3. Annual accounts and reports on the financial year

3.1 Management report [1]

3.1.1 Developments affecting the Bank's financial result and position

3.1.1.1 Balance sheet

The balance sheet total fell by 15.5 %, or –€ 52.6 billion, to € 286.4 billion.

In the framework of monetary policy operations, liquidity in euros granted to credit institutions was impaired primarily by the drop in longer-term lending (–€ 40 billion) and in securities portfolios (–€ 8.3 billion). For its part, the Bank slightly increased the size of its euro-denominated MTM portfolio (+€ 0.2 billion) and strongly reduced its foreign currency-denominated MTM portfolio (–€ 2.8 billion). It also stopped investing in its foreign-currency HTM portfolio, which had reached the desired level, and reduced its euro-denominated HTM portfolio (–€ 0.7 billion).

These operations led to a reduction in excess liquidity on the deposit facility (–€ 21.5 billion) and a slight increase in current account liquidity (+€ 1.6 billion). Similarly, the net amount of outbound payments via TARGET fell significantly (–€ 23.7 billion) which, combined with the increase in the balance receivable further to the allocation of monetary income within the Eurosystem, led to the intra-Eurosystem liability becoming an intra-Eurosystem claim at the end of the financial year.

At the end of the year, banknotes put into circulation by the Bank had increased (+8 %) while Eurosystem issuance had decreased (–1 %), leading to a transformation of the claim existing at the end of 2022 into a liability at the end of 2023.

The following table provides an overview of the Bank's securities portfolios, which represent a substantial proportion of its balance sheet assets.

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

	2023	2022
▪ fixed-income securities in foreign currencies ("MTM portfolio")	7.3	10.1
▪ fixed-income securities in foreign currencies held to maturity ("HTM portfolio")	0.9	0.9
▪ fixed-income securities in euro ("MTM portfolio")	0.0	0.0
▪ investment funds in euro ("MTM portfolio")	1.2	1.0
▪ fixed-income securities in euro held to maturity ("HTM portfolio")	1.2	1.9
▪ fixed-income securities in euro of the statutory portfolio	6.4	7.0
Total own investment portfolios	17.0	20.9
▪ securities held for monetary policy purposes	221.1	229.4
Total portfolios	238.1	250.3

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

1 Drawn up pursuant to Article 3:6 of the Code of Companies and Associations.

The value of the Bank's MTM own investment portfolios fell by € 2.6 billion. Its HTM own investment securities portfolios also declined by € 0.7 billion, further to the non-renewal of maturing securities denominated in euro.

The size of the statutory portfolio is determined by the sum of the capital, reserves and depreciation accounts. Following allocation of the earnings for financial year 2022, maturing fixed-income securities in this portfolio were not renewed, in order to respect the ceiling fixed by the Council of Regency (see the valuation rules, point 3.2.7.2.III.3).

Until the end of February 2023, the Eurosystem continued to reinvest in full the principal payments on maturing securities under its asset purchase programmes (APP). Thereafter, the APP portfolio was reduced at a steady and predictable pace. Through June 2023, the decline averaged € 15 billion per month, as the Eurosystem did not reinvest all of the principal payments on maturing securities. In June 2023, the Governing Council decided to suspend reinvestment under the APP as from July 2023. Thereafter, the APP portfolio decreased due to maturities. The reduction amounted to € 8.1 billion for the Bank in 2023.

With regard to the Pandemic Emergency Purchase Programme (PEPP), the Eurosystem continued to reinvest in full the principal payments on maturing securities purchased throughout the year. The Governing Council intends to continue reinvesting in full the principal payments on maturing securities purchased under this programme in the first half of 2024. It also intends to reduce the PEPP portfolio by an average of € 7.5 billion per month in the second half of 2024 and to cease reinvestment under this programme at the end of the year. In addition, the Governing Council will continue to demonstrate flexibility in the reinvestment of maturing redemptions in the PEPP portfolio, in order to counter pandemic-related risks to the monetary policy transmission mechanism. For the Bank, the amount outstanding under this programme is € 61.3 billion.

With regard to the CSPP, the Bank, as in previous years, purchased securities for the account of the Eurosystem in a much greater proportion than its share in the ECB's capital.

The geographical breakdown of own investment portfolio securities is shown below.

(in € million)

	Book value	Market value	Revaluation accounts
Belgium	3 315.0	2 942.4	–
United States	6 816.5	6 797.4	33.0
Germany	1 115.1	1 056.3	–
Spain	208.6	207.7	0.1
France	1 317.0	1 228.9	0.8
Austria	239.8	231.7	–
Italy	25.0	25.2	–
Japan	224.9	220.0	0.3
International organisations	874.7	793.1	–
The Netherlands	344.4	323.6	0.2
Luxembourg	38.0	33.3	–
Canada	387.3	360.9	0.8
Switzerland	195.6	195.6	1.6
Finland	319.2	301.3	–
United Kingdom	50.7	50.7	0.1
Other	429.4	403.6	0.6
Total fixed-income securities	**15 901.2**	**15 171.7**	**37.5**
Investment funds	**1 178.9**	**1 178.9**	**178.9**
Total portfolios	**17 080.1**	**16 350.6**	**216.4**

If the Bank had disposed of all its own investment portfolios on the balance sheet date, it would have realised: (i) the (unrealised) gains currently recorded in the revaluation accounts (€ 216.4 million) on the liabilities side of the balance sheet and (ii) the negative difference between the market value and the book value (–€ 729.5 million). Thus, in total, an additional loss of € 513.1 million would have been recorded.

As was the case in 2022, impairment tests carried out in 2023 did not lead to any write-downs on the Bank's own investment portfolios. On the other hand, impairment tests on the PECSPP portfolio led to the assumption of € 1.6 million in write-downs (corresponding to 3.61394 % of the total impairment recognised at Eurosystem level) on this portfolio.

The Bank again entered into forward transactions to reduce the foreign exchange risk on its dollar and SDR holdings. As a result, the net dollar position increased slightly to $ 2.5 billion (€ 2.2 billion) in 2023 from $ 2.2 billion (€ 2.1 billion) in 2022. The net SDR position fell from SDR 27.1 million (€ 33.9 million) in 2022 to SDR 25.6 million (€ 31.2 million). Positions in Chinese yuan and South Korean won were fully liquidated in 2023. At the end of the financial year, the revaluation accounts on the liabilities side of the balance sheet showed positive foreign exchange differences of € 158.9 million.

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

	NCB balance sheets	NBB key: 3.61 %	NBB balance sheet
Lending to euro area credit institutions related to monetary policy operations denominated in euro	**410.3**	**14.8**	**9.0**
Main refinancing operations	14.1	0.5	0.1
Longer-term refinancing operations	396.2	14.3	8.9
Marginal lending facility	0.0	0.0	–
Securities held for monetary policy purposes	**1 048.7**	**38.0**	**99.9**
SMP	1.9	0.1	0.0
CBPP3	262.1	9.5	6.3
ABSPP	–	–	–
PSPP-Supranational securities	255.3	9.2	–
CSPP	323.9	11.7	80.2
PECBPP	5.2	0.2	0.1
PEABSPP	–	–	–
PEPSPP-Supranational securities	154.3	5.6	–
PECSPP	46.0	1.7	13.3
Total	1 459.0	52.8	108.9

In order to determine the shared risks, the Bank's share in the monetary policy portfolios and credit operations of the Eurosystem central banks, which amounts to € 52.8 billion, must be taken into account. In addition, securities whose risks are not shared must be considered; the book value of these securities amounts to € 121.2 billion and is included in item 7 of the balance sheet (see note 7).

Agreement on Net Financial Assets (ANFA)

At the end of 2023, the Bank's net financial assets totalled € 14.6 billion.

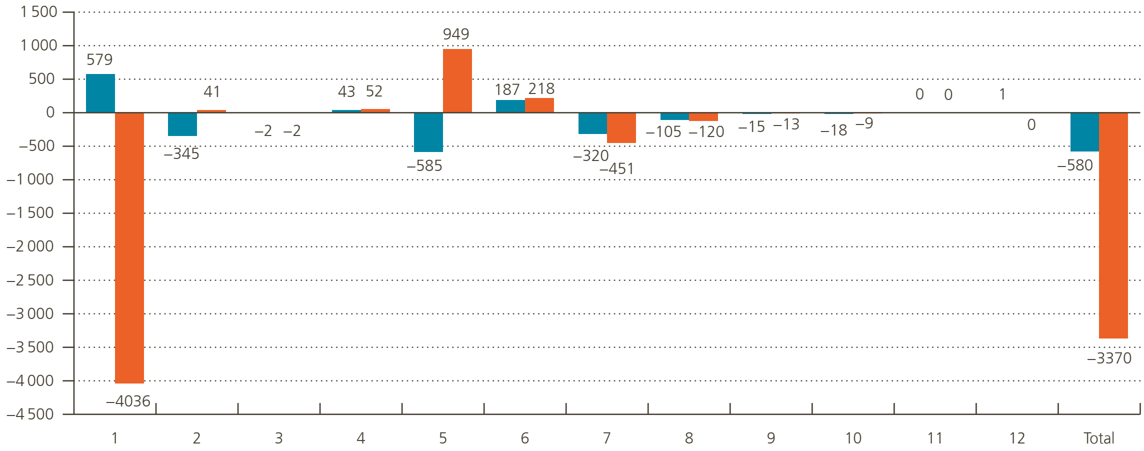
The Agreement on Net Financial Assets, concluded between the national central banks (NCBs) of the euro area and the European Central Bank (ECB), sets an overall limit on the total amount of net financial assets relating to national tasks unconnected with monetary policy.

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

Net financial assets are equal to the difference between assets that are not directly related to monetary policy and liabilities that are not directly related to monetary policy.

3.1.1.2 Result

Composition of the result
(in € million)



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

In 2023, the Bank realised a loss of € 3 370 million, compared with a loss of € 580 million the preceding financial year (–€ 2 790 million). [1]

This change was mainly due to a significant decrease in net interest income (–€ 4 615 million), further to the rising cost of servicing monetary policy portfolios: interest expenses on deposits held by credit institutions with the Bank increased, while the (mostly long-term) assets that make up these portfolios were acquired at low yields. However, this effect was partially mitigated by an improvement in net income from financial operations (+€ 386 million) and greater recovery by the Bank in the context of monetary income pooling (+€ 1 535 million).

The decrease in net interest income was mainly due to:

- higher interest rates (–€ 6 305 million) on the deposit facility, excess reserves and other current accounts coupled with an increase in their volume (–€ 1 432 million);
- higher interest rates on TARGET balances (–€ 1 391 million);
- a drop in the volume of monetary policy credit operations (–€ 1 680 million);
- a fall in the total value of the claim relating to the allocation of banknotes within the Eurosystem (–€ 155 million); and
- lower returns on own euro-denominated portfolios (–€ 7 million).

However, these developments were partially offset by:

- an increase in interest income from monetary policy credit operations (+€ 2 976 million);
- the change in the volume of the TARGET balance (+€ 2 574 million);
- an increase in the volume of monetary policy portfolios (+€ 33 million) coupled with reinvestment of securities at a higher rate (+€ 457 million); and

1 In point 3.1.1.2, the amounts between brackets indicate the effect on the income statement.

- the higher rates applicable to intra-Eurosystem claims (+€ 242 million).

Net receipts by the Bank further to the allocation of monetary income increased significantly by € 1 535 million mainly as a result of:

- a decrease in the amount pooled with the Eurosystem (+€ 324 million); and
- an increase in monetary income reallocated to the Bank, due to a rise in the Eurosystem's total monetary income (+€ 1 212 million).

Net income from financial operations improved, mainly due to a fall in US dollar-denominated interest rates (+€ 90 million). The liquidation of positions in Chinese yuan and South Korean won also had a positive effect (+€ 51 million). On the euro-denominated securities market, capital losses increased following transactions in securities held for monetary policy purposes (–€ 10 million). Unrealised losses on dollar-denominated securities charged to the income statement decreased significantly (+€ 313 million). The average depreciation of the dollar led to a fall in realised foreign exchange gains (–€ 56 million).

3.1.1.3 Allocation of the result

2023 was marked by persistent inflation in excess of the target set by central banks, causing interest rates to be raised on several occasions in both Europe and the United States. This resulted in partial realisation of the interest rate risk the Bank had warned about in its previous annual reports, as well as to very high volatility on the equity and bond markets. This combination of factors led the Bank to record a loss at the end of financial year 2023.

In the scenario representing the interest rate environment and market expectations of future interest rates at the balance sheet date, the Bank's bottom line remains under pressure. If this scenario were to materialise, which is subject to considerable uncertainty, and assuming the composition of the balance sheet remains unchanged, it would result in a total loss of € 6.1 billion over a five-year horizon. If interest rates were to rise relative to these market expectations, this negative effect would be exacerbated, and vice versa if interest rates were to fall further. It is impossible to make sufficiently reliable estimates for a period longer than five years, given the many uncertainties. However, in this scenario and under unchanged circumstances, the Bank would not incur substantial losses beyond this time horizon and would return to profitability.

An estimate of the quantifiable financial risks forms the basis for determining the minimum level of the Bank's reserves. All of the Bank's financial risks are quantified using either the expected shortfall methodology, for which the Bank uses very conservative parameters in terms of distributions, probabilities and time horizons, or long-term scenarios/stress tests. These methods are also used by other members of the Eurosystem.

Based on these calculations, the Bank determines (i) the minimum level of reserves to cover the estimated risks and (ii) the desired level of reserves over the medium term, for which it takes into account exceptional residual risks, stress scenarios and – pursuant to the reserve and dividend policy as updated on 27 March 2024 – risks that do not appear on the balance sheet, but which could arise rapidly due to the Bank's tasks as a central bank.

The Bank's risk estimates and earnings projections are subject to a number of uncertainties, in particular as regards future market developments and possible decisions by the Governing Council of the ECB. The longer the time horizon, the greater the degree of uncertainty.

The estimated minimum level of reserves at the end of 2023 and the desired level of reserves over the medium term are € 7.5 billion and € 13.6 billion, respectively. [1]

The calculation of these levels takes into account, among other things, both an estimate of the earnings expected in the coming years and an estimate of the risks pertaining to:

- the Bank's own securities portfolios denominated in euro and foreign currencies;
- the credit operations and monetary policy securities portfolios included on the Bank's balance sheet, for which the Bank alone bears the risks;
- credit operations and monetary policy securities portfolios included on the balance sheets of all

1 Compared with an amount of around € 15.2 billion at the end of 2022, for the desired level. It should be noted that, from financial year 2023 onwards, the Bank will make public both the minimum level of reserves and the desired level of reserves for the medium term, in view of the update of its reserve and dividend policy dated 27 March 2024.

Eurosystem NCBs, whose risk is shared between them (see notes 5 and 7 to the annual accounts).

Pursuant to the reserve policy, a loss is first charged to the available reserve. Thus, an amount of € 3 371.0 million was deducted from the available reserve. This deduction also included the amount needed to pay the minimum dividend of € 1.5 per share (6 % of the capital) guaranteed by the reserve fund and by the available reserve, in accordance with the Bank's Organic Act, i.e. € 0.6 million. Following allocation of the financial result, the Bank's buffers amount to € 3.1 billion. In view of the estimated minimum level of reserves at the balance sheet date and in accordance with the dividend policy approved by the Council of Regency, [1] a second dividend will not be granted for financial year 2023. Following the drawdown from the available reserve, the Bank will proceed with sales of securities from its statutory portfolio in order to comply with the applicable ceiling (see point 3.2.7.2.III.3 of the accounting rules).

According to the Bank's Organic Act, the remaining profit for the year is allocated to the State. For 2023, no amount is allocated to the State in this respect.

Although the income statement shows a loss for the year for two consecutive years, the accounts are prepared on a going concern basis. A central bank may indeed, if necessary, continue to carry out its tasks with a negative capital position without jeopardising the continuity of its operations.

3.1.2 Risk management

As regards risk management, the Bank applies the "three lines of defence" model.

Its departments, stand-alone services and units assume **front-line responsibility** for the effectiveness of the system of internal control. This entails:
- identifying, assessing, monitoring and mitigating the risks to which they are subject;
- putting in place adequate internal controls and risk management measures to manage these risks within the risk tolerance limits set by the Board of Directors;
- ensuring that these objectives, policies and internal controls are respected within the entities concerned.

1 See point 3.2.7.3.

Second-line responsibility for ensuring the effectiveness of the system of internal control lies with the director in charge of the Financial Markets Department, as regards financial risks (see section 3.1.2.1). For non-financial risks (see section 3.1.2.2), second-line responsibility rests with the director in charge of the second line of defence.

