely to be affected, the King may, by Decree deliberated in the Council of Ministers, either upon the Bank's request, or on own initiative, after receiving the Bank's opinion, lay down any act of disposal, in favour of the State or any other person, Belgian or foreign, a public or private legal entity, notably any act of transfer, sale or capital investment with regard to:

1^o assets, liabilities or one or more branches of activity and, more generally, all or part of the rights and obligations of the institution concerned, including proceeding to transfer client assets consisting of financial instruments governed by coordinated Royal Decree 62 on the deposit of fungible financial instruments and the settlement of transactions in these instruments, as well as underlying securities held with depositories in the name of the institution concerned, just as proceeding with the transfer of resources, notably information technology resources, necessary for processing transactions concerning these assets and the rights and obligations relating to such processing;

2^o securities or shares, representative or not of the capital, with or without voting rights, issued by the institution concerned.

§ 2. The Royal Decree taken in application of paragraph 1 shall fix the compensation to be paid to the owners of the property or to the right-holders subject to the transfer specified by the Decree. If the transferee designated by the Royal Decree is a person other than the State, the

price payable by the transferee under the terms of the contract concluded with the State shall pass to the said owners or right-holders as compensation, according to the distribution formula defined by the same Decree.

Part of the compensation may be variable as long as this part is determinable.

§ 3. The institution concerned shall be notified of the Royal Decree taken in application of paragraph 1. Furthermore, the measures provided for in this Decree shall be announced by publication of a notice in the *Moniteur belge/Belgisch Staatsblad*.

As soon as it has received the notification referred to in paragraph 1, the organisation shall lose the right to dispose of the assets referred to in the acts of disposal provided for by the Royal Decree.

§ 4. The acts referred to in paragraph 1 may not be subject to non-invocability pursuant to Articles 17, 18 or 20 of the Law of 8 August 1997 on bankruptcies.

Notwithstanding any conventional provision to the contrary, the measures determined by the King in application of the first paragraph may not have the effect of modifying the terms of a contract concluded between the institution and one or more third parties, or of terminating such a contract, nor of giving any of the parties concerned the right to terminate it unilaterally.

As regards the measures decreed by the King in application of paragraph 1, any statutory or contractual authorisation clause or pre-emption clause, any option to buy from a third party, as well as any statutory or contractual clause preventing a change in the supervision of the institution concerned, shall be ineffective.

The King has the power to make any other rules that are necessary for the proper execution of the measures taken in application of paragraph 1.

§ 5. The civil liability of persons, acting in the name of the State or upon its request, intervening in the framework of the measures referred to in this article, incurred as a result of or in relation to their decisions, acts or conduct in the context of these measures is limited to cases of fraud or gross negligence concerning them. The existence of gross negligence must be assessed taking account of the concrete circumstances of the case, and in particular the urgency with which these persons were confronted, the practices on the financial markets, the complexity of the case, threats for the protection of savings and the risk of damage to the national economy due to the failure of the institution concerned.

§ 6. All disputes that might arise as a result of the measures referred to in this article, as well as the liability referred to in paragraph 5, are subject to the exclusive jurisdiction of the Belgian courts, which only apply Belgian law.

§ 7. For the purposes of applying collective labour agreement 32*bis* concluded on 7 June 1985 within the National Labour Council, concerning the safeguarding of employees' rights in the event of a change of employer as a result of a conventional company transfer and governing the rights of employees taken on in the event of a takeover of assets following bankruptcy, acts committed pursuant to paragraph 1, 1°, are considered as acts committed by the settlement institution or equivalent institution itself.

§ 8. Without prejudice to the general principles of law that it could invoke, the board of directors of the institution concerned may derogate from the statutory restrictions to its management powers when one of the specific circumstances laid down in paragraph 1 is liable to affect the stability of the Belgian or international financial system. The board of directors shall draw up a special report justifying the use of this provision and setting out the decisions taken; this report shall be sent to the general meeting within two months.

Art. 36/28. – § 1. For the purposes of this article, the following definitions shall apply:

1° Royal Decree: the Royal Decree deliberated in the Council of Ministers that shall apply to the extent of Article 36/27, § 1;

2° act of disposal: the transfer or other ownership transfer act provided for in the Royal Decree;

3° the court: the Brussels Court of First Instance;

4° the owners: the natural persons or legal entities that, on the date of the Royal Decree, are the owners, or the right-holders, of the assets or shares subject to the act of disposal;

5° the third-party transferee: the natural person or legal entity other than the Belgian State that, according to the Royal Decree, is called on to acquire the assets or shares, or rights, subject to the act of disposal;

6° the compensation: the indemnification that the Royal Decree fixes in favour of the owners in compensation for the act of disposal.

§ 2. The Royal Decree shall enter into force on the day of publication in the *Moniteur belge/Belgisch Staatsblad* of the judgment referred to in paragraph 8.

§ 3. The Belgian State shall lodge with the office of the clerk of the court a petition with the purpose of stating that the act of disposal is in conformity with the law and that the compensation is deemed to be fair, taking account notably of the criteria referred to in paragraph 7, 4th indent.

On pain of extinction, the petition shall contain:

1° the identity of the settlement institution or equivalent institution concerned (hereafter "the institution concerned");

2° if necessary, the identity of the third-party transferee;

3° justification for the transfer from the point of view of the criteria laid down in Article 36/27, § 1;

4° the compensation, the bases on which this has been determined, notably as regards the variable part from which it is composed and, if necessary, the key for distribution of the capital between the owners;

5° if necessary, the authorisations required from the public authorities and all the other suspensive conditions to which the act of disposal is subject;

6° if necessary, the price agreed with the third-party transferee for the assets or shares subject to the act of disposal and the mechanisms for revising or adjusting this price;

7° indication of the day, month and year;

8° the signature of the person representing the Belgian State or the State's lawyer.

A copy of the Royal Decree shall be attached to the petition.

The provisions of Part IV, Book II, Title V*bis* of the Legal Code, including Articles 1034*bis* to 1034*sexies* are not applicable to the petition.

§ 4. The proceedings introduced by the petition referred to in paragraph 3 exclude all other simultaneous or future appeals or actions against the Royal Decree or against the transfer, with the exception of the request referred to in paragraph 11. By virtue of the filing of the petition, there shall be no grounds for any other proceedings, directed

against the Royal Decree or the act of disposal, that may have been previously introduced and still pending before another legal or administrative jurisdiction.

§ 5. Within seventy-two hours of the filing of the petition referred to in paragraph 3, the president of the court shall fix, by court order, the day and time for the hearing referred to in paragraph 7, which must take place within seven days following the filing of the petition. This order shall reproduce the entire wording specified in paragraph 3, second indent.

The order shall be notified by the clerk's office by judicial letter to the Belgian State, the institution concerned as well as the third-party transferee, as the case may be. It shall be published simultaneously in the *Moniteur belge/Belgisch Staatsblad*. This publication shall qualify as notification to any possible owners other than the institution concerned.

Within twenty-four hours of the notification, the institution concerned shall also publish the order on its website.

§ 6. Until the pronouncement of the judgment referred to in paragraph 8, the persons referred to in paragraph 5, second indent, may consult the petition referred to in paragraph 3 as well as its appendices, free of charge, at the clerk's office.

§ 7. During the hearing set by the president of the court and at any later hearings that the court may deem useful to arrange, the court shall hear the Belgian State, the institution concerned, as the case may be, the third-party transferee as well as the owners who intervene voluntarily in the proceedings.

By derogation from the provisions of Chapter II of Title III of Book II of the fourth Part of the Legal Code, no person other than those referred to in the previous paragraph may intervene in the proceedings.

After having heard the observations of the parties, the court shall verify whether the act of disposal is in conformity with the law and whether the compensation is deemed to be fair.

The court shall take account of the actual situation of the institution concerned at the time of the act of disposal and notably of its financial situation such as it was or would have been had the public aid from which it benefited, either directly or indirectly, not been granted. For the purposes of application of this paragraph, advances of emergency liquidity and guarantees granted by a statutory corporate body shall be deemed similar to public aid.

The court shall pronounce by one and the same judgment that shall be handed down within twenty days following the hearing fixed by the president of the court.

§ 8. The judgment with which the court rules that the act of disposal is in conformity with the law and that the compensation is deemed to be fair, shall convey ownership of the assets or shares that are subject to the act of disposal, albeit subject to the suspensive conditions referred to in paragraph 3, second indent, 5°.

§ 9. The judgment referred to in paragraph 8 is neither susceptible of appeal nor opposition nor third-party opposition.

It shall be notified by judicial letter to the Belgian State, the institution concerned as well as the third-party transferee, as the case may be, and shall be published simultaneously by extract in the *Moniteur belge/Belgisch Staatsblad*.

This publication shall qualify as notification to any possible owners other than the institution concerned, and makes the act of disposal valid with regard to third parties, without further formalities.

Within twenty-four hours of the notification, the institution concerned shall also publish the judgment on its website.

§ 10. Following notification of the judgment referred to in paragraph 8, the Belgian State or, as the case may be, the third-party transferee shall deposit the compensation at the *Caisse des dépôts et consignations/Deposito- en Consignatiekas* (Deposit and Consignment Office), without any formalities being required in this respect.

The Belgian State shall take steps to have a notice confirming the fulfilment of the suspensive conditions referred to in paragraph 3, second indent, 5°, published in the *Moniteur belge/Belgisch Staatsblad*.

As soon as the notice referred to in paragraph 2 has been published, the Deposit and Consignment Office is required to hand over to the owners, according to the terms and conditions laid down by the King, the amount of compensation consigned, without prejudice to any possible distraints or oppositions regularly made on the sum consigned.

§ 11. On pain of extinction, the owners may lodge with the court a request for review of the compensation, within a period of two months from the publication in the *Moniteur belge/Belgisch Staatsblad* of the judgment

referred to in paragraph 8. This request shall have no effect on the transfer of ownership of the assets or shares that are subject to the act of disposal.

For the rest, the request for review is provided for by the Legal Code. Paragraph 7, fourth indent, shall apply.

Art. 36/29. – With regard to clearing or settlement institutions or equivalent institutions, the Bank shall have the following powers of investigation for the execution of its task of supervision, as referred to in Articles 36/25 and 36/26 or for responding to requests for cooperation from competent authorities within the meaning of Article 36/14, § 1, 2° and 3°:

a) it may have forwarded to it all information and documents, in any form whatsoever;

b) it may undertake on-the-spot investigations and expert appraisals, take cognisance of and copy, on the spot, any document, file, and recording, and have access to any IT system;

c) it may demand the statutory auditors or persons in charge of supervising the financial statements of these entities, to send it special reports, at these entities' expense, on subjects that it shall determine;

d) when these entities are established in Belgium, it may require them to forward to it all useful information and documentation regarding the companies that form part of the same group and are established abroad.