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

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

3.1.2.1 Financial risk management

3.1.2.1.1 Portfolios and risk factors

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

The Bank conducts lending operations with other Eurosystem central banks and participates in purchase programmes as part of its conduct of monetary policy. Sovereign issuer risk arising from the ECB's asset purchase programmes (APP) and Pandemic Emergency Purchase Programme (PEPP) has a specific impact on credit risk due to sovereign concentration and is not, for the most part, shared within the Eurosystem. On the other hand, the risks associated with the other purchase programmes are shared between the central banks on the basis of the Eurosystem's capital key. In principle, the risks associated with credit operations are shared within the Eurosystem.

The Bank also manages its own investments, which are held in various portfolios. Transactions relating to the Bank's portfolios are carried out taking into account the priority given to monetary policy programmes and pursuant to a strict organisational separation designed to avoid conflicts of interest. Euro-denominated securities portfolios consist mainly of government securities issued by EU member states and, to a lesser extent, covered bonds. Foreign currency securities portfolios consist mainly of liquid securities issued by sovereigns. In addition, in order to improve the long-term risk-return ratio on its assets, the Bank invests a portion of its proprietary investment portfolios in dollar-denominated corporate bonds and a limited share in an exchange-traded investment fund composed of shares of European companies that reflects as closely as possible the performance of a European index, excluding the United Kingdom and Switzerland, and applying ESG criteria. The fund is managed externally and passively so as to avoid conflicts of interest. The Bank also uses derivatives to manage its reserves.

3.1.2.1.2 Risk appetite

For the management of its own investment portfolios, the Bank first determines a risk appetite that identifies the various types of financial risk and sets a level, for both individual risks and overall risk, that it considers appropriate depending on its degree of risk aversion. This risk appetite is tied to its strategic objectives and to obligations related to the fulfilment of its tasks, under all circumstances, as well as its capacity to sustain even exceptional losses. The level of risk and risk allocation are reassessed at regular intervals in the light of the progress made and development of the Bank's tasks, particularly in the area of monetary policy, as well as actual or expected changes in the various risks and their interaction. The restrictions imposed on risk factors and portfolio composition therefore reflect the level of risk the Bank deems acceptable and are adapted, where necessary, to market developments and the consequences of performance of the Bank's tasks, specifically in terms of the composition of monetary policy portfolios. It then establishes a policy to mitigate and manage these risks and maintain them at a pre-determined level. In particular, the Bank determines the composition of its own investment portfolios, in terms of issuer creditworthiness, duration, currencies, markets and financial instruments.

3.1.2.1.3 Risk management

Monetary policy credit risk

With regard to credit operations and asset purchase programmes, which the Bank carries out with othercentral banks further to the conduct of monetary policy, the Eurosystem has put in place, through its Risk Management Committee (RMC), a framework enabling harmonised risk management throughout the euro area. Thus, the purchase criteria for securities have been harmonised and eligible assets can be used in a non-discriminatory manner. Measures to monitor the credit risks associated with monetary policy operations are also uniform throughout the Eurosystem.

Credit risk in the management of own investment portfolios

To limit credit risk (including migration risk), i.e. the risk of potential losses from default (including debt restructuring) or a deterioration in the creditworthiness of counterparties or issuers, the Bank gives preference to sovereign risk instruments with high credit quality or those backed by collateral and strictly limits other investments, in particular bank deposits. To estimate the credit risk of each issuer or counterparty, the Bank relies in particular on the ratings issued by specialised agencies and on "prediction methods" that take into account developments on certain markets (credit default swaps, probability of default, market value, etc.). The Bank requires the issuers of the instruments in which it invests and the counterparties with which it works to have a good credit rating, and it diversifies its investments wherever possible. For derivatives, counterparty credit risk is limited through the use of central counterparties and/or minimum rating requirements and maturity restrictions. Corporate bonds in own investment portfolios are subject to specific rules (minimum rating, high diversification requirement, etc.), which are reviewed regularly to further limit credit risk and potential losses.

Market risk in the management of own investment portfolios

Market risk (that is, losses that could result from unfavourable fluctuations in exchange rates, asset prices and interest rates) is managed by setting the strategic duration and authorised maximum spread for each internal bond portfolio as part of active management, using the value-at-risk methodology. The Bank also determines the maximum open foreign currency position and the maximum interest rate risk arising from the management of its own investment portfolios.

Liquidity risk in the management of own investment portfolios

To mitigate exchange risk, the Bank finances a proportion of its foreign currency portfolio using repos and swaps. The Bank is thus exposed to specific liquidity (funding) risk (namely, the risk arising from an inability to fund these assets in foreign currencies). In addition, in the conduct of its statutory tasks, the Bank must hold a sufficient volume of liquid assets in foreign currencies, which exposes it to (market) liquidity risk (the risk of not being able to realise the assets at a reasonable price). For these two risks, the Bank has defined minimum ratios to be met by foreign currency portfolios as well as for the financing thereof.

Interest rate risk arising from monetary policy operations and the management of the Bank's own investment portfolios

Of the Bank's sources of revenue, that derived from the issuance of banknotes is traditionally the most important. For central banks, banknotes are a non-interest-bearing liability. As a counterpart, they hold profitable or productive assets. The income from these assets, as well as the income received by the Bank from the assets held as a counterpart to liabilities to credit institutions, as deposits, are pooled at Eurosystem level and redistributed between the national central banks in proportion to their share of the ECB's capital.

As a result of the APP and PEPP, the counterpart to a large proportion of the assets on the Bank's balance sheet is not banknotes but rather other liabilities, such as credit institution current accounts and the deposit facility, which are remunerated at the (positive or negative) short-term rate set by the Governing Council of the ECB. This has led to an increase in longer-term interest rate risk. The interest rate risk arising from the management of own investment portfolios is mitigated by a set of limitations (see "Market risk in the management of own investment portfolios").

Climate-related risk

With regard to the management of climate-related financial risks, the Bank is continuing to implement its policy of integrating ESG criteria into the management of its assets, in accordance with its Sustainable and Responsible Investment Charter.

The market and credit risk of portfolios, as well as foreign exchange liquidity risk, interest rate risk and climate-related risk, are closely monitored. The Bank has risk management procedures that include limitations and criteria to be respected for securities tracked in the integrated portfolio management system; these form the object of regular internal reporting.

Lastly, the Bank limits operational risk by splitting activities related to investment transactions between three separate departments: the Front Office, which is responsible for carrying out transactions, the Back Office, which handles settlement, and the Middle Office, which manages risk.

3.1.2.1.4 Risk assessment

Estimates of financial risks are based primarily on quantitative methods that require certain choices in terms of the assumptions, parameters and scenarios used. These choices in turn are likely to have a substantial impact on the final risk measure. This model risk is managed through (i) regular reassessment in the light of changes in endogenous and exogenous factors, (ii) alignment with the Eurosystem's risk management methods, (iii) analysis of the sensitivity of the results to the choices made, and (iv) validation at the highest level of the proposals drawn up by the Bank's experts.

For the overall assessment of various risks, the Bank uses a number of methods with different parameters, assumptions or scenarios. On the one hand, the Bank adopts a stochastic approach ("expected shortfall") using prudent and consistent parameters whose relevance is periodically adjusted. Secondly, the Bank carries out scenario analyses and stress tests in order to estimate short- and long-term changes in its earnings. These scenarios are prepared by both experts within the Bank and external institutions and are supplemented by sensitivity analyses for the main risk factors. These methods result in an estimate of the Bank's overall financial risk that takes into account the relevant risks and, where appropriate, the sharing of income and risks within the Eurosystem.

These financial risk estimates based on quantitative methods, such as the expected shortfall method, and long-term scenarios and stress tests are used to determine the desired lower limit of reserves. Since the Bank, in accordance with its accounting rules, does not make provision for future losses, the negative (future) impact on reserves must be considered if the baseline scenario, which reflects market expectations, indicates future losses. Consequently, the lower limit and the desired level of the reserves are determined by increasing the amounts at risk – calculated using the abovementioned methods – by the effect that the future losses, as per the baseline scenario, will have on the reserves over a time horizon corresponding to that used for the various risk calculation methods.

3.1.2.2 Non-financial risk management

Second line of defence

The **second line of defence** implements a global risk management framework for the first line of defence, i.e. the Bank's departments, services and units. It also conducts risk analyses and independently ensures the effective and appropriate management of non-financial risks and compliance with laws and regulations.

Three lines of defence

The Bank's framework for the management of non-financial risks is based on three lines of defence.

The first line of defence includes all operational and cross-cutting departments and services, responsible for identifying, assessing and dealing with the risks inherent in their activities. These front-line departments analyse the risks associated with their activities to ensure that they remain within acceptable limits in order to achieve the objectives set.

Secondly, the Bank has a fully-fledged department specialising in non-financial risk management. This department is responsible for implementing and monitoring the non-financial risk management framework. It develops and maintains the various components of the Bank's risk management framework and supports the first line in the management of all non-financial risks, including those related to physical security, business continuity, outsourcing, IT security, information and cyber security, as well as compliance – including with anti-money laundering legislation, the General Data Protection Regulation (GDPR) and the code of ethics.

Finally, the third line of defence is responsible for independently and objectively assessing the effectiveness of the internal controls and, where necessary, making recommendations to strengthen risk management.

In 2023, the Bank continued to develop and expand a major focus area of its non-financial risk management framework. Working closely with other departments, a comprehensive inventory of all operational processes and key sub-processes was drawn up. One of the aims was to examine the impact a serious disruption to one of these processes could have on the Bank's operations and reputation. This exercise makes it possible to set more targeted priorities and allocate resources more efficiently to business critical processes and the associated risks in the context of non-financial risk management. In addition, initial guidance on managing the risks arising from employee use of generative artificial intelligence was developed.

Cybersecurity and business continuity

In terms of cyber security and business continuity, the Bank is continuing to develop and improve its level of maturity and the robustness of its security and prevention rules.

In this context, particular attention was paid to the disruptive impact, be it direct or indirect, of potential cyber-attacks on the Bank, critical service providers and/or critical utilities. In particular, the threat of ransomware attacks was studied. Against this backdrop, an extensive simulation was carried out in 2023 mimicking a ransomware attack and testing internal systems. This exercise was conducted with the support of a number of the Bank's experts and departments.

To keep employees alert to potential cyberthreats and the associated risks, unannounced campaigns are regularly organised in which threats such as phishing emails are imitated in a controlled environment. Employees who fail to react appropriately or who fall into the trap are asked to explain their actions and are required to undergo refresher training and pass a test.

In order to further improve and tailor awareness actions and training to the specific needs of different target groups, such as new arrivals, IT and other experts, and (senior) managers, it was decided to call upon an external company specialising in awareness and training programmes.

In 2023, the Bank's Crisis Management Committee also successfully navigated two real crises.[1] In addition, the Bank organised a three-day conference for Eurosystem central banks on operational risk management (ORM), business continuity management (BCM) and resilience. The conference covered topical issues such as the use of cloud services and their impact on cyber resilience, best practices in this area and protection against cyber threats posed by external service providers.

Update of the information security policy

In the area of information security, there is a clear division of roles and responsibilities between the first and second lines of defence.

To ensure that all employees are fully aware of the rules that need to be observed when it comes to information security, the Bank thoroughly revised its policy on this subject. In particular, the new policy covers in greater detail the protection of personal data in accordance with the GDPR, as well as the handling of sensitive data in workplaces outside the Bank, i.e. when working at home or remotely, given the increased flexibility of work in terms of location and working time.

In addition to ensuring clear governance, properly informed users contribute to better information security. Therefore, the Bank makes awareness materials available online to all employees. In order to adequately address the risks associated with the use and migration of applications and data to the cloud, the cloud risk working group developed guidelines and a decision tree for operational departments. These are used to assess whether, and under which conditions, applications and data can be transferred to the cloud. The guidelines focus in particular on compliance with legislation and the protection of personal data in accordance with the GDPR, as well as the applicable contractual agreements with third parties.

1 A water leak that caused a fire in an electrical system and the attacks on Swedish football fans in the centre of Brussels.

Regular banknote checks

As part of second-line oversight of banknote-related activities, an independent second-line team carries out compliance checks at the Central Cash Office on an ongoing basis in order to detect and avert risks. These include cash inspections, the handling of cash discrepancies and complaints from financial institutions, checks of damaged banknotes, dealing with incorrectly packaged valuables and the offline destruction of valuables, admission tests on BPS (banknotes processing system) machines, checks at suppliers and measures to combat money laundering and the financing of terrorism (AML/CFT). In addition, compliance checks by means of video footage are also carried out to verify that employees are familiar with and apply instructions and procedures.

Second-line oversight in the area of compliance and the GDPR

In accordance with the code of ethics and the GDPR, the Bank's Compliance unit handled a total of 48 questions of interpretation, six requests to authorise financial transactions and 125 declarations of benefits by members of staff and management. In addition, 25 GDPR-related requests were dealt with.

In accordance with the requirements of the GDPR, the consequences of a number new data processing operations likely to give rise to a high risk to privacy were subjected to an impact assessment. To meet the requirements of the framework legislation on the processing of personal data, transfers of personal data to third-party authorities were formalised by means of a protocol published on the Bank's website.

On 1 June 2023, new rules and standards of conduct relating to the Bank's code of ethics entered into force. These implement two ECB guidelines defining the principles of an ethics framework for the Eurosystem and the Single Supervisory Mechanism.

3.1.3 Post-balance-sheet events

There were no post-balance-sheet events with a significant influence on the Bank's financial situation and earnings as at 31 December 2023.

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

In June 2023, the Governing Council decided to discontinue reinvestments under the APP as from July 2023.

As a result, the APP portfolio decreased and will continue to be reduced due to maturities.

With regard to the Pandemic Emergency Purchase Programme (PEPP), the Governing Council intends to continue to reinvest in full the principal payments on maturing securities in the first half of 2024. It also intends to reduce the PEPP portfolio by an average of € 7.5 billion per month in the second half of 2024 and to cease reinvestment under this programme at the end of the year. In addition, the Governing Council will continue to show flexibility in the reinvestment of maturing redemptions in the PEPP portfolio, in order to counter the pandemic-related risks to the monetary policy transmission mechanism.

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

The implications of these decisions could put the Bank's bottom line under pressure.

3.1.5 Research and development

Last year, the Bank made a major contribution to various working groups with other national central banks, including those in the Eurosystem. Research and development activities focused mainly on the provision of services within the Eurosystem, including measures to combat counterfeiting, banknote circulation and the development of new security features. With regard to the latter, the Bank is an active participant in projects focusing on the future renewal of the current series of euro banknotes, on which the ECB has yet to take a final decision regarding the timeline.

3.1.6 Conflict of interests

During the year under review, no member of the Board of Directors had a direct or indirect financial interest conflicting with a decision or transaction falling under the remit of the Board of Directors.

3.1.7 Financial instruments

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

For a description of the Bank's financial risk management policy, please refer to point 3.1.2.1.

3.1.8 Expertise and independence of the Audit Committee

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

3.1.9 Corporate governance statement

3.1.9.1 Belgian Corporate Governance Code and the Bank's Corporate Governance Charter

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

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

In view of the primacy of the Bank's public interest tasks, the legislature deemed fit to make it subject to a specific statutory framework. Thus, the provisions on public limited-liability companies are applicable to the Bank only by default, i.e. with regard to matters not governed by the Treaty on the Functioning of the European Union, the Protocol on the Statute of the ESCB and the ECB appended to that treaty, or the Bank's Organic Act and articles of association, and provided these provisions do not conflict with the aforementioned standards to which priority is given. Moreover, as a member of the Eurosystem, the Bank is subject to special accounting rules. It also enjoys a special status regarding information disclosure obligations. For instance, the rules on the production and circulation of periodic information do not apply to the Bank.

The Bank's public interest tasks pursuant to its role as a central bank justify a special governance structure, laid down in its Organic Act and articles of association. The specific provisions on arrangements to appoint the members of its organs, the specific composition and role of the Council of Regency, the reduced powers of the general meeting of shareholders and the special arrangements for the exercise of supervision are intended to ensure that the Bank can perform the public interest tasks assigned to it with due regard for the independence requirements imposed by the TFEU.

This explains why certain provisions of the Code of Companies and Associations do not apply to the Bank. Nevertheless, the Bank considers the system of governance imposed on it by, on the one hand, its Organic Act and articles of association and, on the other hand, EU rules, to be just as exacting as the Code of Companies and Associations, if not more so in some respects.

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

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

The financial and non-financial risks associated with the Bank's activities and their management, as well as the organisation of risk management in accordance with the three lines of defence model, are discussed in point 3.1.2 of this report.

The Audit Committee is responsible for monitoring the financial reporting process and ensuring that the main risks, including those relating to compliance with the appliable legislation and rules, are correctly identified, managed and brought to its attention and 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 process 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 the accounting rules drawn up by the Council of Regency, examines proposed changes to those rules and expresses an opinion on this subject. It also assesses the accuracy, exhaustiveness and consistency of the financial information and, in particular, 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 this subject and report back to it.

In accordance with the Protocol on the Statute of the ESCB and of the ECB appended to the Treaty on the Functioning of the European Union, the annual accounts are audited and certified by an independent auditor. The latter reports to the Audit Committee on significant questions that arise in the performance of the statutory audit, particularly significant weaknesses in internal control of financial reporting process. Each year, the auditor must provide the Audit Committee with written confirmation of independence from the Bank and examine with the Audit Committee the potential risks to this independence and the measures taken to mitigate these risks.

3.1.9.3 Shareholdership

The Bank's share capital of € 10 million is represented by 400 000 shares, of which 200 000, or 50 % of the voting rights, are held by the Belgian State. The remaining 200 000 shares are held by members of the public and listed on Euronext Brussels. With the exception of the shareholding of the Belgian State, the Bank is unaware of any shareholdings representing 5 % or more of the voting rights.

There is no current or planned programme to issue or redeem shares. There are no securities conferring special rights of control. There are no restrictions provided for by law or in the Bank's articles on the exercise of voting rights. However, the Bank's shareholders should be aware of the fact that the powers of the general meeting of shareholders are limited. The general meeting in fact only has the power to elect the regents (from a double list of candidates), to appoint the auditor, to acquaint itself with the annual accounts and the annual report, and to amend the articles based on a proposal by the Council of Regency in cases where the latter does not itself have the power to do so.

The Council of Regency amends the articles in order to bring them into line with the Organic Act and international obligations binding on Belgium. Other amendments to the articles may be made by the general meeting of shareholders further to a proposal by the Council of Regency. The general meeting must be convened for that purpose and can only pass valid resolutions if the proposed amendments are mentioned in the convocation notice and if those shareholders present or represented hold at least half the share capital. If that proportion of the capital is not represented at the first meeting, a second meeting may be called which can adopt resolutions regardless of the proportion of capital present or represented. Amendments to the articles must be approved by a three-quarter majority of the votes attached to all shares present or represented at the general meeting and be approved by royal decree.

The Council of Regency determines the dividend to be paid to shareholders. For more information, see the Bank's reserve and dividend policy (point 3.2.7.3). The dividend is payable on the fourth working day following the annual general meeting.

3.1.9.4 Composition and functioning of the management bodies and other actors

GOVERNOR

The governor is appointed by royal decree for a renewable term of five years. The governor may be removed from office by royal decree only for serious misconduct or if the governor no longer meets the conditions required for the performance of this office. An appeal may be lodged with the Court of Justice of the European Union against such a decision.

Mr Pierre Wunsch was appointed governor effective 2 January 2019.

BOARD OF DIRECTORS

The directors are appointed by royal decree further to a proposal of the Council of Regency, for a renewable term of six years. They may be removed from office by royal decree only if they are found guilty of serious misconduct or no longer meet the conditions required to perform their official duties.

Composition of the Board of Directors as at 31 December 2023:

Member	Position
Pierre Wunsch	Governor
Steven Vanackere	Vice-Governor
Vincent Magnée	Director
Tom Dechaene	Director
Tim Hermans	Director
Géraldine Thiry	Director

The office of treasurer is held by Director Vincent Magnée and that of secretary by Director Tim Hermans.

The curricula vitae of the directors are available on the Bank's website.

The Board of Directors met 47 times in 2023 for central banking matters, 44 times for prudential supervision and 13 times to discuss matters of macroprudential policy. The Board of Directors held 36 physical meetings in the presence of a majority of its members and met 11 times by means of telecommunication.

COUNCIL OF REGENCY

Pursuant to Article 20 of the Organic Act as amended by the Act of 2 May 2019 laying down miscellaneous financial provisions, the Council of Regency is composed of the governor, the directors and fourteen regents. The regents are appointed by the general meeting of shareholders for a renewable term of three years. Two regents are chosen based on a proposal submitted by the most representative labour organisations, three based on a proposal by the most representative organisations from industry and trade, agriculture and small and medium-sized enterprises, and nine based on a proposal of the finance minister. The term of office of the regents ends after the annual general meeting. Grouped departures take place every year, with four members leaving in one year and five members in each of the two following years. A regent appointed to replace a member who has died or resigned serves out the latter's term of office. The representative of the finance minister attends *ex officio* meetings of the Council of Regency.

At the annual general meeting held on 15 May 2023, the terms of office of Ms Estelle Cantillon and Ms Mia De Schamphelaere came to an end, while the terms of office of Ms Claire Tillekaerts, Mr Danny Van Assche, Mr Eric Mathay and Ms Géraldine Van der Stichele were renewed. Ms Griet Smaers and Mr Marc Bourgeois were elected as regents.

Regents as at 31 December 2023:

Ms Claire Tillekaerts, [1] Chair of the Council of Regency
Mr Marc Leemans [2]
Mr Pieter Timmermans [3]
Mr Danny Van Assche [3]
Ms Géraldine Van der Stichele [1]
Mr Thierry Bodson [2]
Ms Louise Fromont [1]
Ms Helga Coppen [1]
Ms Christine Mahy [1]
Mr Lode Ceyssens [3]
Ms Griet Smaers [1]
Mr Marc Bourgeois [1]

At 31 December 2023, only 12 of the 14 seats on the Council of Regency were filled due to the resignation of Ms Géraldine Thiry as regent on 3 July 2023 and of Mr Eric Mathay on 8 September 2023. Ms Thiry was appointed to the Bank's Board of Directors on 1 September 2023. These two vacancies will be filled at the annual general meeting of shareholders to be held on 21 May 2024.

The Council of Regency met 24 times in 2023. Its meetings focused in particular on approval of the 2022 annual accounts and annual report, including the remuneration report, and the allocation of the Bank's earnings for the financial year. The Council of Regency approved the Bank's 2024 budget and, after examination by the Audit Committee, established the accounting rules for financial year 2023. It took note of the report on the activities of the Audit Committee. Finally, it exchanged views on general matters relating to the Bank and to the Belgian, European and global economy. The Council of Regency met physically on 21 occasions with a majority of its members present and three times by means of telecommunication.

AUDIT COMMITTEE

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

The Audit Committee is composed of three regents appointed by the Council of Regency. The representative of the finance minister attends *ex officio* meetings of the Audit Committee.

wMs Griet Smaers, Regent and Chair
Mr Marc Bourgeois, Regent
Ms Helga Coppen, Regent

The Audit Committee met eight times in 2023. At these meetings, it examined the annual accounts and the annual report for 2022. In addition, the Audit Committee

1 Regent elected based on a proposal by the finance minister.
2 Regent elected based on a proposal by the most representative labour organisations.
3 Regent elected based on a proposal by the most representative organisations from industry and trade, agriculture and small and medium-sized enterprises.

took note of the work programme and the work of the internal audit service and verified the external auditor's independence. It also oversaw preparation of the Bank's 2024 budget and issued a positive opinion on the accounting rules for financial year 2023.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Remuneration and Appointments Committee advises the Council of Regency on the remuneration of the directors and regents. It also provides opinions for the attention of the organs and entities responsible for proposing candidates for vacancies on the Board of Directors and the Council of Regency, so as to ensure respect for the applicable statutory, regulatory and ethical rules and the provisions of the Bank's article of association and the balanced composition of the Bank's organs.

The Remuneration and Appointments Committee is composed of three regents appointed by the Council of Regency. The representative of the finance minister attends *ex officio* meetings of the Remuneration and Appointments Committee, while the governor attends in an advisory capacity.

Composition of the Remuneration and Appointments Committee as at 31 December 2023 :

Ms Claire Tillekaerts, Regent and Chair
Mr Pieter Timmermans, Regent
Ms Géraldine Van der Stichele, Regent

The Remuneration and Appointments Committee met four times in 2023. Its meetings are confidential. However, in order to demonstrate proper transparency to the public, the activities and decisions of the Remuneration and Appointments Committee concerning the Bank's remuneration policy and remuneration are described in the remuneration report (see point 3.1.10).

REPRESENTATIVE OF THE FINANCE MINISTER

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

GENERAL MEETING OF SHAREHOLDERS

At the annual general meeting held on 15 May 2023, the vice-governor and Director Tom Dechaene reported on the work and activities carried out in 2022. The members of the Board of Directors answered many questions. Finally, the shareholders present proceeded with the necessary elections to fill the vacancies on the Council of Regency. The minutes of the meeting were published on the Bank's website.

AUDITOR

The accountancy firm KPMG Réviseurs d'entreprises, represented by Mr Olivier Macq, acts as the Bank's auditor. At the annual general meeting of 15 May 2023, KPMG was selected as the Bank's new external auditor for a term of three years.

3.1.9.5 Diversity policy

The Bank strives to support diversity in all its forms and attaches importance to the balanced composition of its management bodies and workforce.

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

Nevertheless, the Bank is bound by specific provisions of its Organic Act and articles of association. Thus, the governor is appointed by royal decree. The other members of the Board of Directors are also appointed by royal decree, further to a proposal by the Council of Regency. The regents are appointed based on a proposal by the finance minister and representatives of civil society. In view of the arrangements for the appointment of the members of its organs, it is therefore not up to the Bank alone to establish and put into practice its diversity policy.

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

The Bank has met this statutory obligation, bringing to six the number of female regents. Moreover, Ms Claire Tillekaerts has been appointed chair of the Council of Regency.

3.1.10 Remuneration report

3.1.10.1 Powers and decision-making

The Council of Regency is authorised to define the remuneration policy and the remuneration of the Bank's directors and regents. Members of the Board of Directors do not take part in the discussions or vote on their own remuneration.

The Remuneration and Appointments Committee assists the Council of Regency in the exercise of this power. The committee's role, composition and functioning are detailed in its terms of reference, available on the Bank's website.

The remuneration policy and the remuneration of the directors and regents are set out below.

3.1.10.2 Remuneration policy

GOVERNOR, VICE-GOVERNOR AND DIRECTORS

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

The level of the salaries of the governor, vice-governor and directors was fixed in 1949 by the former General Council. It was also at that time that the ratio of these salaries to the salaries of personnel was defined.

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

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

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

The governor, the vice-governor and the directors hand over to the Bank the remuneration they receive for any external positions held in connection with their role at the Bank. As the sole exception to this rule, the governor may keep the fee he receives as a director of the Bank for International Settlements. Conversely, the provision of the Bank's articles stipulating that the Bank covers the cost of accommodation and furnishings for the governor is not applied.

The governor, the vice-governor and the directors receive no compensation for their duties on the Council of Regency.

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

There is a pension plan for members of the Board of Directors, offering a supplementary pension in addition to the state pension. The supplementary pension plan is a "defined benefit" plan. The pensions of members of the Board of Directors are subject to the Act of 5 August 1978 on economic and fiscal reforms (the "Wyninckx Act").

Members of the Board of Directors serve for a fixed term. The governor is appointed for a five-year term while the directors are appointed for a six-year term. They may be removed from office by royal decree only if they are found guilty of serious misconduct or no longer fulfil the conditions required for the performance of their duties. Pursuant to Article 26 of the Organic Act, the governor, the vice-governor and the directors may not perform any duties for, or hold a position or office in, institutions subject to the Bank's supervision for a period of one year after leaving office. On the advice of the Remuneration and Appointments Committee, the Council of Regency therefore decided that, as a general rule, a payment equivalent to twelve months' salary can be made to members of the Board of Directors whose term of office is not renewed, provided they are not 67 years of age.

To reflect recent developments at European level, the Council of Regency, acting on a proposal of the Remuneration and Appointments Committee, approved an update to the remuneration policy in January 2023. The new remuneration policy is better aligned with the rules applicable at the ECB[1] and modernises a number of aspects of the previous policy, in particular the conditions applicable to severance pay and the introduction of a system to report activities performed after leaving the Bank.

Under the new remuneration policy, severance is now paid on a monthly basis, with one twelfth of the package paid each month.

The Council of Regency further clarified that severance, in accordance with the abovementioned general rule, can also be paid to a member of the Board of Directors who is removed from office by royal decree at the director's own request or who is unavailable for reappointment upon expiry of the director's term of office. The severance pay of a member of the Board of Directors who has not served at least one full term of office is nevertheless capped at 60 % of the full severance package. The amount of severance pay is determined on a case-by-case basis after consultation with the Remuneration and Appointments Committee, taking into account the effective period in office.

The payment of severance is now independent of the exercise of new activities insofar as these new activities (i) are not in violation of the prohibition provided for by Article 26 of the Organic Act, (ii) comply with the general principles of ethics and integrity, including the duty to avoid conflicts of interest and respect for professional secrecy, and (iii) are not likely to harm the Bank's reputation. In particular, severance may never be combined with a position or office in an entity active in consultancy, lobbying and/or advocacy in the Belgian financial sector during the first six months following the end of the term of office.

If, during the year immediately after leaving office, a member of the Board of Directors engages in paid professional activity that is not in violation of Article 26 of the Organic Act and the preceding paragraph, the net remuneration received for this activity shall be deducted from the severance paid by the Bank. This provision shall not apply to remuneration for activities previously exercised and reported by the director.

Members of the Board of Directors must inform the chairperson of the Council of Regency in writing of their intention to engage in a professional activity during the year following the end of their term of office.

This update provides the Council of Regency with new tools to safeguard the Bank's reputation and integrity, enabling it to verify compliance with the restrictions applicable to outgoing directors.

1 In particular its Code of Conduct for high-level ECB officials (EUR-Lex – 52019XB0308(01) – EN – EUR-Lex (europa.eu)) and its ethics framework (Publications Office (europa.eu)).

REGENTS

The regents receive attendance fees, consisting solely of a fixed component, with no variable portion, for each meeting of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee actually attended. If a meeting is organised via the written procedure or by means of telecommunication, the attendance fee is paid to those regents who effectively take part in the meeting.

The attendance fees are adjusted annually in line with the health index.

Regents whose place of work is located outside the Brussels metropolitan area receive a travel allowance. The method used to calculate this allowance is in line with the rules of tax law (fixed amount per kilometre). The travel allowance is granted per journey actually made to the Bank's headquarters.

3.1.10.3 Remuneration and other benefits granted

GOVERNOR, VICE-GOVERNOR AND DIRECTORS

The total amount received by the governor, the vice-governor and the directors as remuneration during the last financial year is broken down below.

Last year, the gross salaries amounted to € 534 803 for the position of governor, € 451 611 for the position of vice-governor and € 409 810 for the position of director.

The ratio between the lowest remuneration for staff and a director's salary is 1 to 8.5. The ratio between the lowest remuneration for staff and the governor's salary is 1 to 11.1. The salaries of the governor, vice-governor and directors are adjusted based on the health index. Staff remuneration is adjusted based on the health index and the scale-based promotion system.

As stated above, in November 2020, in view of the relatively large pay differential between the governor and staff, the Council of Regency decided to reduce the governor's gross salary by 10 % as from 2021 and to reduce the gross salary of the vice-governor by 5 % as from 2021. This decision was taken at the initiative of the Board of Directors based on a favourable opinion from the Remuneration and Appointments Committee.

The group insurance policy for members of the Board of Directors includes a pension plan and death cover. The table below shows the insurance premiums paid over the last financial year for each member of the Board of Directors. Variations in the premiums are due to a number of factors, including base remuneration, the length of the individual's terms of office, acquired reserves and the period remaining until retirement age.

Group insurance premium

(in €)

Member	Group insurance premium
Pierre Wunsch	132 174
Steven Vanackere	134 691
Jean Hilgers [1]	22 956
Vincent Magnée	114 508
Tom Dechaene	390 940
Tim Hermans	79 511
Géraldine Thiry [2]	10 147

1 The term of office of Director Hilgers ended on 28 February 2023.
2 The term of office of Director Thiry started on 1 September 2023.

Members of the Board of Directors have a guaranteed income policy covering occupational incapacity (for which the premiums paid last year came to € 48 379) and a policy covering occupational and non-occupational accidents (for which the premiums paid last year amounted to € 6 813). In addition, group health insurance and group directors' liability insurance are also concluded for the Board of Directors. Finally, members of the Board of Directors are provided with a company car. Last year, the value of this benefit in kind came to € 3 309 for the governor and € 13 580 for the other directors jointly.

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

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

In accordance with the remuneration policy laid out above, severance of € 329 835.56 was paid to Director Jean Hilgers in 2023.