Art. 36/30. – § 1. The Bank may order any clearing or settlement institution or equivalent institution to comply with the provisions of Articles 36/25 and 36/26 or with the implementing decrees thereof, within a period the Bank specifies.

Without prejudice to the other measures provided for by law, if the clearing or settlement institution or equivalent institution to which it has addressed an order in application of paragraph 1 remains in default at the end of the period specified, and provided that that person has been heard, the Bank may:

1° make public its opinion with regard to the infringement or shortcoming concerned;

2° impose the payment of a fine which may not be less than 250 euro nor higher than 50 000 euro per calendar day, nor exceed 2 500 000 euro in total;

3° appoint a special auditor to a clearing or settlement institution or equivalent institution with registered office established in Belgium whose authorisation shall be required for the acts and decisions that the Bank determines.

In urgent cases, the Bank may take the measures as referred to in paragraph 2, 1° and 3°, without prior order in application of paragraph 1, provided that the institution has been heard.

§ 2. Without prejudice to other measures laid down by law, the Bank may, where, pursuant to Articles 36/9 to 36/11, it establishes an infringement of the provisions of Articles 36/25 and 36/26 or the implementing decrees thereof, impose an administrative fine on the offender that, for the same offence or same totality of offences, shall not be less than 2 500 euro and not more than 2 500 000 euro. Where the infringement has resulted in the offender obtaining a capital gain, that maximum shall be raised to twice the capital gain and, in the event of a repeat offence, to three times the capital gain.

§ 3. The penalties and fines imposed in application of §§ 1 or 2, shall be recovered in favour of the Treasury by the Land Registry, Public Records and Crown Lands Office.

Art. 36/31. – § 1. The following shall be punishable by a prison term of between one month and one year and by a fine of between 50 and 10 000 euro or by one of these penalties alone:

1° those that, in Belgium, carry out clearing or settlement activities in respect of financial instruments, without being authorised to do so pursuant to Articles 36/25 and 36/26 or where that authorisation has been withdrawn;

2° those that contravene the provisions laid down in application of Articles 36/25 and 36/26, and indicated by the King in the relevant decrees;

3° those that hamper the investigations and expert appraisals of the FSMA pursuant to the present chapter, or knowingly provide it with incorrect or incomplete information.

§ 2. The provisions of Book I of the Penal Code shall, without the exception of Chapter VII and Article 85, be applicable to the infringements referred to in § 1.

Chapter V – Transitional and repealing provisions – entry into force

Art. 37. – The capital gain made from the transfer of assets in gold with regard to the issuing by the State of numismatic or commemorative coins, shall be allotted to the State to the extent of the unused balance of the 2.75 % of the weight of gold which appeared in the Bank's assets on 1 January 1987, and which could be used by the State, particularly for issuing coins, by virtue of Article 20*bis* (2) of the Law of 24 August 1939 on the National Bank of Belgium.

Art. 38. – *p.m.*

Annex 2 Statutes⁽¹⁾

Chapter I – Constitution

Section I – Name, rules applicable and establishments.

Art. 1. – The National Bank of Belgium, hereinafter referred to as the Bank, in Dutch “Nationale Bank van België”, in French “Banque Nationale de Belgique”, in German “Belgische Nationalbank”, established by the Law of 5 May 1850, shall form an integral part of the European System of Central Banks, hereinafter referred to as ESCB, whose Statute has been established by the Protocol relating to it and annexed to the Treaty establishing the European Community.

Furthermore, the Bank shall be governed by the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, by these Statutes and, additionally, by the provisions relating to public limited liability companies [*sociétés anonymes – naamloze vennootschappen*].

Pursuant to Article 141 § 1 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, the words “and, additionally, by the provisions relating to public limited liability companies” are to be interpreted as meaning that the provisions on public limited liability companies do apply to the National Bank of Belgium only:

1° as regards matters which are not governed either by the provisions of Title VII of Part Three of the Treaty

establishing the European Community and the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, or by the abovementioned Law of 22 February 1998 or the present Statutes; and

2° in so far as they are not in conflict with the provisions referred to in 1°.

Notwithstanding the first and second paragraphs, the Bank is a public limited liability company which arranges or has arranged issues for general subscription.

Art. 2. – The Bank’s registered office shall be in Brussels, boulevard de Berlaimont, number 14.

The Bank shall establish outside offices in locations on Belgian territory where the need for them exists.

Section II – Share capital and rights relating to shares.

Art. 3. – The Bank’s share capital, which shall amount to ten million euro, shall be represented by four hundred thousand shares, of which two hundred thousand – registered and non-transferable – shall be subscribed by the Belgian State and two hundred thousand shall be registered, bearer or dematerialised shares. The share capital shall be fully paid up.

Bearer shares, which have already been issued and held on securities accounts as at 1 January 2008, shall be converted into dematerialised shares on this date. Other bearer shares shall be automatically converted into dematerialised shares as they are booked onto securities accounts from 1 January 2008 onwards.

The shares shall have no nominal value.

(1) Statutes of the National Bank of Belgium adopted by the General Council on 23 December 1998 and amended for the last time by the Council of Regency on 7 September 2011.

Art. 4. – Each share shall confer the right to a proportional and equal part in the ownership of the Bank's assets and in the sharing out of the profits.

Art. 5. – The rights and obligations attached to a share shall follow the title of ownership, into whatever hands it may pass.

The share shall be indivisible vis-à-vis the Bank; the Bank shall recognise only one owner for each share.

Owners in joint ownership, usufructuaries and naked owners, and all other persons who are jointly entitled under a same share, should be represented by one and the same person. So long as this requirement is not met, the Bank may suspend the exercise of the rights pertaining to these shares. This right of suspension shall be exercised by the chairman of the General Meeting.

Art. 6. – Possession of a share shall signify acceptance of the Bank's statutes and of the decisions regularly taken by the General Meeting.

Art. 7. – The shareholders, their heirs or creditors may neither cause the Bank's assets and valuables to be put under seal nor request apportionment or sale by auction or interfere in the Bank's administration.

They must rely, for the exercise of their rights, on the inventory of the Bank's assets and on the resolutions of the General Meeting.

Art. 8. – Except for those belonging to the State, the shares may be converted into registered or dematerialised shares, free of charge, as the owner wishes.

Art. 9. – Ownership of a registered share shall be established by entry in the Bank's registers.

The registered owner shall receive a certificate which does not constitute a transferable title.

The register of nominative shareholders can be kept in electronic form.

Art. 10. – Shareholders shall be liable for losses only to the extent of their interest in the Bank.

Section III – Dissolution.

Art. 11. – The dissolution may not take place other than by means of a law.

Chapter II – Objectives, tasks and operations

Section I – Objectives and prohibition of monetary financing.

Art. 12. – The Bank shall participate in achieving the objectives of the ESCB, which shall be:

- primarily, to maintain price stability;
- without prejudice to the objective of price stability to support the general economic policies in the European Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2 of the Treaty establishing the European Community.

In order to achieve these objectives, the Bank shall act in accordance with the principles laid down in Article 3a of the Treaty establishing the European Community.

Art. 13. – The Bank shall be prohibited from granting overdrafts or any other type of credit facility to European Community institutions or bodies, central governments, regional, local or other public authorities, other bodies governed by public law or public undertakings of Member States of the European Community, and also from purchasing their debt instruments directly from them.

The first paragraph shall not apply to publicly owned credit institutions which, in the context of the provision of liquidity by the Bank, receive from it the same treatment as private credit institutions.

Section II – Tasks and transactions.

Art. 14. – The Bank shall participate in the basic tasks to be carried out through the ESCB, which shall be:

- to define and implement the monetary policy of the European Community;
- to conduct foreign exchange operations consistent with Article 109 of the Treaty establishing the European Community;
- to hold and manage the official foreign exchange reserves of the Member States;
- to promote the smooth operation of the payment systems.

Art. 15. – When carrying out the tasks and duties referred to in this section, neither the Bank nor any members of its decision-making bodies shall seek or take instructions from institutions or bodies of the European Community, from any government of a Member State of the Community or from any other body.

Art. 16. – 1. In order to achieve the objectives of the ESCB and to carry out its tasks, the Bank may:

– operate in the financial markets, outright by buying and selling (spot and forward), or under repurchase agreement or by lending or borrowing claims and marketable instruments expressed in Community or in non-Community currencies, as well as precious metals;

– conduct credit operations with credit institutions and other money market or capital market participants, with lending being based on adequate collateral.

2. The Bank shall comply with the general principles defined by the European Central Bank, hereinafter referred to as the ECB, for open market and credit operations, including those relating to announcement of the conditions under which such transactions are carried out.

Art. 17. – Within the limits and in accordance with the detailed terms and conditions adopted by the ECB, the Bank may also carry out, *inter alia*, the following transactions:

1° issue and redeem its own loan instruments;

2° accept deposits of securities and precious metals, undertake the redemption of securities and act on behalf of other parties in transactions in securities, other financial instruments and precious metals;

3° carry out transactions in interest-rate instruments;

4° carry out transactions in foreign currencies, gold or other precious metals;

5° carry out transactions with a view to the investment and financial management of its holdings of foreign currencies and of other external reserve elements;

6° obtain credit from foreign sources and provide guarantees for that purpose;

7° carry out transactions relating to European or international monetary cooperation.

Art. 18. – On being authorised to do so by the ECB, the Bank shall issue banknotes in euro intended to circulate as means of payment constituting legal tender in the territory of the States participating in Stage Three of Monetary Union.

The Bank shall comply, with regard to the issuance and design of the banknotes, with the rules laid down by the ECB.

Art. 19. – The Bank shall ensure that the clearing and payment systems operate properly and shall make certain that they are efficient and sound.

It may carry out all transactions or provide facilities for these purposes.

It shall provide for the enforcement of the regulations adopted by the ECB in order to ensure the efficiency and soundness of the clearing and payment systems within the European Community and with other countries.

Art. 20. – Without prejudice to the powers of the institutions and organs of the European Communities, the Bank shall implement the international monetary cooperation agreements by which Belgium is bound in accordance with the procedures laid down by agreements concluded between the Minister of Finance and the Bank. It shall provide and receive the means of payment and credits required for the implementation of these agreements.

The State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank as a result of the implementation of the agreements referred to in the preceding paragraph or as a result of its participation in international monetary cooperation agreements or transactions to which, subject to approval by the Council of Ministers, the Bank is a party. The State shall also guarantee the Bank the repayment of any credit granted in the context of its contribution to the stability of the financial system and guarantee the Bank against any loss incurred as a result of any transaction necessary in this regard.

Art. 20bis. – Within the framework set by Article 105 (2) of the Treaty establishing the European Community and Articles 30 and 31 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, the Bank shall hold and manage the official foreign reserves of the Belgian State. Those holdings shall constitute assets allocated to the tasks and transactions coming under this section and the other tasks of public interest entrusted to the Bank by the State. The Bank shall record these assets and the income and charges

relating thereto in its accounts in accordance with the rules referred to in Article 52.

Art. 21. – The Bank may, on the conditions laid down by, or by virtue of, law, and subject to their compatibility with the tasks within the domain of the ESCB, be entrusted with the performance of tasks of public interest.

Art. 22. – The Bank shall act as State Cashier on the conditions determined by law.

It shall be entrusted, to the exclusion of all other Belgian or foreign bodies, with the conversion into euros of the currencies of States not participating in Monetary Union or of States which are not members of the European Community borrowed by the State.

The Bank shall be informed of all plans for the contracting of foreign currency loans by the State, the Communities and the Regions. At the request of the Bank, the Minister of Finance and the Bank shall consult together whenever the latter considers that these loans are liable to prejudice the effectiveness of monetary or foreign exchange policy. The terms and conditions of this giving of information and this consultation shall be laid down in an agreement to be concluded between the Minister of Finance and the Bank, subject to approval of this agreement by the ECB.

Art. 23. – The Bank shall contribute to the stability of the financial system. For all decisions and transactions made in the context of its contribution to the stability of the financial system, the Bank shall enjoy the same degree of independence as that determined by Article 108 of the Treaty establishing the European Community.

The Bank may further be charged with the gathering of statistical information or with the international cooperation relating to any task referred to in Article 21.

Art. 23bis. – **§ 1.** The Bank shall exercise supervision of financial institutions in accordance with the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium and specific laws governing the supervision of these establishments.

§ 2. Within the areas of supervision pertaining to its competence, the Bank may lay down regulations supplementing the legal or regulatory provisions on points of a technical nature.

Without prejudice to any consultation provided for in other laws or regulations, the Bank may, in accordance with the procedure of open consultation, explain, in a consultative memorandum, the content of any regulation

it is considering adopting, and publish this on its website with a view to obtaining any comments by those concerned.

These regulations shall come into force only after their approval by the King and their publication in the *Moniteur belge/Belgisch Staatsblad* (Belgian Official Gazette). The King may amend those regulations or establish any rules Himself that He shall determine if the Bank has not laid down those regulations.

§ 3. The Bank shall carry out its supervisory tasks exclusively in the general interest. The Bank, the members of its bodies and the members of its staff shall not bear any civil liability for their decisions, non-intervention, acts or conduct in the exercise of the legal supervisory tasks of the Bank, save in the event of fraud or gross negligence.

§ 4. The Bank's operating costs relating to the supervision referred to in paragraph 1 are borne by the institutions subject to its supervision, according to the terms and conditions laid down by the King.

The Bank may make the administration of the Land Registry, Public Records and Crown Lands Office responsible for recovery of unpaid taxes.

Art. 24. – The Bank may carry out all transactions and provide all services which are ancillary to or follow from the tasks referred to in the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.

Art. 25. – The Bank may entrust the performance of tasks not within the domain of the ESCB with which it is charged or for which it takes the initiative, to one or more distinct legal entities specially set up for this purpose and in which the Bank holds a significant interest; one or more members of the Bank's Board of Directors shall participate in directing such entities.

If the task is entrusted by law to the Bank, the prior consent of the King, on the proposal of the competent minister, shall be required.

Art. 26. – The legal entities referred to in Article 25 and controlled exclusively by the Bank shall be subject to auditing by the Court of Auditors [*Cour des Comptes – Rekenhof*].

Chapter III – Organs

Section I – Composition and powers.

Art. 27. – The organs of the Bank shall be the Governor, the Board of Directors, the Council of Regency, the Board of Censors and the Sanctions Committee, without prejudice to Chapter VIII.

Art. 28. – 1. **The Governor** shall direct the Bank; he shall preside over the Board of Directors and the Council of Regency. He shall have their decisions implemented.

2. If he is unable to attend, he shall be replaced by the Vice-Governor without prejudice to the application of Article 10.2 of the Statute of the ESCB.

3. He shall present to the General Meeting the annual accounts and the Annual Report which have been approved by the Council of Regency.

4. He shall represent the Bank in legal proceedings.

5. The Governor shall send to the Chairmen of the Chamber of Representatives and the Senate the annual report referred to in Article 109 b (3) of the Treaty establishing the European Community, as well as a yearly report on the activities of the Bank in the field of prudential supervision. The Governor may be heard by the competent committees of the Chamber of Representatives and the Senate at the request of these committees or on his own initiative.

6. The Governor may not, during his term of office, receive any pension payable by the State.

Art. 29. – 1. In addition to the Governor, who presides, the **Board of Directors** shall be composed of at least five but not more than seven Directors, one of whom shall bear the title of Vice-Governor, conferred on him by the King. The Board of Directors shall include an equal number of French and Dutch speakers, with, possibly, the exception of the Governor.

The members of the Board of Directors must be Belgian.

2. The Board shall be responsible for the administration and management of the Bank and shall decide on the direction of its policy.

It shall appoint and dismiss members of staff and fix their salaries.

It shall have the right to make settlements and compromises.

3. It shall exercise regulatory power in the cases laid down by law. In circulars or recommendations, it shall lay down all measures with a view to clarifying the application of the legal or regulatory provisions whose application the Bank supervises.

4. It shall decide on the investment of the capital, reserves and depreciation accounts after consultation with the Council of Regency and without prejudice to the rules adopted by the ECB.

5. It shall pronounce upon all matters which are not expressly reserved for another organ by law, the Statutes or the Rules of Procedure.

6. It shall provide opinions to the various authorities that exercise legal or regulatory power on all draft legislative or regulatory acts relating to the supervisory tasks with which the Bank is or may be charged.

7. In urgent cases determined by the Governor, except for adopting regulations, it may take decisions by written procedure or by using a voice telecommunications system, in accordance with the specific rules laid down in the Bank's Rules of Procedure.

Art. 30. – 1. The **Council of Regency** shall be composed of the Governor, the Directors and ten Regents. It shall include an equal number of French- and Dutch-speaking Regents.

The members of the Council must be Belgian.

2. The Council shall exchange views on general questions concerning the Bank, monetary policy and the economic situation of the country and the European Community, supervisory policy with regard to each of the sectors subject to the Bank's supervision, Belgian, European and international developments in the field of supervision, as well as, in general, any development concerning the financial system subject to the Bank's supervision; without however having any competence to intervene at operational level or take note of individual dossiers. It shall take note every month of the situation of the institution.

3. On a proposal from the Board of Directors, it shall lay down the Rules of Procedure, containing the basic rules for the operation of the Bank's organs and the organisation of its departments, services and outside offices.

4. *Repealed.*

5. It shall approve the Annual Report to be presented by the Governor to the General Meeting.

6. *Repealed.*

7. The Council shall fix the individual salaries and pensions of the members of the Board of Directors. These salaries and pensions may not include a share in the profits, and no remuneration whatsoever may be added thereto by the Bank, either directly or indirectly. The Bank shall, however, meet the Governor's housing and furniture expenses.

8. The Council shall approve the expenditure budget and the annual accounts submitted by the Board of Directors. It shall finally determine the distribution of profits proposed by the Board.

9. The Regents shall receive attendance fees and, if appropriate, a travel allowance. The amount of such remunerations shall be fixed by the Council of Regency.

Art. 31. – 1. The Council of Regency shall meet at least twenty times per year.

The Council may not deliberate unless the majority of its members is present.

Decisions shall be adopted by a majority of votes.

In the event of a tie, the chairman shall have the casting vote.

2. Minutes shall be kept of the deliberations of the Council of Regency.

They shall mention the nature of the deliberations, their object and, briefly, the grounds for the decisions.

The minutes shall be signed by all the members present and by the Secretary.

3. In urgent cases, determined by the Governor, the Council of Regency may decide by written procedure or via a voice telecommunications system, in accordance with the specific rules laid down in the Bank's Rules of Procedure.

Art. 32. – 1. The Board of Censors shall be composed of ten members. It shall include an equal number of French and Dutch speakers. At least one member of the Board of Censors shall be independent as defined by Article 526ter of the Company Code.

The members of the Board of Censors must be Belgian.

The Board shall choose its chairman and its secretary from among its members.

2. The Board of Censors shall supervise the preparation and implementation of the budget. It is the audit committee of the Bank and shall exercise in this capacity the tasks laid down by Article 32bis.

The Censors shall receive an allowance, the amount of which shall be set by the Council of Regency.

Art. 32bis. – 1. Without prejudice to the responsibilities of the organs of the Bank and without prejudice to the execution of the tasks and transactions within the domain of the ESCB and their review by the statutory auditor, the Audit Committee shall, at least:

- a) monitor the financial reporting process;
- b) monitor the effectiveness of the internal control and risk management systems, and of the Bank's internal audit;
- c) monitor the statutory audit of the annual accounts, including the compliance with the questions and recommendations formulated by the statutory auditor;
- d) review and monitor the independence of the statutory auditor, and in particular the provision of additional services to the Bank.

2. Without prejudice to Article 27.1 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, and without prejudice to the competence of the Works Council with respect to the nomination, the proposal of the Board of Directors for the appointment of the statutory auditor shall be given on proposal of the Audit Committee. The Works Council shall be informed of this proposal. The audit committee shall also advise on the tender procedure for the appointment of the statutory auditor.

3. Without prejudice to any reports and notices of the statutory auditor to the organs of the Bank, he shall report to the Audit Committee on key matters arising from the statutory audit, and in particular on material weaknesses in internal control in relation to the financial reporting process.