Severance, equal to 12 months' salary, is being paid on a monthly basis to Director Jean Hilgers following the end of his term of office on 28 February 2023, until 29 February 2024. The total severance pay for Director Hilgers amounts to € 395 802.67 and includes the various components of remuneration described above, with the exception of the group insurance premium and the directors' liability insurance given that his term of office has ended.

The remuneration received by Director Hilgers for new professional activities is deducted from the amount paid to him by the Bank.

REGENTS

Last year, the attendance fee for meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee amounted to € 641 gross per meeting. This amount has remained unchanged for the past five years, but is indexed so the figures are as follows: € 545 in 2019, € 549 in 2020, € 554 in 2021, € 576 in 2022 and € 641 in 2023.

In 2023, the following fees were paid for attendance of meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee (in alphabetical order, excluding travel allowances):

3.1.11 Non-financial statement

The non-financial statement is set out in chapter 2 of this report, in the section entitled "TBC" (see p. 105).

In particular:

- see section II ("Environment") for information on environmental issues;

(number of meetings, unless otherwise stated)

Member	Council of Regency	Audit Committee	Remuneration and Appointments Committee	Total number of meetings	Total remuneration (in €)
Thierry Bodson	18	–	–	18	11 538
Marc Bourgeois [1]	13	4	–	17	10 897
Estelle Cantillon [2]	9	–	–	9	5 769
Lode Ceyssens	13	–	–	13	8 333
Helga Coppen [3]	19	2	–	21	13 461
Mia De Schamphelaere [4]	11	3	–	14	8 974
Louise Fromont	14	–	–	14	8 974
Marc Leemans	16	–	–	16	10 256
Christine Mahy	11	–	–	11	7 051
Eric Mathay † [5]	15	4	–	19	12 179
Griet Smaers [6]	11	5	–	16	10 256
Géraldine Thiry [7]	2	3	–	5	3 205
Claire Tillekaerts	23	–	4	27	17 307
Pieter Timmermans	22	–	4	26	16 666
Danny Van Assche	18	–	–	18	11 538
Géraldine Van der Stichele	20	–	3	23	14 743

1 Regent as from 15 May 2023 and member of the Audit Committee as from 12 July 2023.
2 Regent and member of the Audit Committee until 15 May 2023.
3 Member of the Audit Committee as from 4 October 2023.
4 Regent and member of the Audit Committee until 15 May 2023.
5 Regent and member of the Audit Committee until 8 September 2023.
6 Regent as from 15 May 2023 and member of the Audit Committee as from 21 June 2023.
7 Regent and member of the Audit Committee until 3 July 2023.

- see section III ("Social") for information on social and personnel issues as well as respect for human rights;
- see section IV ("Governance") for information on the fight against corruption.

3.1.12 Branches

The Bank has no branches.

Council of Regency


Claire Tillekaerts
Regent
President


Marc Leemans
Regent


Pieter Timmermans
Regent


Danny Van Assche
Regent


Géraldine Van der Stichele
Regent


Thierry Bodson
Regent


Louise Fromont
Regent

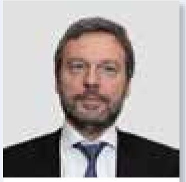

Helga Coppen
Regent


Christine Mahy
Regent


Lode Ceyssens
Regent


Griet Smaers
Regent


Marc Bourgeois
Regent


Pierre Wunsch
Governor


Steven Vanackere
Vice-Governor


Vincent Magnée
Director
Treasurer


Tom Dechaene
Director


Tim Hermans
Director
Secretary


Géraldine Thiry
Director


Hans D'Hondt
Representative of the Minister of Finance

* As at 31 December 2023, only 12 of the 14 seats on the Council of Regency were filled owing to the resignation of Ms Géraldine Thiry, effective 3 July 2023, and of Mr Eric Mathay, effective 8 September 2023. Ms Thiry was appointed to the Bank's Board of Directors on 1 September 2023. Both vacancies will be filled at the general meeting of shareholders to be held on 21 May 2024.

3.2 Annual accounts

3.2.1 Balance Sheet

(before allocation of the profit or loss)

Assets

(end-of-period data, in € thousand)

	See note below	2023	2022
1. Gold and gold receivables	1	13 655 980	12 473 379
2. Claims on non-euro area residents denominated in foreign currency	2	24 028 269	26 908 048
2.1 Receivables from the IMF		15 844 853	15 917 080
2.2 Balances with banks and security investments, external loans and other external assets		8 183 416	10 990 968
3. Claims on euro area residents denominated in foreign currency	3	263 749	284 018
4. Claims on non-euro area residents denominated in euro	4	30	24
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	8 998 300	48 986 510
5.1 Main refinancing operations		80 000	50 000
5.2 Longer-term refinancing operations		8 918 300	48 936 510
5.3 Fine-tuning reverse operations		–	–
5.4 Structural reverse operations		–	–
5.5 Marginal lending facility		–	–
5.6 Credits related to margin calls		–	–
6. Other claims on euro area credit institutions denominated in euro	6	328 669	901 624
7. Securities of euro area residents denominated in euro	7	223 492 235	232 279 769
7.1 Securities held for monetary policy purposes		221 117 685	229 355 020
7.2 Other securities		2 374 550	2 924 749
8. Intra-Eurosystem claims	8	2 028 933	6 065 549
8.1 Participating interest in ECB capital		380 551	380 551
8.2 Claims equivalent to the transfer of foreign currency reserves		1 469 828	1 469 828
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem		–	4 215 170
8.4 Other claims within the Eurosystem (net)		178 554	–
9. Other assets	9	10 206 124	10 503 476
9.1 Coins of euro area		6 589	7 734
9.2 Tangible and intangible fixed assets		494 794	440 936
9.3 Other financial assets		6 772 075	7 493 799
9.4 Off-balance-sheet instruments revaluation differences		89 775	156 050
9.5 Accruals and prepaid expenditure		2 723 564	2 330 968
9.6 Sundry		119 327	73 989
10. Loss for the year	10	3 370 413	579 593
Total assets		286 372 702	338 981 990

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

	See note below	2023	2022
1. Banknotes in circulation	11	52 110 298	52 694 546
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	12	192 575 662	212 455 590
2.1 Current accounts (covering the minimum reserve system)		8 592 836	7 014 103
2.2 Deposit facility		183 982 826	205 441 487
2.3 Fixed-term deposits		–	–
2.4 Fine-tuning reverse operations		–	–
2.5 Deposits related to margin calls		–	–
3. Other liabilities to euro area credit institutions denominated in euro	13	983 721	1 401 357
4. Liabilities to other euro area residents denominated in euro	14	1 116 908	4 299 060
4.1 General government		699 985	3 641 859
4.2 Other liabilities		416 923	657 201
5. Liabilities to non-euro area residents denominated in euro	15	812 143	3 650 731
6. Liabilities to euro area residents denominated in foreign currency	16	3 879 638	2 061 223
7. Liabilities to non-euro area residents denominated in foreign currency	17	645 249	2 626 570
8. Counterpart of special drawing rights allocated by the IMF	18	12 725 597	13 102 434
9. Intra-Eurosystem liabilities	19	229 779	25 019 859
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		229 779	–
9.3 Other liabilities within the Eurosystem (net)		–	25 019 859
10. Other liabilities	20	740 583	1 767 750
10.1 Off-balance-sheet instruments revaluation differences		–	–
10.2 Accruals and income collected in advance		217 212	1 050 188
10.3 Sundry		523 371	717 562
11. Provisions	21	1 551	–
11.1 For future exchange losses		–	–
11.2 For new premises		–	–
11.3 For contingencies		–	–
11.4 In respect of monetary policy operations		1 551	–
12. Revaluation accounts	22	13 714 283	12 492 431
13. Capital, reserve fund and available reserve	23	6 837 290	7 410 439
13.1 Capital		10 000	10 000
13.2 Reserve fund :			
Statutory reserve		1 168 694	1 168 694
Extraordinary reserve		1 153 603	1 153 603
Depreciation accounts in respect of tangible and intangible fixed assets		330 183	323 139
13.3 Available reserve		4 174 810	4 755 003
14. Profit for the year	24	–	–
Total liabilities		286 372 702	338 981 990

3.2.2 Profit and loss account

(end-of-period data, in € thousand)

	See note below	2023	2022
1. Net interest income	25	–4 036 184	578 629
1.1 Interest income [1]		4 934 620	1 788 508
1.2 Interest expense [1, 2]		–8 970 804	–1 209 879
2. Net result of financial operations, write-downs and provisions	26	41 234	–344 574
2.1 Realised gains / losses arising from financial operations [1, 2]		52 195	–20 278
2.2 Write-downs on financial assets and positions [2]		–10 961	–324 296
2.3 Transfer to / from provisions		–	–
3. Net income / expense from fees and commissions	27	–2 256	–1 596
3.1 Fees and commissions income		8 944	10 940
3.2 Fees and commissions expense		–11 200	–12 536
4. Income from equity shares and participating interests [1]	28	52 240	43 477
5. Net result of pooling of monetary income	29	949 469	–585 046
6. Other income [1]	30	218 398	187 327
7. Staff costs	31	–451 341	–319 980
8. Administrative expenses [1]	32	–120 397	–105 196
9. Depreciation of tangible and intangible fixed assets	33	–12 509	–14 990
10. Banknote production services	34	–9 066	–18 163
11. Other expenses	35	0	0
12. Corporate tax	36	–1	519
Profit / Loss (–) for the year		–3 370 413	–579 593

1 Of which proceeds from statutory investments and similar:			
1.1 Interest income		71 621	83 413
1.2 Interest expense		–1 087	105
2.1 Realised gains / losses arising from financial operations		–321	507
4. Income from equity shares and participating interests		17 432	17 435
6. Other income: Proceeds from sale of real estate		–	–
8. Administrative expenses: Costs related to the sale of real estate		–	–
Immovable replacement investments (not taken into consideration in the profit en loss account)		–	–
Total		87 645	101 461

2 Of which due to (–) / by (+) the State:			
1.2 Interest expense		–24 442	–24 442
2.1 Realised gains / losses arising from financial operations		24 091	33 107
2.2 Write-downs on financial assets and positions		364	–
Total		13	8 665

3.2.3 Allocation of the profit or loss

(in € thousand)

	See note below	2023	2022
Profit for the year	37	–	–
The annual profits shall be distributed as follows, in accordance with Article 32 of the Organic Act:			
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, totally independently, shall be allocated to the reserve fund or to the available reserve		–	–
3. From the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and available reserve shall be allocated to the shareholders		–	–
4. The balance shall be allocated to the State; it shall be exempted from corporate tax		–	–
Loss for the year	37	–3 370 413	–579 593
In accordance with the reserve policy, the negative result for the financial year is first charged to the available reserve; then, if necessary, it is covered by the reserve fund:			
1. Withdrawal from the available reserve		–3 371 013	–580 193
2. Withdrawal from the reserve fund		0	0
In accordance with the dividend policy:			
3. A first dividend [1] of € 1.50 euro per share (6 % of the capital) is allocated to shareholders		600	600
4. A second dividend is allocated to the shareholders [2], set by the Council of Regency, at a minimum of 50 % of the net proceeds of the assets that form the counterpart to the reserve fund and the available reserve		0	0

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

3.2.4 Dividend per share

(in €)

	2023	2022
Gross dividend	1.50	1.50
Withholding tax	0.45	0.45
Net dividend	1.05	1.05

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

3.2.5 Off-Balance-Sheet Items

(end-of-period data, in € thousand)

	See note below	2023	2022
Forward transactions in foreign currencies and in euro	38		
Forward claims		4 971 911	8 118 481
Forward liabilities		4 894 396	7 991 218
Forward transactions on interest rate and fixed-income securities	39	111 493	510 032
Liabilities which could lead to a credit risk	40		
Commitments to make funds available within the framework of loans to the IMF		67 000	0
Commitments towards international institutions		15 998 224	15 617 691
Commitments towards other institutions		1 247 168	763 276
Valuables and claims entrusted to the institution	41		
For encashment		–	–
Assets managed on behalf of the Treasury		394 724	212 866
Assets managed on behalf of the ECB		2 071 782	2 102 822
Custody deposits		1 002 386 826	970 131 268
Capital to be paid up on participations	42	228 400	235 163

3.2.6 Social Balance Sheet

Numbers of the joint committees under which the company falls: 325

1. Statement of persons employed

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

	Total	Men	Women
1. During the financial year			
a. Average number of employees			
Full-time	1 665.40	1 099.10	566.30
Part-time	332.30	99.60	232.70
Total in full-time equivalents (FTE)	1 902.66	1 170.90	731.76
b. Number of hours actually worked			
Full-time	2 204 512.00	1 477 550.00	726 962.00
Part-time	285 200.00	87 845.00	197 355.00
Total	2 487 256.70	1 565 077.00	922 179.70
c. Staff costs (in €)			
Full-time	386 408 167.40	269 734 163.85	116 674 003.55
Part-time	48 997 137.94	15 492 095.58	33 505 042.36
Total	435 405 305.34	285 226 259.43	150 179 045.91
d. Amount of benefits additional to wages	3 125 840.29	2 047 682.29	1 078 158.00
2. During the previous financial year			
Average number of workers in FTEs	1 968.66	1 223.40	745.26
Number of hours actually worked	2 621 197.10	1 659 495.00	961 702.10
Staff costs (in €)	300 897 017.37	199 013 287.29	101 883 730.08
Amount of benefits additional to wages (in €)	2 697 111.14	1 783 869.31	913 241.83

	Full-time	Part-time	Total in full-time equivalents
3. On the balance sheet date			
a. Number of workers	1 666	313	1 889.86
b. By type of employment contract			
Permanent contract	1 589	308	1 809.56
Fixed-term contract	77	5	80.30
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By gender and level of education			
Men	1 100	92	1 165.80
Elementary	45	13	54.00
Secondary	217	29	236.80
Higher non-university	317	24	335.10
University	521	26	539.90
Women	566	221	724.06
Elementary	29	31	49.36
Secondary	86	66	131.80
Higher non-university	181	71	233.30
University	270	53	309.60
d. By occupational category			
Management staff	20	0	20.00
Clerical workers	1 646	313	1 869.86
Manual workers	–	–	–
Other	–	–	–

B. Agency staff and persons on secondment

	Agency staff	Persons on secondment
During the financial year		
Average number of persons employed	1.85	–
Number of hours actually worked	3 650.33	–
Costs to the enterprise (in €)	66 843.00	–

2. Table of staff movements during the year

A. Recruitment

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers for whom the enterprise submitted a DIMONA declaration or who were entered in the general staff register during the year	176	10	183.10
b. By type of employment contract			
Permanent contract	108	5	112.00
Fixed-term contract	68	5	71.10
Contract for a specific project	–	–	–
Substitution contract	–	–	–

B. Departures

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers whose contract expiry date was recorded in a DIMONA declaration or in the general staff register during the year	182	53	220.50
b. By type of employment contract			
Permanent contract	126	49	161.70
Fixed-term contract	56	4	58.80
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By reason for termination of contract			
Retirement	106	46	139.60
Unemployment with company supplement	–	–	–
Redundancy	10	2	11.60
Other reason	66	5	69.30
of which: number of persons continuing to provide services for the enterprise at least half time as self-employed workers	–	–	–

3. Information on training for workers during the year

	Men	Women
1. Formal further vocational training at the employer's expense		
Number of workers concerned	964	639
Number of hours of training completed	27 522.52	21 657.26
Net cost to the enterprise (in €)	6 770 777.42	5 327 873.81
of which :		
Gross cost directly relating to training	6 770 777.42	5 327 873.81
Contributions and payments to communal funds	–	–
Subsidies and other financial benefits received (to be deducted)	–	–
2. Semi-formal or informal further vocational training at the employer's expense		
Number of workers concerned	1 108	706
Number of hours of training completed	22 484.91	13 511.61
Net cost to the enterprise (in €)	3 935 983.50	2 365 207.33
3. Basic vocational training at the employer's expense		
Number of workers concerned	–	–
Number of hours of training completed	–	–
Net cost to the enterprise	–	–

3.2.7 Notes to the annual accounts

3.2.7.1 Legal framework

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

"The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:
1° in accordance with this Act and the mandatory rules established pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;
2° otherwise in accordance with the rules laid down by the Council of Regency.

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

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

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

The accounts are prepared on a going concern basis, in accordance with Article 4 of the abovementioned ECB Guideline.[1]

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

The accounts for the financial year under review have been drawn up in accordance with the abovementioned Article 33, in accordance with the format and accounting rules approved by the Council of Regency on 6 December 2023. The accounting rules for the following items have been amended: point 3.2.7.2.II.4 (addition of the new agreement with the Belgian State on interest-bearing deposits). For the sake of clarity, a new point 3.2.7.2.III.7 (funding of the pension plan)[2] has been inserted and certain other subparagraphs have been amended, it being noted that these modifications do not constitute changes to the accounting principles or valuation rules.