4. The statutory auditor shall:

- a) confirm annually in writing to the Audit Committee his independence from the Bank;

b) disclose annually to the audit committee any additional services provided to the Bank;

c) discuss with the audit committee the threats to his independence and the safeguards applied to mitigate those threats and that have been documented by him in the audit working papers.

5. The Rules of Procedure shall specify the Audit Committee Regulations.

Art. 33. – The Board of Censors shall meet at least eight times per year.

It may not take decisions unless the majority of its members is present.

Decisions shall be adopted by a majority of the votes cast.

Section II – Method of designation of the members of the organs.

Art. 34. – 1. The **Governor** shall be appointed by the King for a renewable term of five years. He may be relieved from office by the King only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. With regard to this decision, he shall have the right of appeal as provided in Article 14.2 of the Statute of the ESCB.

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

Art. 35. – 1. The **Regents** shall be elected for a three-year term by the General Meeting. Their term may be renewed.

Two Regents shall be chosen on the proposal of the most representative labour organisations.

Three Regents shall be chosen on the proposal of the most representative organisations from industry and commerce, from agriculture and from small firms and traders.

Five Regents shall be chosen on the proposal of the Minister of Finance.

The methods of proposing candidates for these appointments shall be laid down by the King, after deliberation in the Council of Ministers.

2. The terms of office of the Regents shall end after the Ordinary General Meeting. They may be re-elected.

They shall leave office each year in groups, one of four members and the other two of three members. The order in which they leave office shall be initially determined by the drawing of lots.

The Regent elected to replace a member who has died or resigned shall complete the term of the one whom he replaces.

3. If a Regent's mandate becomes vacant, then, without prejudice to Article 62, second paragraph, 2°, this shall remain vacant until the next General Meeting.

Art. 36. – 1. The **Censors** shall be elected for a three-year term by the General Meeting of Shareholders. They shall be chosen from among persons with special qualifications in the field of supervisory procedures. Their term may be renewed.

2. The terms of office of the Censors shall end after the Ordinary General Meeting. They may be re-elected.

They shall leave office each year in groups, one of four members and the other two of three members. The order in which they leave office shall be initially determined by the drawing of lots.

The Censor elected to replace a member who has died or resigned shall complete the term of the one whom he replaces.

3. If a Censor's mandate becomes vacant, then, without prejudice to Article 62, second paragraph, 2°, this shall remain vacant until the next General Meeting.

Section III – Incompatibilities.

Art. 37. – Members of the Legislative Chambers, the European Parliament, the Councils of the Communities and the Regions, persons who hold the position of minister or secretary of state or of member of the Government of a Community or Region and members of the staff of a member of the Federal Government or of the Government of a Community or Region may not hold the office of Governor, Vice-Governor, member of the Board of Directors, Regent or Censor. The last-mentioned

functions shall automatically cease when their holder takes the oath of office for exercise of the abovementioned offices or performs such functions.

Art. 38. – 1. The Governor, the Vice-Governor and the other members of the Board of Directors may not hold any office in a commercial company or a company which is commercial in form or in any public body which carries on an industrial, commercial or financial activity. Subject to the approval of the Minister of Finance, they may however hold office in :

1° international financial institutions established under agreements to which Belgium is party;

2° the Securities Regulation Fund (*Fonds des Rentés – Rentenfonds*), the Deposit and Financial Instrument Protection Fund (*Fonds de protection des dépôts et des instruments financiers – Beschermingsfonds voor deposito's en financiële instrumenten instrumenten*), the Rediscount and Guarantee Institute (*Institut de Réescompte et de Garantie – Herdiscontering- en Waarborginstituut*) and the National Delcredere Office (*Office National du Ducroire – Nationale Delcrededienst*);

3° the legal entities referred to in Article 25.

For duties and mandates in an institution subject to the Bank's supervision pursuant to Articles 19, 23 or 23bis, the prohibitions referred to in the first paragraph shall continue to apply for one year after the Governor, Vice-Governor and other members of the Board of Directors have relinquished their office.

The Council of Regency shall determine the conditions relating to the relinquishment of office. It may, on the recommendation of the Board of Directors, waive the prohibition laid down for the period concerned after the relinquishment of office if it finds that the activity envisaged has no significant influence on the independence of the person in question.

2. The Regents and the majority of Censors may not be a member of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank pursuant to Articles 19, or 23bis, nor may they perform management duties in such an institution.

3. On a proposal from the Board of Directors, the Council of Regency shall lay down the code of conduct which must be respected by the members of the Board of Directors and the staff, as well as the monitoring measures concerning respect for this code. Persons responsible for supervising compliance with that code must maintain

professional secrecy as provided for in Article 458 of the Penal Code.

Section IV – Responsibility of the members of the organs.

Art. 39. – The Governor, the Directors, the Regents and the Censors shall not contract any personal obligation by reason of the Bank's liabilities; they shall be responsible only for the performance of the duties of their office.

Section V – Expiry of terms of office.

Art. 40. – The terms of the members of the Board of Directors, the Council of Regency and the Board of Censors shall expire no later than when they reach the age of sixty-seven years.

However, subject to authorisation by the Minister of Finance, they may complete their current term. The terms of the members of the Board of Directors may afterwards still be extended by one year, which term may be renewed. In the case of the Governor's term of office, the authorisation to complete the current term or its extension shall be granted by Royal Decree deliberated in the Council of Ministers.

On no account may the office-holders referred to in this article remain in office beyond the age of seventy years.

Chapter IV – Supervision by the Minister of Finance

Art. 41. – 1. Except as regards the tasks and transactions within the domain of the ESCB, the Minister of Finance, through his representative, shall have the right to supervise the Bank's transactions and to oppose the implementation of any measure which is contrary to the law, the Statutes or the interests of the State.

2. The representative of the Minister of Finance shall, *ex officio*, attend the meetings of the Council of Regency and the Board of Censors. He shall attend in an advisory capacity. Except as regards the tasks and transactions within the domain of the ESCB, he shall supervise the Bank's transactions and suspend and bring to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State.

If the Minister of Finance has not given a decision within eight days of the suspension, the decision may be implemented.

3. The salary of the representative of the Minister of Finance shall be fixed by the Minister of Finance in consultation with the management of the Bank and shall be borne by the latter.

The representative of the Minister shall report to the Minister of Finance each year on the performance of his task.

Art. 42. – Except as regards the transactions within the domain of the ESCB, the representative of the Minister of Finance shall have the right to take cognisance at any time of the state of business and to check the accounts and the cash holdings.

The Bank's administration shall be required to provide him, whenever he so requests, with a certified true copy of the Bank's financial statement.

He shall attend the General Meetings when he deems fit.

Chapter V – Statutory functions

Art. 43. – The Secretary and the Treasurer shall be appointed by the Council of Regency, which may dismiss them.

The Rules of Procedure shall define the duties inherent in their functions.

Their functions may be performed by one of the Directors.

Chapter VI – Financial provisions

Section I – Annual accounts, reserve funds and distribution.

Art. 44. – The **annual accounts** shall be drawn up as of 31 December each year. They shall be prepared by the Board of Directors and submitted to the Council of Regency for approval.

The approval of the annual accounts by the Council of Regency gives discharge to the members of the Board of Directors.

Art. 45. – *Repealed.*

Art. 46. – The **reserve fund** is intended for :

1° compensating for losses in capital stock ;

2° supplementing any shortfall in the annual profit up to a dividend of six per cent of the capital.

Upon expiry of the Bank's right of issue, the State shall have a priority claim to one-fifth of the reserve fund. The remaining four-fifths shall be distributed among all the shareholders.

In accordance with Art. 141 § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, the words "the Bank's right of issue" shall be construed as meaning that the right of issue in question includes the right of issue which the Bank may exercise pursuant to Article 106 (1) of the Treaty establishing the European Community.

Art. 47. – *Repealed.*

Art. 48. – *Repealed.*

Art. 49. – The **annual profit** shall be distributed as follows:

1. a first dividend of six per cent (6 %) of the capital shall be allocated to the shareholders ;

2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency shall be independently allocated to the reserve fund or to the available reserves ;

3° from the second excess, a second dividend, established by the Council of Regency, forming a minimum of fifty per cent (50 %) of the net proceeds from the assets forming the counterpart to the reserve fund and available reserves shall be allocated to the shareholders ;

4° the balance shall be allocated to the State ; it shall be exempt from corporation tax.

Art. 50. – The profit established for allocation to the shareholders for the financial year ended 31 December of each year shall be distributed in a one within the month following the General Meeting, on a date fixed by the latter.

If the profit for distribution among the shareholders is less than 6 % per annum, it shall be supplemented by drawing on the reserve fund.

This drawing shall be refunded to the reserve if, the next year, this refund can be made without reducing the profit for distribution to below 6 %.

Art. 51. – *Repealed.*

Art. 52. – The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up :

1° in accordance with the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium and the mandatory rules drawn up pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;

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

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

Section II – Allocations to the State.

Art. 53. – *Repealed.*

Art. 54. – Any capital gain realised by the Bank through arbitrage transactions of gold assets against other external reserve components shall be entered in a special unavailable reserve account. This capital gain shall be exempt from all taxation. However, where some external reserve components have been arbitrated against gold, the difference between the purchase price of that gold and the average purchase price of the existing gold stock shall be deducted from the amount of that special account.

The net income from the assets which form the counterpart to the capital gain referred to in the first paragraph shall be allocated to the State.

External reserve components acquired as a result of the transactions referred to in the first paragraph shall be covered by the State guarantee as provided in Article 9(2) of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium.

The terms and conditions for application of the provisions contained in the preceding paragraphs shall be fixed by agreements to be concluded between the State and the Bank. These agreements shall be published in the *Moniteur belge/Belgisch Staatsblad*.

Art. 55. – Notwithstanding Article 54, the capital gain made from the transfer of assets in gold with regard to the issuing by the State of numismatic or commemorative coins, shall be allotted to the State to the extent of

the unused balance of the 2.75 % of the weight of gold which appeared in the

Bank's assets on 1 January 1987, and which could be used by the State, particularly for issuing coins, by virtue of Article 20bis (2) of the Law of 24 August 1939 on the National Bank of Belgium.

Chapter VII – Professional secrecy and exchange of information

Art. 56. – Except when called upon to give evidence in court in a criminal case, the Bank and members and former members of its organs and its staff shall be subject to professional secrecy and may not divulge to any person or authority whatsoever confidential information of which they have had knowledge on account of their duties.

Paragraph 1 shall not preclude the communication of confidential information to third parties in cases laid down by or by virtue of the law.