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

3.2.7.2 Accounting principles and valuation rules

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

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

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

1 For the sake of completeness, it should be noted that a central bank can, if necessary, continue to operate with a negative capital position without jeopardising the continuity of its operations.
2 The numbering of points 7 to 10 (corporate tax, calculation of the second dividend, allocation in the event of a loss, off-balance-sheet items) has been changed accordingly.

1. Assets and liabilities in gold and foreign currencies

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

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

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

2. Securities

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

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

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

Securities valued at amortised cost may be subject to impairment. [1]

Marketable investment funds are valued at the market price prevailing on the balance sheet date. These funds are revalued on a net basis rather than on the basis of the underlying assets if they meet certain criteria, [2] without netting between the various funds.

3. Repurchase and reverse repurchase agreements

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

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

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

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

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

4. Share of the ECB's capital

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

5. Banknotes in circulation

The ECB and the NCBs of the countries that have adopted the euro, which together comprise the Eurosystem, issue euro banknotes. [3] The total value of the euro banknotes in circulation is allocated on the

1 Due to a permanent loss of value following a credit event.
2 These criteria are defined in Article 11a of the ECB Guideline of 3 November 2016, amended by the Guideline of 28 November 2019 (ECB/2019/34), OJ L332 of 23 December 2019, and the Guideline of 11 November 2021 (ECB/2021/51), OJ L419 of 24 November 2021.
3 Decision of the ECB of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29, OJ L35 of 09 February 2011), as amended by the Decision of 27 November 2014 (ECB/2014/49, OJ L50 of 21 February 2015) and by the Decision of 22 January 2020 (ECB/2020/7, OJ L27 of 1 February 2020).

last working day of each month in accordance with the banknote allocation key.

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

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes actually put into circulation by each NCB gives rise to intra-Eurosystem balances. These claims or liabilities, which bear interest, are disclosed under the sub-item "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem" under item 8.3 on the assets side or item 9.2 on the liabilities side of the balance sheet.

6. Recognition of profit and loss

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

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

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

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

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

Earmarkable assets consist of the following items:
- lending to euro area credit institutions related to monetary policy operations denominated in euro;
- intra-Eurosystem claims for the transfer of foreign reserve assets to the ECB;
- net intra-Eurosystem claims resulting from TARGET transactions;
- claims resulting from the allocation of euro banknotes in the Eurosystem;
- securities held for monetary policy purposes;
- a limited amount of each NCB's gold holdings, in proportion to its subscribed capital key; gold is considered to generate no income;

- accrued interest on monetary policy assets with a maturity of one year or longer;
- accrued interest on impaired securities held for monetary policy purposes;
- claims on central banks not belonging to the Eurosystem and relating to liquidity-providing transactions.

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

6.5 The ECB's income arising from the 8% share of euro banknotes allocated to it and from purchases of securities for its monetary policy portfolios (under the SMP, CBPP3, ABSPP, PSPP and PEPP) is payable to the NCBs in the financial year in which it is generated. The ECB distributes this income to the NCBs in January of the next financial year. Th income is distributed in full unless it exceeds the ECB's net profit.
In addition, the Governing Council may decide, before the end of the financial year, on the principle of transferring all or part of this income to a provision for foreign exchange rate, interest rate, credit and gold price risks.[2]

7. Off-balance-sheet instruments

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

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

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

Gains and losses arising from off-balance-sheet instruments are recognised and treated in the same way as those relating to on-balance-sheet instruments. In particular, differences between the spot and forward prices of currency swaps (premiums or discounts) are treated as interest income and recorded in the same way as interest on on-balance-sheet instruments.

8. Post balance sheet events

Assets and liabilities are adjusted to take into account information obtained between the balance sheet date and the closing date of the annual accounts by the Bank's Board of Directors, if the information has a significant impact on the asset and liability items on the balance sheet at the balance sheet date. Otherwise, it is mentioned in the notes, with no adjustment made to the accounts, if the information is such that its omission would affect the ability of readers of the annual accounts to form their own assessments and take decisions.

II. RULES PURSUANT TO THE ORGANIC ACT, LAWS, THE BANK'S ARTICLES OF ASSOCIATION AND AGREEMENTS

1. Gold and gold receivables

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

2. IMF transactions

Pursuant to Article 1 of the agreement of 14 January 1999 between the Belgian State and the

1 Decision of the ECB of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016/36, OJ L347 of 20 December 2016), as amended by the Decision of 12 November 2020 (ECB/2020/55, OJ L390 of 20 November 2020).
2 Decision of the ECB of 15 December 2014 on the interim distribution of the income of the ECB (recast) (ECB/2014/57, OJ L53 of 25/02/2015), as amended by the Decision of 2 July 2015 (ECB/2015/25, OJ L193 of 21/07/2015) and by the Decision of 12 November 2020 (ECB/2020/56, OJ L 390 of 20 November 2020).

Bank determining certain procedures for the implementation of Article 9 of the Organic Act, the Bank books the rights that the State holds as a member of the IMF in its accounts as owns assets. Article 9(2) of the Organic Act stipulates moreover that the State shall guarantee the Bank against any losses as well as the repayment of any loans granted by the Bank in the context of these transactions.

3. Loans granted and other transactions related to financial stability

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

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

4. Treasury's current account

Pursuant to an agreement of 3 May 2023, the end-of-day credit balance of the Treasury's current account at the close of TARGET is remunerated at the euro short-term rate (€STR) less 20 basis points.

5. Capital, reserve fund and available reserve

5.1 Capital

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

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

5.2 Reserve fund

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

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

Upon expiry of the Bank's right of issue, the State shall have a priority claim to one-fifth of the reserve fund. The remaining four-fifths shall be distributed amongst all shareholders.[2]

5.3 Available reserve

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

6. Recognition of profit or losses

6.1 Income assigned in full to the State

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

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

2 Pursuant to Article 141 §9 of the Act of 2 August 2002 on the supervision of the financial sector and on financial services, Article 31(2) of the Act 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).

dated 10 July 2009, published in the *Moniteur belge/Belgisch Staatsblad* on 17 July 2009.

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

6.2 Net foreign exchange differences accruing to the State

Pursuant to Article 9 of the Organic Act, international monetary cooperation agreements or transactions which the Bank carries out on behalf of the State or with the latter's express consent are guaranteed by the State. Foreign exchange gains and losses realised on these operations accrue to the State.

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

7. Allocation of profits [1]

Pursuant to Article 32 of the Organic Act, the profits for the year are allocated as follows:

1. a first dividend of 6 % of the capital is allocated to the shareholders;
2. from the remainder, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, is allocated to the reserve fund or to the available reserve;
3. from the second remainder, a second dividend, established by the Council of Regency, is allocated to the shareholders, representing at least 50 % of the net income from the assets that form the counterpart to the reserve fund and the available reserve;
4. the balance is allocated to the State and is exempt from corporate tax.

1 The appropriation of earnings in the event of a loss (negative earnings) is explained under point 3.2.7.2.III.9.

III. ACCOUNTING RULES ESTABLISHED BY THE COUNCIL OF REGENCY

1. Holdings in the statutory investment portfolio

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

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

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

3. Ceiling on the portfolio of statutory investments

The ceiling on statutory portfolio investments is determined annually at the time of the final allocation of profits. It is equal to the sum of the following items:

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

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

4. Transfer of securities between portfolios

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

5. Tangible and intangible fixed assets

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

Buildings under construction are booked at the cost actually paid.

Property, plant and equipment, and intangible fixed assets, including ancillary costs, with a finite economic life are depreciated over the probable economic life accepted for tax purposes, for acquisitions from financial year 2009. Depreciation begins the month following effective commissioning. If there is a change in the probable economic life of property, plant and equipment, or intangible fixed assets, accelerated depreciation is recorded.

Economic life of the main items:

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

6. Stocks

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

7. Funding of the pension plan

The funding of the defined benefit pension plan, from which some of the Bank's staff benefit, is the subject of regular studies by actuaries using the aggregate cost method, an actuarial method that compares the present value of pension entitlements over the entire career of the staff members concerned, calculated on an individual basis and then aggregated, with the value of the assets managed under the plan. The negative difference is compared to the present value of future salaries to determine a funding rate, which is applied each year to the total payroll. This method makes it possible to smooth the cost of pensions and spread it over the entire career of staff members, by means of annual payments. No provision is made for this on the liabilities side of the balance sheet. If necessary, exceptional payments may be made to take into account one-off factors, such as a very sharp rise in inflation which, for a defined benefit plan, has an impact throughout the staff member's career, unlike under a defined contribution plan where the impact is only felt on future contributions.

Since 1 January 2017, new hires have benefited from a defined contribution plan, to which the Bank pays in a percentage of the remuneration of each staff member affiliated to the plan.

8. Corporate tax

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

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

9. Calculation of the second dividend

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

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

10. Allocation of losses

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

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

11. Off-balance-sheet items

	Category of off-balance-sheet items	Valuation rule
Liabilities that 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 accounts	Nominal amount, currencies converted at the market exchange rate
Capital to be paid up on participations		Nominal amount, currencies converted at the market exchange rate

3.2.7.3 Reserve and dividend policy

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

Reserve policy

The earnings for the financial year are the first buffer used to absorb losses. In the event of negative earnings, the loss shall first be charged to the available reserve. Next, if necessary, it shall be covered by the reserve fund. In the absence of reserves, it shall be carried forward. Future profits, after distribution of the first dividend, shall be allocated with priority to absorb losses carried forward.

An estimate of quantifiable risks forms the basis for determining the minimum level of reserves. To calculate its financial risks, the Bank applies either the value-at-risk/expected shortfall method, for which it uses very cautious parameters in terms of probabilities and time horizons, or long-term scenarios/stress tests. These methods are also applied by other Eurosystem members.

Based on these calculations, the Bank determines (i) the minimum level of reserves to cover the estimated risks and (ii) the desired level of reserves for the medium term, taking into account exceptional residual risks, stress scenarios and risks that are not on the balance sheet and could arise rapidly as a result of performance of its tasks as a central bank.

If the reserves are below the minimum level, the entire annual profit shall be allocated to the reserves, with the exception of an amount required to pay the first and second dividends to shareholders. If the reserves are between the minimum level and the desired level for the medium term, 75 % of the profit shall be allocated to the reserves. If the reserves exceed the desired medium-term level, the Council of Regency shall decide annually whether an additional allocation to the reserves is necessary having regard to the level of risks.

When comparing existing reserves with the minimum level of reserves, the depreciation accounts shall be disregarded as they cannot be used to offset losses or supplement profits.

Since the reserve fund is almost entirely unavailable and given its level in relation to the capital, profits to be set aside shall be allocated to the available reserve.

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

Dividend policy

1. The dividend paid to shareholders consists of a first dividend of 6 % of the capital and a second dividend established by the Council of Regency pursuant to Article 32(3) of the Organic Act.

   The first dividend of € 1.5 per share (6 % of the capital) is guaranteed by both the available reserve and the reserve fund.

   The second dividend is set by the Council of Regency at 50 % of the net income from the assets forming the counterpart to the reserves (the "statutory portfolio").[1]

1 It is recalled that, if need be, profits are used first to absorb losses carried forward, without the second dividend being guaranteed.

Net income means the amount mentioned in the profit and loss account ("income from statutory investments"), after the deduction of income generated by capital and corporate tax at the effective rate for the financial year in question.

If the annual profit is insufficient, the second dividend shall be guaranteed by the available reserve, unless drawing down this reserve would cause the reserves to fall to below the minimum level. The objectives of ensuring the Bank's financial soundness and independence shall take priority.

2. If an amount of less than half the net income from the statutory portfolio is allocated to the reserves, the allocation to the reserves shall be supplemented until it reaches 50 % of this net income insofar as the net profit after deduction of the second dividend so allows.

   If the Bank is no longer required to fund the reserves and provided the profit is sufficient, the second dividend shall be increased until it corresponds to the total net income (100 %) from the statutory portfolio.

   The reserve and dividend policy therefore guarantees that, provided the profit is sufficient (and any losses carried forward have been absorbed), the net income from the statutory portfolio is either allocated to the reserves, thus increasing the calculation basis for the second dividend, or paid directly to shareholders as a second dividend. The balance, allocated to the State, may never include any share of the net income from this portfolio.

3. For purposes of this policy, net income from the sale of real estate shall be treated entirely as income from the statutory portfolio. Net income means sales proceeds after the deduction of all costs (including taxes) and any replacement investments in property.

4. Equity, transparency and stability are the guiding principles of this policy. The Bank expressly aims to ensure that this policy is consistently applied. Any change to this policy must be duly substantiated and made public immediately.

3.2.7.4 Notes to the balance sheet

NOTE 1. GOLD AND GOLD RECEIVABLES

Gold stock
(end-of-period data)

	2023	2022
In ounces of fine gold	7 311 154.9	7 311 154.9
In kg of fine gold	227 402.4	227 402.4
At market price (in € million)	13 656.0	12 473.4

On 31 December 2023, nine tonnes of gold were still available for the issuance of coins by the State for numismatic or commemorative purposes.

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

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

Gold price
(end-of-period data, in €)

	2023	2022
Ounce of fine gold	1 867.83	1 706.08
Kg of fine gold	60 052.06	54 851.58

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

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

	2023	2022
SDR	0.8226	0.7989
USD	1.1050	1.0666
JPY	156.3300	140.6600
CNY	7.8509	7.3582
KRW	1 433.6600	1 344.0900

This item is broken down into two sub-items :
- receivables from the International Monetary Fund (IMF) ;

- balances held in accounts with banks that do not belong to the euro area as well as loans to non-residents of the euro area, securities and other foreign currency-denominated assets issued by the latter.

Net positions in SDR and USD

Net position in SDR
(million)

	in SDR	in €
Balance sheet		
Claims	13 033.5	15 844.9
Liabilities	–10 467.7	–12 725.6
Pro rata interest	16.7	20.3
Off balance sheet		
Net liabilities	–2 556.9	–3 108.4
Net position	25.6	31.2

The position in special drawing rights (SDR) is guaranteed by the State. In order to reduce the exchange rate risk, the Bank concluded forward transactions which limit the net position to SDR 25.6 million.

Net position in USD
(million)

	in USD	in €
Balance sheet		
Claims	9 291.5	8 408.6
Liabilities	–5 000.0	–4 524.9
Pro rata interest	29.0	26.3
Off balance sheet		
Claims	123.0	111.3
Liabilities	–1 973.5	–1 786.0
Pro rata interest	0.0	0.0
Net position	2 470.0	2 235.3

The net position in USD is 2.5 billion. The majority of the portfolio invested in dollars is financed by foreign exchange swaps or repurchase agreements.

Receivables from the IMF

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

	2023	2022
Special drawing rights	13 160.5	13 360.7
Participation in the IMF	2 156.8	2 215.4
Loans to the IMF	12.1	47.9
Loans to the PRGT	448.6	293.1
Loans to the RST	66.9	0.0
Total	15 844.9	15 917.1

Special drawing rights (SDR)

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

Since the general allocation of SDRs decided by the IMF in August 2021 in connection with the Covid-19 pandemic, of which Belgium received a share equal to SDR 6 144.4 million, the net cumulative allocation to Belgium has risen from SDR 4 323.3 million to SDR 10 467.7 million.

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

As at 31 December 2023, the holdings recorded in the special drawing rights account stood at SDR 10 825.4 million, compared with SDR 10 647.0 million a year earlier. Net accumulation of SDR holdings, i.e. the difference between the SDR allocation and SDR holdings, was SDR 357.7 million on the balance sheet date.

Participation in the IMF

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

Belgium's participation in the IMF may be called upon at any time in order to obtain convertible currencies to finance a balance of payments deficit. Changes to the RTP may also result from a contribution by Belgium to credit granted by the IMF to a member country faced with such a deficit or from the repayment of such loans by a country, as well as from euro transactions carried out by the IMF on its own behalf. The interest rate on such loans is adjusted weekly. On the balance sheet date, the reserve tranche position amounted to SDR 1 774.1 million, compared with SDR 1 769.9 million a year earlier. This increase was due to net borrowing by IMF member countries.

Loans to the IMF

These receivables represent the countervalue of the loans granted to the IMF by the Bank in its own name and claims of the Belgian State on the IMF in the event of the implementation of lending agreements to increase the IMF's resources, namely the New Arrangements to Borrow. As at 31 December 2023, the Bank's claims in respect of new loan agreements came to SDR 9.9 million compared with SDR 38.3 million a year earlier, as a result of partial repayment by various IMF member countries.