The Bank, members of its organs and its staff shall be exempt from the obligation contained in Article 29 of the Code of Criminal Procedure.

Contraventions of this article shall incur the penalties laid down by Article 458 of the Penal Code. The provisions of Book 1 of the Penal Code, including Chapter VII and Article 85, shall be applicable to contraventions of this article.

This article does not prevent the observance, by the Bank, the members of its organs and its staff, of specific legal provisions as to professional secrecy, whether more restrictive or not, notably when the Bank is charged with collecting statistical data or information on prudential supervision.

Chapter VIII – General meeting

Art. 57. – The General Meeting shall represent the totality of the shareholders. It shall be presided over by the Governor.

Its decisions, taken in a regular manner, shall be binding, even on those absent or dissenting.

Art. 58. – The right to take part in the General Meeting is granted to shareholders who have fulfilled the legal formalities to be admitted to the General Meeting of a listed company.

Art. 59. – Before the session is opened, the shareholders shall sign the attendance list.

Art. 60. – Each share shall confer the right to one vote.

Art. 61. – The Ordinary General Meeting shall be held in Brussels on the last Monday of the month of May and, if that day falls on a public holiday, on the first following bank working day, at 2 p.m.

It shall hear the Annual Report on the past year's operations.

It shall elect the Regents and Censors whose terms of office expire and shall take steps to fill the vacancies which have arisen owing to death, resignation or for other reasons.

Art. 62. – An Extraordinary General Meeting may be convened whenever the Council of Regency deems fit.

It must be convened:

1° if the meeting is requested by either the Board of Censors or by shareholders representing one-tenth of the capital stock;

2° if the number of Regents or of Censors falls below the absolute majority.

Art. 63. – *Repealed.*

Art. 64. – The function of scrutineers shall be performed by the two shareholders present who own the largest number of shares, who do not form part of the administration and who accept this duty.

They shall sign the minutes with the chairman and the other members of the bureau.

The copies and extracts to be supplied to third parties shall be signed by the Secretary.

Art. 65. – The General Meeting shall deliberate:

1° concerning the matters mentioned in the convening notices and concerning those submitted to it either by the Council of Regency or by the Board of Censors;

2° concerning proposals, signed by one or more shareholders who together own at least 3 % of the company's capital, which have been brought to the attention of the Council of Regency at least twenty-two days before the meeting for inclusion in the agenda.

If the meeting acknowledges the urgency of other proposals made by the Council of Regency, these shall be included in the deliberations.

Art. 66. – All resolutions shall be adopted by an absolute majority of the votes.

In the event of a tie, the proposal shall be rejected.

Art. 67. – Voting will take place either electronically, by roll call, by show of hands, or by ballot.

Elections or dismissals shall take place by secret ballot.

Art. 68. – *Repealed.*

Art. 69. – Regents or Censors may be dismissed only by a majority of three-quarters of the votes of the shareholders present owning at least three-fifths of the shares.

Chapter IX – Amending the Statutes

Art. 70. – The Council of Regency shall amend the Statutes in order to bring them into conformity with the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium and with the international obligations which are binding on Belgium.

Other amendments to the Statutes shall be adopted, on the proposal of the Council of Regency, by a majority of three-quarters of the votes pertaining to the total number of shares present or represented at the General Meeting of Shareholders.

The General Meeting of Shareholders referred to in the second paragraph shall be specially convened and its proceedings shall only be valid if the purpose of the proposed amendments was specially stated in the convening notice and if those attending the meeting represent at least half of the capital stock.

If a first meeting does not represent the proportion of the capital stipulated above, a new meeting shall be convened, whose proceedings shall be valid irrespective of the proportion of the capital present or represented.

Amendments to the Statutes shall require the approval of the King.

Chapter X – Signing of acts

Art. 71. – All acts that are binding on the Bank may be signed :

- a) either by the Governor;
- b) or by a majority of members of the Board of Directors;
- c) or by a Director together with the Secretary;

without being required to furnish proof of any power whatsoever vis-à-vis third parties.

They may also be signed by one or two representatives authorised either by the Governor, or by a majority of members of the Board of Directors or by a Director together with the secretary.

Furthermore, acts of day-to-day management may be signed :

- a) either by the Vice-Governor or a Director;
- b) or by the Secretary or the Treasurer;
- c) or by one or two members of staff authorised to act as proxy by the Board of Directors for this purpose.

Chapter XI – General and transitional provisions

Section I – Use of languages.

Art. 72. – The Bank and its outside offices shall comply with the statutory provisions on the use of languages in administrative matters.

Art. 73. – *Repealed.*

Art. 74. – *Repealed.*

Art. 75. – *Repealed.*

Art. 76. – *Repealed.*

Annex 3 Corporate Governance Charter⁽¹⁾

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. 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 European Central Bank (ECB) and the central banks of the other European Union Member States – is one of the components of the European System of Central Banks (ESCB), set up by the Treaty on the Functioning of the European Union (the Treaty).

By that token, it is governed first of all by the relevant provisions of the Treaty (Title VIII 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 Union, conducting foreign exchange operations in accordance with Article 219 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 exercises prudential supervision of financial institutions and 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 on the Functioning of the European Union, is reflected in a system of governance whose very objectives are different from those of the governance of a company incorporated under ordinary law.

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 Union, 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,

(1) Latest amendments: 8 February 2012.

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 allocate to the State, as a sovereign State, any surplus seigniorage revenue, after covering costs, including the constitution of required reserves and return on capital.

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.

This explains that a number of provisions in the Belgian corporate governance code, which is based on the management model of a common-law partnership with a monistic board of directors, accountable to the general meeting of shareholders and whose members may be dismissed *ad nutum*, obviously do not apply to the Bank.

Nevertheless, the Bank considers that the system of governance imposed on it partly by its own Organic Law and 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 Corporate Governance Charter.

2. Organisation, governance and supervision of the Bank

2.1 Comparison of the allocation of powers at the Bank and in 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, the Board of Censors and the Sanctions Committee (cf. Article 17 of the Organic Law).

Other institutions of the Bank are the General Meeting, the representative of the Minister of Finance, the auditor and the Works Council.

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 Rules of Procedure.

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 accounts and the Annual Report which have been approved by the Council of Regency. He submits to the Chairmen of the Chamber of Representatives and the Senate the Annual Report referred to in Article 284.3 of the Treaty on the Functioning of the European Union, as well as a yearly report on the activities of the Bank in the field of prudential supervision. 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.

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	
King	Appointment of the Governor Appointment of the Directors (on the proposal of the Council of Regency)	Appointment of the directors	General Meeting
General Meeting	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 Annual Report Amendment of the Statutes except for Council of Regency prerogatives	Appointment of the auditors Hearing of the annual report, auditors' report and discharge of the auditors Amendment of the articles of association	
Council of Regency	Amendment of the Statutes to bring them into line with the Organic Law and international obligations which are binding on Belgium Discussion and approval of the annual accounts Approval of the Annual Report Appropriation of the profits Discharge of the Board of Directors Setting the remuneration of the members of the Board of Directors Approval of the budget	Discussion and approval of the annual accounts Appropriation of the profits Discharge of the directors Setting the remuneration of the Board of Directors	
Board of Directors	Definition of company policy Administration and management Drawing up of the annual accounts Preparation of the Annual Report Management and routine operation	Definition of company policy Administration and management Drawing up of the annual accounts Drawing up of the annual report	Board of Directors
Board of Censors	Supervision of the preparation and implementation of the budget Audit Committee	Optional delegation of the management (management board) or the routine operation (chief executive)	Management board or chief executive
Representative of the Minister of Finance	Monitoring of the Bank's operations (right to oppose any measure which is contrary to the law, the Statutes or the interests of the State), except for those which come under the ESCB		

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, the 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 Rules of Procedure, 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 organs.

The Board of Directors appoints and dismisses the members of staff and determines their salaries.

It has the right to make settlements and compromises. It exercises regulatory power in the cases laid down by law.

In circulars or recommendations, it lays down all measures with a view to clarifying the application of the legal or regulatory provisions whose application the Bank supervises. It provides opinions to the various authorities that exercise legal or regulatory power on all draft legislative or regulatory acts relating to the supervisory tasks with which the Bank is or may be charged.

It pronounces on all matters which are not expressly reserved for another organ by law, the Bank's Statutes or Rules of Procedure.

It draws up the budget and prepares the Annual Report 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 Rules of Procedure 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 and the annual accounts. The approval of the annual accounts by the Council of Regency constitutes a discharge for the members of the Board of Directors.

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 a 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 ministerial 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.

FUNCTIONING

The functioning of the Board of Directors is governed by the Organic Law, the Statutes and the Rules of Procedure.

The Board of Directors meets whenever circumstances dictate, and at least once a week. In urgent cases determined by the Governor, except for adopting regulations, it may take decisions by written procedure or by using a voice telecommunications system.

If a member of the Board of Directors has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision or transaction within the sphere of competence of the Board of Directors, he informs the other members before the Board deliberates. He does not attend discussions concerning that transaction or decision and does not take part in the voting. His declaration and he reasons underlying the conflicting interest are entered in the minutes of the meeting. The Board of Directors describes in the minutes the nature of the decision or transaction, justifies the decision taken and specifies the implications in terms of proprietary rights of that decision for the Bank. Those minutes are included in the Annual Report for the year in question.

The Director concerned also informs the auditor of his conflicting interest. The auditor's report must contain a separate description of the implications in terms of proprietary rights for the Bank resulting from Board of Directors decisions involving a conflicting interest within the meaning of the previous paragraph.

2.3.3 Council of Regency

POWERS

The Council of Regency exchanges views on general issues relating to the Bank, monetary policy and the economic

situation of the country and the European Union, supervisory policy with regard to each of the sectors subject to the Bank's supervision, Belgian, European and international developments in the field of supervision, as well as, in general, any development concerning the financial system subject to the Bank's supervision; without however having any competence to intervene at operational level or take note of individual dossiers. 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. It has the power, as an independent body, to set the Bank's reserve and dividend policy. It determines the final distribution of the profits proposed by the Board of Directors and ensures that the financial interests of the Bank, its shareholders and the State, as a sovereign State, are taken into account in a balanced manner.

It approves the Annual Report.

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 Rules of Procedure, 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.

The Council of Regency has the power to set remuneration policy and fix the salaries of the members of the Board of Directors, including the Governor, of the Council of Regency and the Board of Censors. More detailed information about the remuneration policy and salaries is provided on an annual basis in the remuneration report which forms part of the Governance Statement included in the Annual Report.

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 the appointment of Directors, 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, including the patronage funds, the Council of Regency is assisted by the Budget Committee and the Special Fund 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 otherwise comprises three Regents, two other Censors, the representative of the Minister of Finance, and, in an advisory capacity, the Director responsible for the Controlling Department. This committee meets on a yearly basis. It may call on the General Secretariat to provide its secretariat.

The Special Fund Committee has the competence to examine the allocation of the Bank's Special Patronage Fund before it is approved by the Council of Regency. It is chaired by the governor and otherwise comprises two regents, two censors and one member of the Board of Directors. This committee meets on a yearly basis. It may call on the General Secretariat to provide its secretariat.

In regard to remuneration, the Council of Regency is assisted by the Remuneration Committee. The Remuneration Committee has to make recommendations to the Council of Regency on the remuneration of the members of the Board of Directors, the Regents and the Censors. It is composed of two Regents, two Censors and the representative of the Minister of Finance. With an advisory vote, the Governor takes part in meetings of the Remuneration Committee whenever it is dealing with remuneration for members of the Board of Directors, with the exception of the Governor himself. The Remuneration Committee's powers, composition and functioning are further specified in its Regulations, annexed to this Charter.

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 be members of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank pursuant to Articles 8, or 12*bis*, nor may they perform management duties in such an institution or take on certain political posts (as members of a parliament, government or ministerial 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.

FUNCTIONING

The functioning of the Council of Regency is governed by the Organic Law, the Statutes and the Rules of Procedure.

The Council of Regency meets at least twenty times a year and passes its decisions by a majority of the votes. In urgent cases determined by the Governor, the Council of Regency may take decisions by written procedure or by using a voice telecommunications system.

If a member of the Council of Regency has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision within the sphere of competence of the Council of Regency, he informs the other members before the Council deliberates. He must not attend discussions concerning that decision, or take part in the voting. In particular, the Governor and the Directors are not permitted to attend the discussions and take part in the voting concerning the approval of the annual accounts.

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.

The Board of Censors is also the Bank's Audit Committee. By that token, the tasks assigned to the Board of Censors include taking charge, in an advisory capacity, of the monitoring of the process of preparing the financial information, the monitoring of the effectiveness of the internal control and risk management systems, the monitoring of the statutory audit of the annual accounts and the examination and the monitoring of the independence of the auditor.

Once a year, the Audit Committee reports to the Council of Regency on the performance of its duties. It also reports to the Council of Regency on all matters arising from the performance of its duties which are relevant for the approval of the annual accounts and the Annual Report, and for the drafting of the accounting rules by the Council of Regency. The Audit Committee reports to the Board of Directors on all aspects relevant to the reliability of the financial information, the proper operation of internal control, risk management and the internal audit, and the independence of the auditor.

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 majority of Censors may not be members of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank pursuant to Articles 8, or 12*bis*, nor may they perform management duties in such an institution.

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.

FUNCTIONING

The functioning of the Board of Censors is governed by the Organic Law, the Statutes and the Rules of Procedure. The rules on its functioning as an Audit Committee are also set out in the Audit Committee Regulations. The Rules of Procedure and the Audit Committee Regulations are annexed to this Charter.

The Board of Censors meets at least eight times a year. Its resolutions are adopted by a majority of the votes.

2.3.5 Sanctions Committee

POWERS

The Sanctions Committee pronounces on the imposition by the Bank of administrative fines and penalties laid down by the laws applicable to the institutions that it supervises. The rules of procedure for the imposition of administrative fines and penalties are set out in the Organic Act.

COMPOSITION

The Sanctions Committee is composed of six members appointed by the King:

1° a State counsellor or honorary State counsellor, appointed on a proposal from the First President of the Council of State;

2° a counsellor at the Court of Cassation or honorary counsellor at the Court of Cassation, appointed on a proposal from the First President of the Court of Cassation;

3° two magistrates who are neither members of the Court of Cassation, nor of the Brussels Court of Appeal;

4° two other members.

The chairman is elected by the members of the Sanctions Committee from among the persons mentioned in 1°, 2° and 3°.

For the three years preceding their appointment, the members of the Sanctions Committee may not have been on either the Board of Directors of the Bank, or a member of the Bank's staff.

During the course of their mandate, members may not carry out any duties whatsoever or any mandate whatsoever in an institution subject to the supervision of the Bank or in a professional association representing institutions subject to the supervision of the Bank, nor may they provide services for a professional association representing institutions subject to the supervision of the Bank.

They are also prohibited from taking on certain political posts (as members of a parliament, government or ministerial cabinet).

The mandate of the members of the Sanctions Committee is six years and renewable. Members may be removed from office by the King only if they no longer fulfil the conditions for the performance of their duties or if they have been guilty of serious misconduct.

FUNCTIONING

The Sanctions Committee may take valid decisions when two of its members and its chairman are present and in a position to deliberate. If its chairman is unable to attend, it may take valid decisions when three of its members are present and in a position to deliberate.

Members of the Sanctions Committee may not deliberate in a case in which they have a personal interest that may influence their opinion.

2.4 Other institutions of the Bank

2.4.1 General Meeting

POWERS

The Ordinary General Meeting hears the Annual Report on the past year 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 external auditor. 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 is composed of the shareholders who have fulfilled the legal formalities for admission to the general meeting of a listed company.

The General Meeting represents the totality of the shareholders.

FUNCTIONING

The General Meeting is chaired by the Governor. The Ordinary General Meeting is held on the last Monday in May 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 function of scrutineers shall be performed by the two shareholders present who own the largest number of shares, who do not form part of the administration and who accept this duty.

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. Voting will take place either electronically, by roll call, by a show of hands, or by ballot papers. Elections or dismissals take place by secret ballot.

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 other members of the bureau. 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 Annual 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.

The auditor is appointed on the basis of a procedure in accordance with the public procurement legislation to which the Bank is subject. He 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 Board of Censors supervises the preparation and implementation of the budget and takes note of the activities of the Internal Audit Service. Every year, its chairman informs the Council of Regency and answers its questions.

As the Bank's Audit Committee, the Board of Censors is responsible, in an advisory capacity, for the monitoring of the effectiveness of the internal control and risk management systems and the monitoring of the Bank's internal audit.

To that end, the Audit Committee periodically examines, in accordance with a plan which it draws up, the internal control and risk management systems set up by the various departments and services. It ensures that the main risks, including the risks relating to compliance with the current legislation and rules, are correctly identified, managed and drawn to its own attention and to that of the Board of Directors. The Audit Committee also examines the notes contained in the Annual Report concerning internal control and risk management.

The Audit Committee examines the effectiveness of the internal audit. It examines the internal audit charter and verifies whether the Internal Audit Service has the resources and expertise appropriate to the nature, size and complexity of the Bank. Where appropriate, it makes recommendations on this subject to the Board of Directors. Before the internal audit's programme of work is approved by the Board of Directors, the Audit Committee examines that programme, taking account of the complementarity with the work of the statutory auditor.

The Audit Committee receives the internal audit reports or a summary thereof, and the quarterly report of the internal audit. It examines the extent to which the departments and services take account of the internal audit's findings and recommendations. At the request of the

Board of Directors, the Audit Committee gives its opinion concerning the profile of the internal audit officer.

The Audit Committee also assesses the relevance and consistency of the accounting rules drawn up by the Council of Regency.

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

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 25*bis* of the Law of 2 August 2002 on the supervision of the financial sector and on financial services.

The Law of 2 May 1995 sets out an obligation for the members of the Council of Regency – namely, the Directors and the Regents – and the members of the Board of Censors to disclose an annual list of their mandates, duties and occupations to the Court of Auditors. In addition, they are bound to make an annual wealth declaration, unless there have been no appointments, terminations or renewals in the past year with regard to the mandates, duties and occupations that they have to declare.

The Bank's code of conduct lays down rules for members of the Board of Directors and of its staff on the holding of and transactions in the Bank's shares and shares or parts issued by enterprises subject to supervision by the Bank.

The Regents and Censors do not effect any transactions in shares of the Bank or financial instruments relating to those shares during the fixed closed periods each year which start from the point in time when the annual accounts are drawn up by the Board of Directors and end when the said accounts are published. Outside of those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative transaction in those shares. They also respect the closed periods fixed *ad hoc* by the Board of Directors. They must ensure that their close associates within the meaning of Article 2 (23) of the Law of 2 August 2002 on the supervision of the financial sector and on financial services respect the same rules. The legal compliance officer shall inform the Regents and Censors about the closed periods.

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, bearer or dematerialised shares are held by the public and listed on Euronext Brussels.

The share capital is fully paid up.

Except for those belonging to the State, the shares can be converted to registered or dematerialised shares, free of charge, at the owner's request.

Ownership of the registered shares is established by entry in the Bank's shareholders register. The registered

shareholder receives a certificate which does not constitute a transferable instrument. Dematerialised shares are represented by an account entry in the name of their owner or holder with an authorised intermediary or with the settlement institution, S.A. Euroclear Belgium.

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 % of the total voting rights.

The Bank has no knowledge of other holdings of 5 % or more of the voting rights.

3.3 Dividends

The setting of the dividends is organised by the Organic Law. A first dividend of 6 % of the capital is guaranteed by all reserves. The second dividend corresponds to 50 % of the net proceeds from the portfolio which the Bank holds as a counterpart to its total reserves. The second dividend is guaranteed by the available reserve, unless the level of the reserves were to fall too low as a result.

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 dissociated from profit or loss. In this way, the shareholder is protected 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 Reports

Every year, the Bank publishes a Report providing 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.

Each year, the Bank also publishes a report on its activities in the field of prudential supervision, as well as a Corporate Report presenting for the shareholders' and the public's attention the Annual Report and the annual accounts for the preceding year and explaining the organisation and governance of the Bank.

These Reports are made available in printed form to the shareholders and the public. They are also published on the Bank's website, which offers all the Annual Reports issued since 1998.

The Bank is not subject to the rules governing the drawing up and issuing of periodical information (Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market).

4.3 Relations with 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. He shall send to the Chairmen of the Chamber of Representatives and the Senate the Annual Report on the activities of the Bank in the field of prudential supervision.

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 Annual Report and the annual 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 and signing of acts

5.1 Representation of the Bank

The Governor represents the Bank in legal proceedings.

The Governor and the Board of Directors may expressly or tacitly grant special authority to represent the Bank.