Loans to the PRGT

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

Pursuant to the 2012, 2017 and 2020 lending agreements and a new agreement for SDR 250 million concluded in 2023, the PRGT has a credit line with the Bank totalling SDR 1 300 million. On 31 December 2023, the Bank's claims under this heading amounted to SDR 369.0 million, compared with SDR 234.1 million a year earlier, as a result of repayments during the financial year.

Loans to the RST

The counter-value of currencies that the Bank has lent to the IMF-managed Resilience and Sustainability Trust (RST) is recorded under this heading. This credit facility was established in April 2022 to help IMF members build resilience to external shocks and ensure long-term balance of payments stability, with a particular focus on the financing challenges posed by climate change and pandemic preparedness.

The RST is made up of three accounts: the loan account to finance the principal amount of loans granted to IMF members under this facility; the deposit account to generate surplus investment income to build up additional reserves; and the reserve account to act as a primary buffer against credit and liquidity risk. Belgium's contribution to the reserve account is financed by the State.

In 2023, an initial loan agreement between the Bank and the RST was concluded for a total amount of € 804 million, including € 670 million for the loan account and € 134 million for the deposit account. Only 50 % of these amounts were made available to the IMF in 2023. The balance will be made available in 2024. The Bank's claims under the RST amounted to SDR 55.0 million at 31 December 2023.

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

Breakdown by type of investment

(end-of-period data, in € million)

	2023	2022
Sight deposits	4.0	13.4
Term deposits	–	–
Reverse repurchase agreements	177.4	202.6
Fixed-income securities	8 002.0	10 775.0
Total	**8 183.4**	**10 991.0**

Breakdown by currency

(end-of-period data, in € million)

	2023	2022
USD	8 182.3	9 583.4
JPY	0.6	1 074.7
CNY	0.0	237.1
KRW	0.0	95.2
Other	0.5	0.6
Total	**8 183.4**	**10 991.0**

Breakdown of fixed-income securities in foreign currencies by residual maturity
(end-of-period data, in € million)

	MTM		HTM	
	2023	2022	2023	2022
≤ 1 year	1 715.0	3 929.2	66.4	11.9
> 1 year and ≤ 5 years	4 410.7	4 606.7	398.6	405.8
> 5 years	1 095.9	1 463.4	315.4	358.0
Total	7 221.6	9 999.3	780.4	775.7

Value of fixed-income securities in foreign currencies per issuer country
(in € million)

	MTM		HTM	
	Book value	Market value	Book value	Market value
United States	6 544.4	6 544.4	272.1	253.0
Japan	110.9	110.9	104.0	99.7
International institutions	14.5	14.5	248.7	234.9
United Kingdom	50.7	50.7	–	–
Switzerland	195.6	195.6	–	–
Other	305.5	305.5	155.6	145.4
Total	7 221.6	7 221.6	780.4	733.0

Upon revaluation on the balance sheet date, the unrealised gains and losses on mark-to-market securities totalled € 36.3 million and € 10.9 million, respectively.

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

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

	2023	2022
Sight deposits	0.2	0.3
Term deposits	–	–
Reverse repurchase agreements	–	–
Fixed-income securities	263.5	283.7
Total	263.7	284.0

Breakdown of fixed-income securities in foreign currencies by residual maturity
(end-of-period data, in € million)

	MTM		HTM	
	2023	2022	2023	2022
≤ 1 year	16.8	14.2	33.4	–
> 1 year and ≤ 5 years	79.7	94.5	104.6	142.3
> 5 years	13.1	16.5	15.9	16.2
Total	109.6	125.2	153.9	158.5

Value of fixed-income securities in foreign currencies per issuer country
(in € million)

	MTM		HTM	
	Book value	Market value	Book value	Market value
Belgium	5.8	5.8	–	–
Germany	–	–	42.6	39.7
Spain	15.5	15.5	–	–
France	35.5	35.5	26.3	25.0
Luxembourg	11.0	11.0	–	–
The Netherlands	41.8	41.8	85.0	82.7
Total	109.6	109.6	153.9	147.4

Upon revaluation on the balance sheet date, the unrealised gains and losses on mark-to-market securities totalled € 1.2 million and € 0.1 million, respectively.

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

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

	2023	2022
Reverse repurchase agreements	–	–
Fixed-income securities	–	–
Total	–	–

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

This item came to € 410.3 billion for the Eurosystem as a whole, of which € 9.0 billion was for the National Bank of Belgium. In accordance with Article 32.4 of the ESCB/ECB Statute, the entirety of any loss resulting from operations under this heading, upon realisation, shall in principle be shared between the Eurosystem NCBs in proportion to their shares of the ECB's capital.

Main refinancing operations

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

On the balance sheet date, the liquidity provided via weekly main refinancing operations was € 14.1 billion, compared with € 2.4 billion at the end of 2022 for the euro area as a whole, with an amount of € 80 million being attributed to credit institutions in Belgium.

Longer-term refinancing operations

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

At the Eurosystem level, these operations were reduced from € 1 321.4 billion in 2022 to € 396.2 billion in 2023, mainly due to repayments under TLTRO III totalling € 925.4 billion. Some outstanding TLTRO III operations matured (€ 649.3 billion) while others were voluntarily redeemed early (€ 276.1 billion). Participation in three-month long-term refinancing operations (LTROs) amounted to € 3.9 billion at the end of 2023, compared with € 2.7 billion the previous year.

At the end of 2023, Belgian banks' longer-term refinancing operations amounted to € 8.9 billion, made up entirely of TLTRO III. At the end of 2022, Belgian banks' outstanding TLTRO III transactions amounted to € 48.9 billion.

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

Claims on credit institutions not relating to monetary policy operations

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

	2023	2022
Current accounts	0.6	0.3
Reverse repurchase agreements	328.1	901.3
Total	328.7	901.6

NOTE 7. SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

Securities held for monetary policy purposes

Until the end of February 2023, the Eurosystem continued to reinvest in full the principal payments on maturing securities purchased under the asset purchase programmes (APP). Thereafter, the APP portfolio was reduced at a measured and predictable pace. Through the end of June 2023, the reduction averaged € 15 billion per month, as the Eurosystem did not reinvest all of the principal payments on maturing securities. In June 2023, the Governing Council decided to suspend reinvestment under the APP as from July 2023. Subsequently, the APP portfolio decreased due to maturities.

With regard to the Pandemic Emergency Purchase Programme (PEPP), the Eurosystem continued throughout the year to reinvest in full the principal payments on maturing securities. The Governing Council intends to continue reinvesting in full the principal payments on maturing securities purchased under this programme in the first half of 2024. It also intends to reduce the PEPP portfolio by an average of € 7.5 billion per month in the second half of 2024 and to cease reinvestment at the end of the year. In addition, the Governing Council will continue to exercise flexibility in the reinvestment of maturing redemptions in the PEPP portfolio, in order to counter the pandemic-related risks to the monetary policy transmission mechanism.

All securities held under the first and second covered bond purchase programmes (CBPP1 and CBPP2) matured in 2022. As a result, the Bank no longer held any securities in these portfolios at 31 December 2023.

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

	Book value	Market value	Book value	Market value
	2023		2022	
With shared risks				
CBPP3	6 296.4	5 838.8	6 934.9	6 237.1
SMP	34.4	36.5	38.1	42.0
CSPP	80 200.0	74 097.2	83 463.2	72 736.0
PECBPP	90.2	83.6	98.3	88.0
PECSPP	13 326.2	12 200.3	12 591.5	10 628.7
Subtotal	99 947.2	92 256.4	103 126.0	89 731.8
With non-shared risks				
CBPP1	–	–	–	–
CBPP2	–	–	–	–
PSPP	73 325.9	66 645.4	77 475.1	67 175.3
PEPSPP	47 844.6	43 155.8	48 753.9	41 577.1
Subtotal	121 170.5	109 801.2	126 229.0	108 752.4
Total	221 117.7	202 057.6	229 355.0	198 484.2

In accordance with Article 32.4 of the ESCB/ECB Statute, the entirety of any loss incurred by NCBs on CBPP3, PECBPP and SMP securities, securities of international or supranational organisations in the PSPP and PEPSPP portfolio and CSPP and PECSPP securities, upon realisation, shall be shared between the Eurosystem NCBs in proportion to their shares of the ECB's capital as determined by the capital key. On the balance sheet date the Bank held securities in these portfolios with a total book value of € 99 947.2 million.

Conversely, the Bank bears the risk for the PSPP and PEPSPP portfolios included on the balance sheet. On 31 December 2023, the Bank held securities in these portfolios with a total book value of € 121 170.5 million.

Third Covered Bonds Purchase Programme (CBPP3)

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

At 31 December 2023, the Bank held € 6 296.4 million in covered bonds under this programme.

Breakdown of the third purchase programme of covered bonds by residual maturity
(end-of-period data, in € million)

	2023	2022
≤ 1 year	697.0	1 019.4
> 1 year and ≤ 5 years	3 725.2	3 705.3
> 5 years	1 874.2	2 210.2
Total	6 296.4	6 934.9

Securities Markets Programme (SMP)

This programme, which ended on 6 September 2012, involved buying up both private and government bonds in the euro area. On 31 December 2023, the Bank held SMP securities totalling € 34.4 million.

Breakdown of SMP bonds by residual maturity
(end-of-period data, in € million)

	2023	2022
≤ 1 year	14.9	4.9
> 1 year and ≤ 5 years	19.5	33.2
> 5 years	–	–
Total	34.4	38.1

Public Sector Purchase Programme (PSPP)

Purchases made on the secondary market under this programme started on 9 March 2015. On 31 December 2023, the Bank held PSPP securities issued by Belgian public authorities totalling € 73 325.9 million.

Breakdown of bonds acquired under the PSPP by residual maturity
(end-of-period data, in € million)

	2023	2022
≤ 1 year	6 293.5	4 999.3
> 1 year and ≤ 5 years	28 810.1	25 581.5
> 5 years	38 222.3	46 894.3
Total	73 325.9	77 475.1

Corporate Sector Purchase Programme (CSPP)

Purchases under this programme began on 8 June 2016. On 31 December 2023, the Bank held CSPP securities of issuers located in various European countries (BE, LU, NL, PT and SK) totalling € 80 200.0 million.

Breakdown of CSPP bonds by residual maturity
(end-of-period data, in € million)

	2023	2022
≤ 1 year	8 126.0	6 153.5
> 1 year and ≤ 5 years	39 162.2	35 785.9
> 5 years	32 911.8	41 523.8
Total	80 200.0	83 463.2

Pandemic emergency covered bonds purchase programme (PECBPP)

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2023, the Bank held PECBPP securities amounting to € 90.2 million.

Breakdown of covered bonds acquired under the pandemic emergency purchase programme by residual maturity
(end-of-period data, in € million)

	2023	2022
≤ 1 year	1.8	7.3
> 1 year and ≤ 5 years	75.3	66.4
> 5 years	13.1	24.6
Total	90.2	98.3

Pandemic Emergency Public Sector Purchase Programme (PEPSPP)

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2023, the Bank held PEPSPP securities amounting to € 47 844.6 million.

Breakdown of securities acquired under the PEPSPP by residual maturity
(end-of-period data, in € million)

	2023	2022
≤ 1 year	4 438.0	3 881.2
> 1 year and ≤ 5 years	20 150.9	17 360.8
> 5 years	23 255.7	27 511.9
Total	47 844.6	48 753.9

Pandemic Emergency Corporate Sector Purchase Programme (PECSPP)

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2023, the Bank held PECSPP securities totalling € 13 326.2 million.

Breakdown of securities acquired under the pandemic emergency corporate sector purchase programme by residual maturity
(end-of-period data, in € million)

	2023	2022
≤ 1 year	1 324.9	162.7
> 1 year and ≤ 5 years	5 495.6	4 777.9
> 5 years	6 505.7	7 650.9
Total	13 326.2	12 591.5

Other securities

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

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

	MTM		HTM	
	2023	2022	2023	2022
Fixed-income securities	–	–	1 195.7	1 906.6
Investment funds	1 178.9	1 018.1	–	–
Total	1 178.9	1 018.1	1 195.7	1 906.6

Breakdown of fixed-income securities by residual maturity
(end-of-period data, in € million)

	MTM		HTM	
	2023	2022	2023	2022
≤ 1 year	–	–	664.7	665.3
> 1 year and ≤ 5 years	–	–	531.0	1 241.3
> 5 years	–	–	–	–
Total	–	–	1 195.7	1 906.6

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

	MTM		HTM	
	Book value	Market value	Book value	Market value
Belgium	–	–	368.0	362.5
Germany	–	–	234.9	228.7
Spain	–	–	19.7	19.6
France	–	–	320.0	313.4
Austria	–	–	101.5	99.7
Italy	–	–	15.0	15.0
The Netherlands	–	–	69.2	68.2
Finland	–	–	67.4	66.1
Total	–	–	1 195.7	1 173.2

Upon revaluation on the balance sheet date, the unrealised gains on mark-to-market securities amounted to € 178.9 million.

NOTE 8. INTRA-EUROSYSTEM CLAIMS

Participating interest in ECB capital

Since 1 July 2013, the subscribed capital of the ECB has amounted to € 10 825 million. The Bank's share of this capital is 2.9630 % as of 1 February 2020, following the exit of the Bank of England from the ESCB, and amounted to € 320.7 million at the end of 2023. The redistribution between the NCBs of their shares in the ECB's accumulated reserves, following successive changes to the distribution of the ECB's capital, brought the Bank's holding to € 380.6 million.

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

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

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

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

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

	2023	2022
Banknotes in circulation	–	52 694.5
Banknotes placed in circulation by the Bank	–	–48 479.3
Total	–	4 215.2

The increase in banknotes put into circulation by the Bank was much more sustained than that of the Eurosystem and led to transformation of the claim existing at the end of 2022 into a liability at the end of 2023, listed under item 9 on the liabilities side (see note 19).

Other claims within the Eurosystem (net)

The Bank's net claim arising from all liabilities and claims vis-à-vis the Eurosystem.

Intra-Eurosystem balances result from cross-border payments made in euro within the EU and settled in central bank money. Most of these transactions are carried out by private entities (credit institutions, firms or individuals). They are settled via TARGET and give rise to bilateral balances on the TARGET accounts of EU central banks. These bilateral balances are allocated to the ECB on a daily basis, with each NCB thus having a single net bilateral position vis-à-vis the ECB. The net position of the National Bank of Belgium in TARGET vis-à-vis the ECB and other euro-denominated liabilities to the Eurosystem (such as interim dividends paid to the NCBs) are presented on the

Bank's balance sheet as a net position under assets or liabilities and are shown under "Other claims within the Eurosystem (net)" or "Other liabilities within the Eurosystem (net)". The balances of non-euro area NCBs vis-à-vis the ECB arising from their participation in TARGET are included under "Liabilities to non-euro area residents denominated in euro".

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are shown as a single net liability under "Net liabilities related to the allocation of euro banknotes within the Eurosystem" (see note 19). Intra-Eurosystem balances resulting from the transfer of reserve assets to the ECB by NCBs joining the Eurosystem are denominated in euro and recorded under "Claims on the ECB resulting from the transfer of foreign reserve assets".

As part of the SURE (Support to mitigate Unemployment Risks in an Emergency), the European Union provided nearly € 8.2 billion to Belgium in the form of back-to-back loans. In accordance with Council Regulation (EU) 2020/672 of 19 May 2020, the Belgian State opened, via the Bank, a dedicated account with the ECB for the management of the funds received. The funds held in this special account serve two purposes only: payment and repayment of interest and principal, which must be deposited in the account twenty TARGET business days before the corresponding due date. During this period, the amounts are recorded under "Other claims within the Eurosystem (net)" or "Other liabilities within the Eurosystem (net)".

The Bank's net claim within the Eurosystem can be broken down as follows:

1. the liability to the ECB arising from transfers via TARGET (€ 779.3 million);
2. the intra-Eurosystem claim of € 951.0 million, resulting from the mechanism for pooling and distributing monetary income within the Eurosystem (see note 29);
3. the intra-Eurosystem claim of € 6.8 million relating to SURE.

NOTE 9. OTHER ASSETS

Coins of euro area

The Bank's holding of euro coins. The coins are put into circulation by the Bank on behalf of the Treasury and credited to the Treasury's account. In accordance with the ECB's decision of 8 November 2022 on approval of the volume of coin issuance (ECB/2022/40), the maximum value of euro coins to be issued in 2023 for Belgium was € 38.0 million. As the net amount issued in 2022 was € 1 518.3 million, the total amount authorised for 2023 was € 1 551.2 million. As at 31 December 2023, the amount effectively issued stood at € 1 528.5 million.

Tangible and intangible fixed assets

In 2023, the Bank's investments in tangible and intangible fixed assets totalled € 59.3 million. In addition, an amount of € 5.5 million, corresponding to the acquisition value of assets sold or taken out of use, was deducted from the "Tangible and intangible fixed assets" account.

Other financial assets

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

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

	2023	2022
Fixed-income securities	6 440.0	6 990.7
Participating interests	332.1	332.1
Reverse repurchase agreements	–	171.0
Total	6 772.1	7 493.8

Value of fixed-income securities, per issuer country (market value provided for information purposes only)

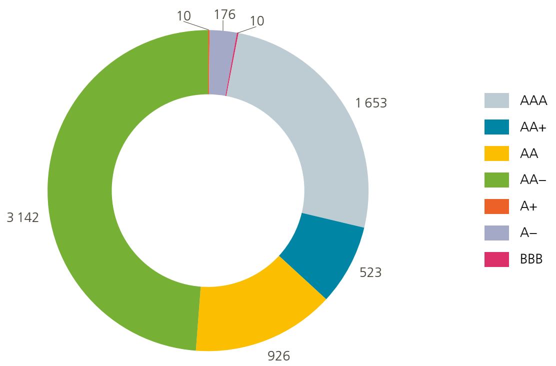
(end-of-period data, in € million)

	Book value		Market value	
	2023	2022	2023	2022
Belgium	2 941.2	3 128.3	2 574.1	2 600.3
Germany	837.6	862.2	787.8	780.8
Spain	173.4	245.9	172.6	245.6
France	935.3	1 117.9	855.0	992.6
Austria	138.3	138.9	132.1	128.1
Italy	10.0	43.5	10.2	43.9
International institutions	611.6	611.8	543.7	513.6
The Netherlands	148.4	172.1	130.9	146.0
Finland	251.8	253.0	235.2	225.4
Other	392.4	417.1	345.3	349.0
Total	6 440.0	6 990.7	5 786.9	6 025.3

The net unrealised losses on fixed-income securities totalled € 653.1 million as at 31 December 2023, compared with € 965.4 million at the end of the previous financial year.

Rating on fixed-income securities

(Book value in € million)



Yield on fixed-income securities by maturity, at 31 December 2023

Maturity	Book value	Average volume	Income	Yield
	(in € million)			(in %)
2023	–	120.5	2.8	2.3
2024	480.6	481.7	10.0	2.1
2025	425.6	425.8	6.6	1.6
2026	334.3	335.6	6.6	2.0
2027	626.5	627.4	6.3	1.0
2028	697.2	701.0	10.2	1.5
2029	520.6	522.2	1.5	0.3
2030	214.2	214.7	0.1	0.0
2031	545.1	545.6	3.3	0.6
2032	350.6	351.5	3.7	1.0
2033	268.9	269.8	1.8	0.7
2034	281.7	283.3	2.4	0.8
2035	418.3	422.8	2.8	0.7
2036	158.2	158.1	1.4	0.9
2037	346.9	347.5	4.0	1.2
2038	319.7	320.4	3.7	1.1
2039	64.4	64.4	1.4	2.2
2040	343.1	343.0	1.5	0.4
2041	37.2	37.2	0.3	0.9
2042	6.9	6.9	0.1	0.8
Interest income	6 440.0	6 579.4	70.5	1.1
Realised gains/losses			–0.3	
Total	6 440.0	6 579.4	70.2	1.1

Breakdown of participating interests

(end-of-period data)

	Number of shares	In € million	Number of shares	In € million
	2023		2022	
BIS	50 100	329.8	50 100	329.8
SBI	801	2.0	801	2.0
SWIFT	113	0.3	113	0.3
Total		332.1		332.1

Off-balance-sheet instrument revaluation differences

Net positive revaluation differences on forward foreign currency and interest rate transactions, as well as on spot foreign currency transactions between the transaction date and the settlement date (€ 89.8 million).

Accruals and prepaid expenditures

These are sub-divided into:
- expenses carried forward (€ 9.7 million);
- deferred income (€ 2 713.9 million), essentially interest accrued but not yet received on securities and other assets.

Sundry

Mainly:
- interest due on the claim arising from the transfer of foreign reserves to the ECB and on the net claim related to the allocation of euro banknotes in the Eurosystem (€ 118.0 million);
- trade receivables (€ 0.8 million).

NOTE 10. LOSS FOR THE YEAR

The loss for the financial year amounted to € 3 370.4 million at 31 December 2023. This was mainly due to increasing financing costs for monetary policy portfolios: interest expenses on the deposits held by credit institutions with the Bank increased, while the (mostly long-term) assets that make up these portfolios were acquired at low yields.

NOTE 11. BANKNOTES IN CIRCULATION

Share of euro banknotes in circulation in the Eurosystem allocated to the Bank (see notes 8 and 19).

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

Current accounts (covering the minimum reserve system)

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

These requirements must be respected on average over the reserve maintenance period in accordance with the schedule published by the ECB. Minimum reserves were remunerated at the main refinancing operations rate until 20 December 2022. From the reserve maintenance period beginning on 21 December 2022 until the reserve maintenance period ending on 19 September 2023, minimum reserves were remunerated at a rate corresponding to the Eurosystem's average deposit facility rate over the maintenance period. From the reserve maintenance period starting on 20 September 2023, minimum reserves are remunerated at 0 %.

Amounts held in current accounts by euro area credit institutions (including excess reserves) fell by € 45.0 billion in 2023 to € 174.0 billion at year's end.

The Eurosystem's purchase programmes and longer-term refinancing operations have created liquidity, which is held in current accounts as excess reserves, in the deposit facility or in TARGET (see note 8).

In Belgium, amounts held in current accounts rose from € 7.0 billion to € 8.6 billion, in line with bank minimum reserve requirements.

Deposit facility

Standing facility allowing credit institutions to make 24-hour deposits with the Bank at a pre-specified interest rate. This rate was gradually raised from 2 % at the end of December 2022 to 4 % at the end of December 2023.

Credit institutions in Belgium decreased their deposits from € 205.4 billion in 2022 to € 184.0 billion in 2023. Credit institutions essentially placed their excess liquidity in the deposit facility wherever possible, rather than leaving it on their current accounts in the form of excess reserves. However, large repayments of TLTRO III loans sharply reduced recourse to the deposit facility, including at the level of the Eurosystem, where it fell from € 3 778.8 billion to € 3 334.8 billion.

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

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

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

General government

Balances of current accounts opened in the name of the State and general government. On the balance sheet date, the Treasury's current account balance was € 0.7 billion.

Other liabilities

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

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

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

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

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

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

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

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

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

NOTE 19. INTRA-EUROSYSTEM LIABILITIES

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

Net liabilities related to the allocation of euro banknotes within the Eurosystem (see the accounting principles and valuation rules applicable to "Banknotes in circulation"). This remunerated intra-Eurosystem position corresponds to the difference between the amount of banknotes in circulation allocated to the Bank and the amount of banknotes it has put into circulation.

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

	2023	2022
Banknotes put into circulation by the Bank	52 340.1	–
Banknotes in circulation	–52 110.3	–
Total	229.8	–

NOTE 20. OTHER LIABILITIES

Accruals and income collected in advance

Costs carried forward (€ 217.2 million) including interest accrued but not yet due on liabilities and outstanding invoices.

Sundry

In particular:
- unavailable reserve of capital gains on gold (€ 298.9 million);
- tax, payroll and social security debts (€ 211.4 million);
- trade payables (€ 5.3 million).

NOTE 21. PROVISIONS

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

Provision for monetary policy operations

In accordance with Article 32.4 of the Statute of the ESCB/ECB, all losses incurred by NCBs on CBPP3, PECBPP and SMP securities, securities issued by international or supranational organisations in the PSPP and PEPSPP portfolios, and CSPP and PECSPP securities, once realised, are shared in full between the Eurosystem NCBs in proportion to their share in the ECB's capital key.

Impairment tests conducted on the PECSPP portfolio showed that securities held by an NCB must be written down. Consequently, the Governing Council of the ECB considered it appropriate to establish a provision to cover losses on monetary policy operations in 2023. This provision amounts to € 42.9 million, i.e. an amount of € 1.6 million for the Bank corresponding to 3.61394 % of the subscribed capital.

NOTE 22. REVALUATION ACCOUNTS

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

(end-of-period data, in € million)

	2023	2022
Positive currency revaluation differences on:		
▪ gold	13 339.0	12 156.4
▪ foreign currencies	158.9	270.6
Positive price revaluation differences on:		
▪ securities in foreign currencies (asset items 2 and 3)	37.5	47.3
▪ securities in euro (asset items 4 and 7)	178.9	18.1
Total	13 714.3	12 492.4

NOTE 23. CAPITAL, RESERVE FUND AND AVAILABLE RESERVE

Capital

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

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

	2023	2022
Registered shares	210 748	210 880
Dematerialised shares	189 252	189 120
Total	400 000	400 000

Reserve fund

The reserve fund increased by € 7.1 million in 2023 as a result of an increase in the depreciation accounts for tangible and intangible fixed assets.

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

Change in the depreciation accounts in 2023
(in € million)

Balance as at 31-12-2022	323.1
Recorded	+12.5
Withdrawn of cancelled following sales or disposals	–5.4
Balance as at 31-12-2023	330.2

Available reserve

An amount of € 580.2 million related to the allocation of loss for the previous year was withdrawn from the available reserve.

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

	2023	2022
Capital	10.0	10.0
Reserve fund	2 652.5	2 645.4
Available reserve	4 174.8	4 755.0
Total before allocation	6 837.3	7 410.4
Profit or loss allocation	–3 371.0	–580.2
Total after allocation	3 466.3	6 830.2

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

3.2.7.5 Notes to the profit and loss account

NOTE 25. NET INTEREST INCOME

In order to cope with high inflation, the ECB raised interest rates several times in 2023. However, certain assets that were marketed in a negative interest rate environment (LTROs, other euro-denominated claims on euro area credit institutions, etc.) generate interest expenses while certain liabilities (current accounts, the deposit facility, etc.) generate interest income.

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

Interest income

(end-of-period data)

	Income	Average volume	Average rate	Income	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
	2023			2022		
Interest income of assets in euro						
Credit operations related to monetary policy	0.9	22.8	4.1	0.0	3.4	0.6
Longer-term credit operations related to monetary policy	870.2	28 947.3	3.0	–	–	–
Securities portfolios in euro held for monetary policy purposes	1 769.1	227 207.8	0.8	1 279.1	226 453.5	0.6
Other securities portfolios in euro	19.1	1 551.3	1.2	34.9	2 238.3	1.6
Claims equivalent to the transfer of foreign currency reserves	48.2	1 469.8	3.3	7.3	1 469.8	0.5
Net claims related to the allocation of euro banknotes within the Eurosystem	75.0	2 142.6	3.5	29.0	6 519.8	0.4
Net TARGET claims on the ECB	1 141.3	27 840.4	4.1	–	–	–
Statutory investments (bonds, reverse repurchase agreements and repurchase agreements)	70.5	6 579.4	1.1	83.5	6 914.4	1.2
Other claims	0.0	0.0	0.0	0.0	0.0	0.0
Total	3 994.4	295 761.4	1.4	1 433.8	243 599.2	0.6
Interest income of external assets						
Claims related to international cooperation transactions	604.7	15 973.5	3.8	191.7	15 551.0	1.2
Investments in gold and in foreign currencies	335.5	9 066.0	3.7	163.0	9 989.2	1.6
Total	940.2	25 039.5	3.8	354.7	25 540.2	1.4
Interest income of liabilities in euro						
Monetary reserve accounts, deposit facility and other interest-bearing deposits	–	–	–	–	–	–
Repurchase agreement transactions in euro	–	–	–	0.0	1.5	0.0
Total	–	–	–	0.0	1.5	0.0
Total interest income	4 934.6			1 788.5		

Interest expenses

(end-of-period data)

	Expense	Average volume	Average rate	Expense	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
	2023			2022		
Interest expenses on liabilities in euro						
Net liabilities to the ECB related to TARGET	–	–	–	–41.6	34 931.5	–0.1
Monetary reserve accounts, deposit facility and other interest-bearing deposits	–8 209.1	249 893.8	–3.3	–472.6	243 064.3	–0.2
Other liabilities	–1.2	48.2	–2.5	–	–	–
Total	–8 210.3	249 942.0	–3.3	–514.2	277 995.8	–0.2
Interest expenses on external liabilities						
Liabilities in SDR	–493.4	12 874.3	–3.8	–162.2	13 039.7	–1.2
Repurchase agreement transactions in foreign currencies	–242.7	4 203.3	–5.8	–83.8	4 110.2	–2.0
Total	–736.1	17 077.6	–4.3	–246.0	17 149.9	–1.4
Interest expenses on assets in euro						
Longer-term credit operations related to monetary policy	–	–	–	–425.3	84 837.3	–0.5
Total	–	–	–	–425.3	84 837.3	–0.5
Income accruing in full to the State						
Income resulting from capital gains on gold recorded in a special unavailable reserve account [1]	–			–		
Annual amount paid to the State in compensation for additional expenses due to the conversion of its consolidated debt to the Bank into freely negotiable securities [2]	–24.4			–24.4		
Total	–24.4			–24.4		
Total interest expenses	–8 970.8			–1 209.9		

1 This income is calculated by applying to the average balance of the unavailable reserve over the year a yield obtained by comparing the net financial income with the difference between the average value, calculated on an annual basis, of the interest-bearing assets and the interest-bearing liabilities. The counterpart to the capital, reserves and depreciation accounts and the corresponding income are excluded from this calculation. For 2023, the average balance of the unavailable reserve amounted to € 298.9 million, the net financial income to € –3 056.0 million, the average value of interest-bearing assets, on an annual basis, to € 287.7 billion, and the average value of interest-bearing liabilities, on an annual basis, to € 239.1 billion. In 2023, the net financial income was negative; therefore, no income from capital gains on gold held in the special unavailable reserve account was paid to the State.

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

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

Realised gains/losses arising from financial operations

(end-of-period data, in € million)

	2023	2022
Capital gains (+)/losses (–)		
on statutory investments	–0.3	0.5
on investments		
in USD	–2.1	–91.8
in EUR	–12.0	–1.4
in other currencies	50.9	–
Foreign exchange gains (+)/losses (–)		
on USD	15.7	72.4
on other currencies	–	–
on SDR	–24.1	–33.1
on gold	–	–
Foreign exchange gains (–) / losses (+) accruing to the State (SDR and gold)	24.1	33.1
Total	52.2	–20.3

Write-downs on financial assets and foreign exchange positions

(end-of-period data, in € million)

	2023	2022
Capital losses on investments		
in USD	–11.0	–324.3
in EUR	–	–
Foreign exchange losses		
on USD	–	–
on CNY	–	–
on KRW	–	–
on SDR	–0.4	–
on other currencies	–	–
Foreign exchange losses charged to the State (SDR)	0.4	–
Total	–11.0	–324.3

Total realised gains/losses and write-downs

(end-of-period data, in € million)

	2023	2022
Realised gains/losses	52.2	–20.3
Write-downs	–11.0	–324.3
Total	41.2	–344.6

For dollar-denominated investments, the fall in bond yields led to a sharp reduction in realised capital losses. For investments in other currencies (Korean won and Chinese renminbi), the total liquidation of positions generated capital gains.

Similarly, revaluation gains on dollar-denominated securities recorded on the liabilities side of the balance sheet were higher and the unrealised losses on these same securities fell sharply.

In addition, as a result of depreciation of the dollar, the Bank recorded lower foreign exchange gains than in the previous year.

SDR operations resulted in realised and unrealised foreign exchange losses of € 24.5 million charged to the State.

NOTE 27. NET INCOME/EXPENSE FROM FEES AND COMMISSIONS

Fees and commissions income

Fees received by the Bank as remuneration for services provided in its capacity as a financial intermediary (€ 8.9 million), of which € 7.5 million related to collateralisation operations for monetary policy.

The majority of this income originated from the collateral managed by the Bank in the framework of the Correspondent Central Banking Model (CCBM). The decrease compared with 2022 in fees received by the Bank was related to monetary policy.

Fees and commissions expense

Commissions paid by the Bank for financial services rendered to the Bank by third parties (€ 11.2 million), of which € 8.9 million related to monetary policy.

The reduction in fees paid by the Bank compared with 2022 was due to monetary policy.