5.2 Signing of acts

All acts which are binding upon the Bank may be signed either by the Governor, or, in the absence of the latter, by the Vice-Governor, either by a majority of the members of the Board of Directors or by a Director together with the Secretary, without any need to substantiate their authority to third parties. They may also be signed by one or two persons mandated either by the Governor or by a majority of the members of the Board of Directors or by a Director together with the Secretary.

Moreover, routine administrative acts may be signed either by the Vice-Governor or a Director, or by the Secretary or the Treasurer or by one or two members of the staff mandated by the Board of Directors.

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.”

Annex 4 Rules of Procedure⁽¹⁾

Chapter I – Activities of the organs

Art. 1. – The Bank's organs are the Governor, the Board of Directors, the Council of Regency, the Board of Censors and the Sanctions Committee.

Art. 2. – The Governor exercises his powers in accordance with the Organic Law, the Statutes and these Rules of Procedure.

He directs the Bank and its staff with the assistance of the Directors.

He submits proposals to the Board of Directors on the allocation among its members of authority over the departments, services and units, and on the representation of the Bank in national and international organisations and institutions.

Without prejudice to the preceding paragraphs and Article 4, the Governor exercises direct authority over the members of staff, whatever their grade or function.

Art. 3. – 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.

Art. 4. – § 1. The Governor and the Directors jointly exercise their powers as members of the Board of Directors. The Board of Directors is responsible for the administration

and management of the Bank in accordance with the Organic Law, the Statutes and these Rules of Procedure.

The Board of Directors is chaired by the Governor. In his absence, the Vice-Governor takes his place.

On the proposal of one of its members, the Board of Directors may invite one or more members of the Bank's staff, as well as the special representatives integrated into the Bank in accordance with Article 337, § 1 of the Royal Decree of 3 March 2011 on the evolution of the supervisory structure for the financial sector, to attend all or part of a meeting. If an invited member of staff or special representative has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision within the sphere of competence of the Board of Directors, he or she shall inform the Board of Directors before the board takes a decision.

Unless it is unable to do so, the Board of Directors meets at least once a week. It also meets whenever deemed necessary by the Governor, the Vice-Governor or two Directors.

Taking account of the requests made by members of the Board of Directors, the items for discussion at a meeting are entered on the agenda by the Secretary at least two calendar days before the meeting. The Governor approves the agenda and inserts amendments with the agreement of the Directors concerned, by no later than the day before the meeting. After that deadline, no further items may be added to the agenda except with the approval of the Governor.

All documents intended to form the basis of decisions of the Board of Directors, and in particular notes from the

(1) Approved by the Council of Regency on 20 February 2008. Latest amendments: 23 November 2011.

services and departments concerning the items for discussion, are circulated to the Directors at least two calendar days before the meeting, except in urgent cases.

The Board of Directors may not deliberate unless the majority of its members are present. Except in urgent cases, no decision may be taken on items which are not entered on the agenda. Resolutions are passed by a majority of the votes cast. If the votes are evenly divided, the Governor has the casting vote. If, in the Governor's absence, the votes are evenly divided, the proposal is rejected.

The minutes of the meetings of the Board of Directors contain a brief mention of the matters discussed and the decisions taken. In cases of dissent, the Directors may ask for the minutes to record their vote, with supporting reasons, or their opinion. Once the minutes have been approved, they are signed by the members present at the meeting to which the minutes relate. The Secretary is responsible for keeping the minutes.

When drafting the minutes concerning prudential matters, the Secretary is assisted by a member of the Legal Service who, for that purpose, attends meetings of the Board of Directors dealing with prudential matters.

§ 2. In duly reasoned urgent cases confirmed by the Governor, the Board of Directors may, except when adopting regulations, decide by the written procedure or by using a system of voice telecommunication.

In order to take a decision by voice telecommunication, all members must be called by the Governor or, in his absence, by the Vice-Governor. The decision is adopted by the majority of the votes, provided the voice telecommunication procedure enables the majority of the members of the Board of Directors to communicate in real time and to hold a collective discussion. Each member contacted may request the convening of a meeting of the Board of Directors or the application of the written procedure referred to in the following subsection.

In the case of the written procedure, the Governor or, in his absence, the Vice-Governor submits the text of the draft decision by post with acknowledgement of receipt. The text may also be submitted by fax, electronic mail or any other written process. When these communication facilities are used, the technical confirmation of sending counts as proof of receipt. Moreover, each member is notified personally, preferably by telephone, of the sending of the communication. The communication mentions the time available to the members for submitting their written agreement to the proposal. During that period,

each member may request an oral discussion of the draft decision via a voice telecommunication procedure, or may request the convening of a meeting of the Board of Directors. The proposal is approved by the Board of Directors if, within the period stated in the communication, all members have unanimously given their written approval.

Minutes are produced on all decisions taken by the procedures described in this paragraph.

§ 3. If a member of the Board of Directors has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision or transaction within the sphere of competence of the Board of Directors, he informs the other members before the Board deliberates. He does not attend discussions concerning that transaction or decision and does not take part in the voting. His declaration and the reasons underlying the conflicting interest are entered in the minutes of the meeting. The Board of Directors describes in the minutes the nature of the decision or transaction, justifies the decision taken and specifies the implications in terms of proprietary rights of that decision for the Bank. Those minutes are included in the management report for the year in question.

The Director concerned also informs the auditor of his conflicting interest. The auditor's report must contain a separate description of the implications in terms of proprietary rights for the Bank resulting from Board of Directors decisions involving a conflicting interest within the meaning of the previous paragraph.

Art. 5. – § 1. The Council of Regency discusses questions within its sphere of competence under the Organic Law, the Statutes and these Rules of Procedure.

It meets at least twenty times per year. In urgent cases, it holds an extraordinary meeting which is convened by the Governor.

Council of Regency resolutions are passed in accordance with Article 31.1 of the Statutes. Any discussion may be postponed to the next meeting at the request of the majority of the members present. In that case, the author is nonetheless permitted to submit the proposal without waiting.

Minutes of the discussions of the Council of Regency are kept in accordance with Article 31.2 of the Statutes.

§ 2. In urgent cases confirmed by the Governor, the Council of Regency may decide by the written procedure or by using a system of voice telecommunication.

In order to take a decision by voice telecommunication, all members must be called by the Governor or, in his absence, by the Vice-Governor. The decision is adopted by the majority of the votes, provided the voice telecommunication procedure enables the majority of the members of the Council of Regency to communicate in real time and to hold a collective discussion. Each member contacted may request the convening of a meeting of the Council of Regency or the application of the written procedure referred to in the following sub-section.

In the case of the written procedure, the Governor or, in his absence, the Vice-Governor submits the text of the draft decision by post with acknowledgement of receipt. The text may also be submitted by fax, electronic mail or any other written process. When these communication facilities are used, the technical confirmation of sending counts as proof of receipt. Moreover, each member is notified personally, preferably by telephone, of the sending of the communication. The communication mentions the time available to the members for submitting their written agreement to the proposal. During that period, each member may request an oral discussion of the draft decision via a voice telecommunication procedure, or may request the convening of a meeting of the Council of Regency. The proposal is approved by the Council of Regency if, within the period stated in the communication, all members have unanimously given their written approval.

Minutes are produced on all decisions taken by the procedures described in this paragraph.

§ 3. In regard to the budget, including the patronage funds, the Council of Regency is assisted by the Budget Committee and the Special Fund 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 otherwise comprises three Regents, two other Censors, the representative of the Minister of Finance, and, in an advisory capacity, the Director responsible for the Controlling Department. This committee meets on a yearly basis. It may call on the General Secretariat to provide its secretariat.

The Special Fund Committee has the competence to examine the allocation of the Bank's Special Patronage Fund before it is approved by the Council of Regency. It is chaired by the Governor and otherwise comprises two Regents, two Censors and one member of the Board of Directors. This committee meets on a yearly basis. It may call on the General Secretariat to provide its secretariat.

§ 4. In regard to the remuneration, the Council of Regency is assisted by the Remuneration Committee.

The Remuneration Committee is responsible for advising the Council of Regency on the remuneration of the members of the Board of Directors, the Regents and Censors. It comprises two Regents, two Censors and the representative of the Minister of Finance. Its powers, composition and functioning are set out in the Remuneration Committee Regulations.

§ 5. If a member of the Council of Regency has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision within the sphere of competence of the Council of Regency, he informs the other members before the Council deliberates. He must not attend discussions concerning that decision, or take part in the voting.

§ 6. The Regents do not effect any transactions in shares of the Bank or financial instruments relating to those shares during the fixed closed periods which run each year from the moment that the Board of Directors decides on the annual accounts until the moment when that information is published. Outside those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative transaction in those shares. They also respect the closed periods fixed *ad hoc* by the Board of Directors. They must ensure that their close associates within the meaning of Article 2 (23) of the Law of 2 August 2002 on the supervision of the financial sector and on financial services respect the same rules. The legal compliance officer shall inform the Regents of any closed period.

Art. 6. – § 1. The Board of Censors exercises its duties as an Audit Committee and its supervisory duties in regard to the preparation and implementation of the budget in accordance with the provisions of the Organic Law, the Statutes and these Rules of Procedure, and ensures that there are no conflicts between these duties that hinder their proper execution. The additional rules of operation regarding the Audit Committee are set out in the *Audit Committee Regulations*.

The Board of Censors meets at least eight times per year and whenever necessary, in which case it is convened by the Chairman. The Board passes its resolutions in accordance with the provisions of Article 33 of the Statutes.

Minutes are kept of the deliberations of the Board of Censors. Once these have been approved, they are signed by the members present at the meeting to which the minutes relate. The minutes are forwarded to the Bank's

Secretary, either as a whole or in part, and communicated to the Board of Directors.

§ 2. The members of the Board of Censors do not effect any transactions in shares of the Bank or financial instruments relating to those shares during the fixed closed periods which run each year from the moment that the Board of Directors decides on the annual accounts until the moment when that information is published. Outside those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative transaction in those shares. They also respect the closed periods fixed *ad hoc* by the Board of Directors. They must ensure that their close associates within the meaning of Article 2 (23) of the Law of 2 August 2002 on the supervision of the financial sector and on financial services respect the same rules. The legal compliance officer shall inform the Censors of any closed period.

Art. 7. – The Sanctions Committee exercises its powers in accordance with the provisions of the law and the regulation which it adopts.

The chairman of the Sanctions Committee also exercises the powers of supervision over compliance with the Bank's code of conduct as described in that code.

Chapter II – The Secretary and the Treasurer

Art. 8. – The Secretary, appointed by the Council of Regency in accordance with Article 43 of the Statutes, draws up the minutes and the records of the meetings of the Board of Directors and of the Council of Regency. He draws up the minutes of the General Meeting of Shareholders and has them signed by the chairman of the General Meeting, the scrutineers and the other members of the bureau. He certifies copies conforming to the original. He deals with changes to the Bank's Rules of Procedure.

Art. 9. – The Treasurer, appointed by the Council of Regency in accordance with Article 43 of the Statutes, is responsible for the design and coordination of the physical safety or security measures intended to protect persons, valuables, documents and buildings, except for data security measures which are the responsibility of the Director responsible for the IT Department. In the performance of his duties, the Treasurer may call on any member of the staff. He is assisted in particular by the Security and Surveillance Service. He is kept informed of the internal audit reports on security measures and may instruct the Internal Audit Service to conduct any audit. He approves budget proposals and expenditure commitments relating to security measures.

Chapter III – Organisation of the departments, services and offices

Art. 10. – The Board of Directors organises the head office in departments, services and units, specifying their functions. The resulting organisation chart is updated and published on the Bank's website.

On a proposal of the Governor, the Board of Directors allocates authority over the departments, services and units among the Directors. The Directors arrange for the departments, services and units under their authority to execute the decisions taken by the organs within their respective spheres.

The departments comprise services, units and/or groups. The departments, services, units and groups are run respectively by their head of department, head of service, head of unit or head of group. These are responsible for the management of their department, service, unit or group and the implementation of the decisions taken by the organs.

The Board of Directors may set up standing interdepartmental working groups, deciding their terms of office, appointing their members and designating their chairman.

Art. 11. – The outside offices (provincial branches) perform the tasks for which they have been given responsibility by the Board of Directors. These concern in particular decentralised operations coming under other departments or services, and local representation duties.

The office managers ensure the implementation of operating and security instructions and the maintenance of the building, equipment and furniture provided for the office. They inform the head office services without delay of any important facts concerning them.

The Board of Directors authorises one member of the staff of each office to replace the person in charge as his deputy. It also designates the persons whom the office manager may delegate to sign for him, in compliance with the rules.

Chapter IV – The auditor

Art. 12. – The auditor exercises his powers in accordance with the provisions of the law. He also exercises the powers of authorisation and supervision laid down by the Bank's code of conduct.

Annex 5 Audit Committee Regulations ⁽¹⁾

1. General

1.1 General duties

The Audit Committee performs an advisory function. Its duties are defined by Article 21*bis* of the Organic Law. Titles 2 to 5 below describe those duties in detail, and more particularly what is meant by the monitoring of the processes and systems mentioned.

1.2 Reporting

Once a year, the Audit Committee shall report to the Council of Regency on the performance of its duties.

The Audit Committee shall also report to the Council of Regency on all points arising from the performance of its duties which are of relevance for the approval of the annual accounts and the Annual Report of the Bank, and for the drafting of the accounting rules by the Council of Regency.

The Council of Regency shall consult the Audit Committee before approving the annual accounts. It may request the Audit Committee to examine specific questions on this subject and report back to it.

The Audit Committee shall report to the Board of Directors on all aspects relevant to the reliability of the financial information, the proper operation of internal control, risk management and the internal audit, the effectiveness of the external audit, and the independence of the auditor.

The Audit Committee shall draw the attention of the competent organ to aspects which it considers require action or improvement. It shall also make recommendations on the measures to be taken.

2. Monitoring of the process of preparing the financial information

2.1 Standards and rules

The Audit Committee shall assess the relevance and consistency of the accounting rules drawn up by the Council of Regency.

It shall examine the modifications which the Council of Regency proposes to make to the accounting rules, and express its opinion on that subject.

The Audit Committee shall discuss with the Board of Directors and the auditor any significant questions concerning the preparation of the financial information.

2.2 Significant and abnormal transactions

The Board of Directors shall inform the Audit Committee of the principles adopted for recording significant or abnormal transactions where various accounting approaches are possible.

2.3 Financial information

The Audit Committee shall assess the accuracy, exhaustiveness and consistency of the financial information.

(1) Approved by the Council of Regency on 8 October 2008.

In particular, it shall examine the annual accounts drawn up by the Board of Directors before they are discussed and approved by the Council of Regency.

This examination shall be based on a programme set by the Audit Committee and taking account of the activities of the Accounting Service, the Internal Audit Service and the auditor.

3. Monitoring of the effectiveness of internal control and risk management

3.1 Periodic examinations

The Audit Committee shall examine periodically, in accordance with a plan which it draws up, the internal control and risk management systems set up by the various departments and services.

It shall ensure that the main risks, including the risks relating to compliance with the current legislation and rules, are correctly identified, managed and drawn to its own attention and to that of the Board of Directors.

3.2 Application to the Annual Report

The Audit Committee shall examine the comments contained in the Annual Report concerning internal control and risk management.

3.3 Financial or other irregularities

The Audit Committee shall examine the opportunities available to the Bank's staff for confidential reporting of any concerns about possible irregularities, particularly in regard to the preparation of the financial information.

4. Monitoring of the effectiveness of the internal audit process

4.1 Internal Audit Service

The Bank shall have its own independent Internal Audit Service.

The Audit Committee shall examine the internal audit charter and verify whether the Internal Audit Service has the resources and expertise appropriate to the nature, size and complexity of the Bank.

Where appropriate, it shall make recommendations to the Board of Directors on that subject.

4.2 Programme of work

Before the internal audit's programme of work is approved by the Board of Directors, the Audit Committee shall examine that programme, taking account of the complementarity with the work of the auditor.

4.3 Audit reports and recommendations

The Audit Committee shall examine the effectiveness of the internal audit. It shall receive the internal audit reports or a summary thereof.

It shall receive the quarterly report of the internal audit at the same time as the Board of Directors.

It shall examine the extent to which the departments and services take account of the internal audit's findings and recommendations.

4.4 Internal audit officer

At the request of the Board of Directors, the audit committee shall give its opinion concerning the profile of the internal audit officer.

5. Monitoring of the external audit process

5.1 The Bank's auditor

The Audit Committee shall make recommendations to the Board of Directors on the proposal for the selection, appointment and re-appointment of the auditor. It shall be informed of the tendering procedure, and in particular the selection criteria. If necessary, it shall make recommendations on this subject.

Where appropriate, the Audit Committee shall investigate questions leading to the dismissal of the auditor and make recommendations on the measures consequently required.

5.2 Programme of work

The auditor's programme of work shall be notified to the Audit Committee. The latter shall be informed in good time of any significant points revealed by the external audit process.

5.3 External audit reports and recommendations

The Audit Committee shall examine the effectiveness of the external audit process and ascertain to what extent the Board of Directors takes account of the recommendations made to it by the auditor in its recommendation letter.

5.4 Independence

The Audit Committee shall monitor the independence of the auditor in accordance with Article 21*bis*, § 4, of the Organic Law.

It shall, in particular, monitor the nature and extent of the services other than auditing which could be assigned to the auditor.

6. Functioning of the Audit Committee

6.1 General contacts

The Audit Committee may invite the governor, another member of the Board of Directors, a senior manager, the internal audit officer or the auditor to attend its meetings in whole or in part.

The Audit Committee is authorised to meet any person which it deems appropriate, without any need for a member of the Board of Directors or the Bank's senior management to be present.

6.2 Contact with the internal audit

The Audit Committee shall meet the internal audit officer at least twice a year.

The internal audit officer may contact the chairman of the audit committee direct and without restriction.

6.3 Contact with the auditor

The Audit Committee shall also meet the auditor and the internal audit officer at least twice a year to exchange opinions with them on any questions relevant to its duties, including the provisions of Article 21*bis*, § 3 and § 4 of the Organic Law, and on any other problem revealed by the audit process.

The auditor may contact the chairman of the Audit Committee direct and without restriction.

6.4 Assessment of the Audit Committee Regulations

The Audit Committee shall assess its own effectiveness once a year, and if appropriate shall propose the necessary adjustments to these Regulations.

6.5 Support

The Audit Committee may call on:

- the Secretariat Service, the entity dealing with meetings of the management organs, for administrative tasks and secretariat;
- the Internal Audit Service to facilitate contact with the Bank's departments and services.

Annex 6 Remuneration Committee Regulations⁽¹⁾

1. Powers

1.1 General duties

The Remuneration Committee has an advisory role. It assists the Council of Regency in the performance of its duties in relation to remuneration.

1.2 Proposals on remuneration policy

The Remuneration Committee submits proposals to the Council of Regency on the remuneration policy in relation to the Governor, the other members of the Board of Directors, the members of the Council of Regency and the members of the Board of Censors.

1.3 Proposals on remuneration

The Remuneration Committee submits proposals to the Council of Regency on the remuneration of the Governor, the other members of the Board of Directors, the members of the Council of Regency and the members of the Board of Censors.

1.4 Preparation of the remuneration report

Each year, the Remuneration Committee prepares the remuneration report which is included in the Governance Statement and approved by the Council of Regency.

2. Composition

The Remuneration Committee is composed of two regents, two Censors and the representative of the Minister of Finance. The Remuneration Committee members appoint one of the Regents or Censors as chairman.

At least three members fulfil the independence criteria stated in Article 526b of the Company Code.

At least one member has the necessary expertise relating to remuneration policy which, according to the law, means that this member must hold a higher education diploma and must have at least three years' experience in personnel management or in regard to the remuneration of company directors and board members.

The Governor takes part in the Remuneration Committee meetings in an advisory capacity when it is dealing with the remuneration of the other members of the Board of Directors.

3. Functioning

The Remuneration Committee meets at least twice a year and whenever it considers that necessary for the performance of its duties.

Decisions of the Remuneration Committee are valid only if the majority of its members are present.

(1) Approved by the Council of Regency on 22 December 2010.

Decisions are taken by a majority of the votes cast. If the votes are evenly divided, the chairman has the casting vote. If the chairman is absent and the votes are evenly divided, the proposal is rejected.

A report is submitted to the Council of Regency on each meeting of the Remuneration Committee.

At least every two years, the Remuneration Committee assesses its own efficiency and proposes the necessary adjustments to these regulations.

The Remuneration Committee can call on the Bank's Secretariat service to provide its secretariat.

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