NOTE 28. INCOME FROM SHARES AND SHAREHOLDINGS

(end-of-period data, in € million)

	2023	2022
Dividend on participation in the ECB	–	1.5
Income distributed by the ECB	–	–
Dividends on participations in the statutory investment portfolio	17.4	17.5
Dividends on investment funds	34.8	24.5
Total	52.2	43.5

As the ECB closed financial year 2022 with a loss, no dividend on the Bank's share in the ECB capital was paid in February 2023.

Taking into account the ECB's overall financial result for 2023, the Governing Council decided to retain the full amount of income from banknotes in circulation, as well as income generated by securities purchased under the SMP, APP and PEPP. As a result, no related amounts were due at the end of 2023.

For the 2022-2023 financial year, the BIS paid a dividend of € 17.4 million (SDR 285 per share). Last year, an amount of € 17.5 million (SDR 275 per share) was paid.

NOTE 29. NET RESULT OF POOLING OF MONETARY INCOME

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

	Income (+) / Expense (–)		
	Result	Pooling of monetary income	Real result
	(1)	(2)	(3) = (1) + (2)
		2023	
Monetary income pooled by the Bank within the Eurosystem		–521.7	
Monetary income allocated to the Bank by the Eurosystem		1 473.0	
		951.3	
Items included in monetary income			
Credit operations related to monetary policy	871.1	99.2	970.3
Securities portfolios in euro held for monetary policy purposes	1 769.1	–1 155.7	613.4
Claims equivalent to the transfer of foreign currency reserves	48.2	0.0	48.2
Net claims related to the allocation of euro banknotes within the Eurosystem	75.0	–249.1	–174.1
Net claim on the ECB in respect of TARGET	1 141.3	–629.6	511.7
Monetary reserve accounts and deposit facility	–8 103.4	3 391.3	–4 712.1
Non-earmarkable assets	–	–513.1	–513.1
	–4 198.6	943.0	–3 255.6
Items not included in monetary income			
Net investments in gold and in foreign currencies	92.9		92.9
Net claims relating to international cooperation transactions	111.3		111.3
Other securities portfolios in euro	19.1		19.1
Statutory investment portfolio	70.5		70.5
Other claims	0.0		0.0
Other liabilities	–1.2		–1.2
Interest-bearing deposits not related to monetary policy	–105.7		–105.7
Income accruing entirely to the State	–24.4		–24.4
	162.4		162.4
Net interest income (item 1)	–4 036.2	943.0	–3 093.2
Net result from financial operations (item 2)		8.4	
Revision of previous years		–0.3	
		951.1	
Provision in respect of monetary policy operations		–1.6	
		949.5	

Monetary income is apportioned among the euro area NCBs in accordance with the allocation of paid-up capital (3.61394 % for the Bank since 1 January 2023).

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

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

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

Belgian credit institutions leave larger volumes in current accounts and the deposit facility, in excess of the (capital allocation) key, which means a portion of the expense can be passed on to other Eurosystem NCBs.

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

NOTE 30. OTHER INCOME

(end-of-period data, in € million)

	2023	2022
Amounts recovered from third parties	218.1	187.1
Other	0.3	0.2
Total	218.4	187.3

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

- the Central Balance Sheet Office, the Individual Credit Register, the Corporate Credit Register and the Central Contact Point (€ 56.6 million);
- prudential supervision (€ 133.3 million);
- the TARGET payment system (€ 1.4 million);
- the securities settlement system (€ 12.6 million);
- the internationalisation of IT applications (€ 10.6 million).

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

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

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

For 2023, the costs came to € 84.4 million for banks and stockbroking firms, and € 48.1 million for insurance and reinsurance companies.

Other institutions subject to supervision, such as clearing and settlement institutions, mutual guarantee schemes and payment companies, pay a flat contribution which totalled € 0.8 million for 2023.

NOTE 31. STAFF COSTS

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

In 2023, a non-recurring allocation of € 108.9 million to fund the defined-benefit pension plan from which some staff members benefit was booked, to cover the impact of the sharp rise in inflation in 2022.

NOTE 32. ADMINISTRATIVE EXPENSES

This item includes in particular administrative and IT expenses (€ 37.2 million), expenses related to the repair and maintenance of buildings (€ 15.3 million), and works and services provided by third parties (€ 33.4 million). This item also comprises property tax, non-deductible VAT and regional, provincial and municipal taxes (€ 6.0 million).

NOTE 33. DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

Depreciation covers the following investments:

(end-of-period data, in € million)

	2023	2022
Renovation of buildings	6.1	6.6
Hardware and software	2.7	3.5
Other equipment and furniture	3.7	4.9
Total	12.5	15.0

NOTE 34. BANKNOTE PRODUCTION SERVICE

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

NOTE 35. OTHER EXPENSES

This item includes the tax-exempt amount, if any, recorded in the extraordinary reserve (see note 23) in accordance with the tax legislation.

NOTE 36. CORPORATE TAX

Tax due

(end-of-period data, in € million)

		2023	2022
Tax on earnings for the year		–	–
Tax on earnings for previous years		0.0	–0.5
Total	(1)	0.0	–0.5

Main differences

(end-of-period data, in € million)

		2023	2022
Result before tax		–3 370.4	–580.1
Tax-free profit allocated to the State		–	–
Earnings subject to tax	(2)	–3 370.4	–580.1
Differences			
Commitments to employees		0.0	6.5
Risk capital deduction		0.0	0.0
Depreciation surplus		–0.9	–1.3
Other		13.9	11.6
Fiscal loss carried forward		–564.0	–
Taxable income		–3 921.4	–563.3
Average tax rate (in %)	(1) ÷ (2)	0.0	0.0

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

2023 was marked by persistent inflation in excess of the target set by central banks, causing interest rates to be raised on several occasions in both Europe and the United States. This led to partial realisation of the interest rate risk the Bank had warned about in its previous annual reports, as well as to very high volatility on the equity and bond markets. This combination of factors led the Bank to record a loss at the end of the 2023 financial year.

In the baseline scenario, which represents the interest rate environment and market expectations of future interest rate movements at the balance sheet date, the Bank's bottom line remains under pressure. If this scenario were to materialise, which is subject to considerable uncertainty, and assuming the composition of the balance sheet remains unchanged, it would result in a total loss of € 6.1 billion over a five-year horizon. If interest rates were to rise relative to these market expectations, this negative effect would be exacerbated, and vice versa if interest rates were to fall further. It is impossible to make sufficiently reliable estimates for a period longer than five years, given the many uncertainties. However, in this scenario and under unchanged circumstances, the Bank would not incur substantial losses beyond this time horizon and would return to profitability.

An estimate of the quantifiable financial risks forms the basis for determining the minimum level of the Bank's reserves. All of the Bank's financial risks are quantified using either the expected shortfall methodology, for which the Bank uses very conservative parameters in terms of distributions, probabilities and time horizons, or long-term scenarios/stress tests. These methods are also used by the other members of the Eurosystem.

Based on these calculations, the Bank determines (i) the minimum level of reserves to cover the estimated risks and (ii) the desired level of reserves in the medium term, taking into account exceptional residual risks, stress scenarios and – in application of the reserve and dividend policy as amended on 27 March 2024 – risks that do not appear on the balance sheet, but could arise rapidly as a result of the the Bank's tasks as a central bank.

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

The estimates for the minimum level of reserves at the end of 2023 and the desired level of reserves in the medium term are approximately € 7.5 billion and € 13.6 billion, respectively. [1]

These levels are calculated based on, among other factors, estimated projected earnings for the coming years as well as the estimated risks pertaining to:

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

1 Compared with an amount of €15.2 billion at the end of 2022 for the desired level of reserves. It should be noted that the Bank, as from financial year 2023, discloses both the minimum level of reserves as well as the desired level of reserves for the medium term, having regard to the update of its reserve and dividend policy on 27 March 2024.

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

1. drawdown from the available reserve	–3 371.0
2. drawdown from the reserve fund	–

In accordance with the dividend policy:

3. a first dividend of € 1.5 per share (6 % of the capital) is paid to the shareholders, guaranteed by the reserve fund and the available reserve	0.6
4. a second dividend, determined by the Council of Regency, is allocated to the shareholders, up to at least 50 % of the net income from the assets that form the counterpart to the reserve fund and the available reserve. In view of the estimated level of risk at the balance sheet date, no second dividend was allocated for financial year 2023	–
Loss for the financial year	**–3 370.4**

3.2.7.7 Notes to off-balance-sheet items

NOTE 38. FORWARD TRANSACTIONS IN FOREIGN CURRENCIES AND IN EURO

(end-of-period data, in € million)

	2023	2022
Forward claims		
EUR	4 971.9	7 127.0
USD	0.0	991.5
SDR	0.0	0.0
Forward liabilities		
EUR	0.0	0.0
USD	1 786.0	4 124.8
JPY	0.0	1 073.5
SDR	3 108.4	2 792.0

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

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

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

At the end of the financial year, the Bank held a net long position of € 111.5 million in futures on dollar-denominated securities. These transactions form part of active portfolio management.

NOTE 40. LIABILITIES WHICH COULD LEAD TO CREDIT RISK

Liabilities to international bodies include the Bank's commitment to lend SDR 1 300 million to the PRGT and € 469 million to the RST (including € 67 million for the commitment to make funds available for the deposit account in 2024). With regard to the latter, it should be noted that the commitment to the RST corresponds to half the value of the 2023 loan agreement. The other half of the funds provided for by the loan agreement will be made available and included in the Bank's liabilities in 2024.

In 2020, the IMF decided to double the size of the new loan agreements which serve as a second line of defence after the quotas and to reduce by a similar amount the bilateral loans serving as a third line of defence. Since 1 January 2021, the new loan agreements have totalled SDR 361 billion and the bilateral loans SDR 138 billion. The aim of this operation was to consolidate the IMF's resources at close to their historical level for the coming years and to spread contribution efforts more evenly amongst the various IMF members. In that context, the Bank signed a loan agreement for SDR 7.99 billion in respect of new borrowing agreements for the period 2021-2025 and an agreement for € 4.3 billion in respect of bilateral loans. These loans replaced the previous ones (for SDR 3 994.3 million and € 9 990.0 million, respectively) and slightly reduced Belgium's exposure to the IMF. They are guaranteed by the Belgian State and entered into force on 1 January 2021. The new agreement on IMF quotas, new arrangements to borrow and bilateral loans, concluded at the end of 2023, will only enter into force once it has been ratified by Belgium and by the other IMF member states.

The remaining amount available at the end of 2023 (PRGT, RST, new loan agreements and bilateral loans) amounted to € 15 182.4 million. These loans are guaranteed by the Belgian State.

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

At the end of 2023, the outstanding amount came to € 1 247.2 million.

NOTE 41. VALUABLES AND CLAIMS ENTRUSTED TO THE INSTITUTION

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

The increase in custody deposits was mainly due to the increase in securities issued by firms registered in the securities settlement system, partially offset by the decrease in collateral received on behalf of other central banks and Belgian counterparties.

NOTE 42. CAPITAL TO BE PAID UP ON PARTICIPATIONS

The BIS shares held by the Bank are 25 % paid up. The amount shown under this item represents the uncalled capital, totalling SDR 187.9 million (€ 228.4 million).

3.2.7.8 Auditor's fees

The total fees allocated to KPMG Réviseurs d'entreprises amounted to € 271 848. This amount included:

- € 189 000 for the statutory audit, including certification of the annual accounts and a limited audit of the interim accounts;
- € 39 843 for certification tasks for the ECB's auditor;

- an amount of € 43 005 for a specific assignment falling under the legal category of other attest audits, in the framework of certification of the calculation method for prudential supervisory costs and their allocation to various sectors. This certification was carried out in accordance with ISA805.

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

3.2.7.9 Legal proceedings

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

On 11 October 2023, the court handed down its judgment, rejecting all claims of the shareholder in question. The court held that the Bank had correctly applied the rules on the allocation of profits laid down by law and that it did not act abusively or otherwise wrongfully by not derogating from its pre-established dividend policy. The court ruled that it is "logical and correct that the net income from performance of the Bank's statutory public interest tasks accrue to the Belgian State and therefore to society, rather than to the Bank's private shareholders".

An appeal against this judgment was filed on 16 November 2023.

There is no quantifiable impact on the Bank's assets, financial position or earnings. Consequently, the Bank has made no provision for this dispute.

There are no other pending disputes which, due to their criticality or materiality, would require the Bank to set aside a provision or to make a comment under this heading.

3.2.7.10 Post-balance-sheet events

In accordance with Article 29.3 of the Statute of the ESCB, the key for subscription to the capital of the ECB is adjusted every five years. The previous adjustment took place on 1 January 2019. In accordance with the Council Decision of 15 July 2003 on the statistical data to be used for the adjustment of the key for subscription to the capital of the European Central Bank, the NCBs' shares were adjusted as follows on 1 January 2024.

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

National central banks of	on 31 December 2023	as from 1 January 2024
Belgium	2.9630	3.0005
Germany	21.4394	21.7749
Estonia	0.2291	0.2437
Ireland	1.3772	1.7811
Greece	2.0117	1.8474
Spain	9.6981	9.6690
France	16.6108	16.3575
Croatia	0.6595	0.6329
Italy	13.8165	13.0993
Cyprus	0.1750	0.1802
Latvia	0.3169	0.3169
Lithuania	0.4707	0.4826
Luxembourg	0.2679	0.2976
Malta	0.0853	0.1053
The Netherlands	4.7662	4.8306
Austria	2.3804	2.4175
Portugal	1.9035	1.9014
Slovenia	0.3916	0.4041
Slovakia	0.9314	0.9403
Finland	1.4939	1.4853
Subtotal for euro area NCBs	**81.9881**	**81.7681**
Bulgaria	0.9832	0.9783
Czech Republic	1.8794	1.9623
Denmark	1.7591	1.7797
Hungary	1.5488	1.5819
Poland	6.0335	6.0968
Romania	2.8289	2.8888
Sweden	2.9790	2.9441
Subtotal for non-euro area NCBs	**18.0119**	**18.2319**
Total	**100.0000**	**100.0000**

On 1 January 2024, the Bank's share in the subscribed capital of the ECB increased by 0.0375 % to 3.0005 %. As a result, asset item 8.1, "Participating interest in ECB", rose by € 4.1 million to € 324.8 million due to an increase in the share in the capital.

The adjustment of the key for subscription to the ECB's capital results not only in a change in the euro area NCBs' shares of the ECB's subscribed capital, but also an adjustment of the ECB's liabilities to the euro area NCBs as a result of the latter's transfer of foreign reserve assets to the ECB. As a result, the Bank's claim on the ECB in respect of the transfer of foreign reserve assets (asset item 8.2) increased by € 18.6 million to €1 488.4 million on 1 January 2024.

In addition, the adjustment of the key modifies the Bank's share in the allocation of euro banknotes and monetary income in the Eurosystem.

3.2.8 Comparison over five years

3.2.8.1 Balance sheet

Assets
(in € thousand)

	2023	2022	2021	2020	2019
1. Gold and gold receivables	13 655 980	12 473 379	11 767 180	11 287 575	9 900 064
2. Claims on non-euro area residents denominated in foreign currency	24 028 269	26 908 048	25 582 833	15 822 963	15 872 290
2.1 Receivables from the IMF	15 844 853	15 917 080	15 337 049	6 950 671	6 595 494
2.2 Balances with banks and security investments, external loans and other external assets	8 183 416	10 990 968	10 245 784	8 872 292	9 276 796
3. Claims on euro area residents denominated in foreign currency	263 749	284 018	180 721	400 034	474 210
4. Claims on non-euro area residents denominated in euro	30	24	17	138 376	169 538
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	8 998 300	48 986 510	87 638 230	81 017 880	19 279 480
5.1 Main refinancing operations	80 000	50 000	–	–	423 000
5.2 Longer-term refinancing operations	8 918 300	48 936 510	87 638 230	81 017 880	18 856 480
5.3 Fine-tuning reverse operations	–	–	–	–	–
5.4 Structural reverse operations	–	–	–	–	–
5.5 Marginal lending facility	–	–	–	–	–
5.6 Credits related to margin calls	–	–	–	–	–
6. Other claims on euro area credit institutions denominated in euro	328 669	901 624	434 816	909 600	65 646
7. Securities of euro area residents denominated in euro	223 492 235	232 279 769	216 071 007	171 031 799	119 704 133
7.1 Securities held for monetary policy purposes	221 117 685	229 355 020	212 653 610	167 023 248	113 918 412
7.2 Other securities	2 374 550	2 924 749	3 417 397	4 008 551	5 785 721
8. Intra-Eurosystem claims	2 028 933	6 065 549	9 248 186	9 121 199	7 939 450
8.1 Participating interest in ECB capital	380 551	380 551	358 324	336 097	328 735
8.2 Claims equivalent to the transfer of foreign currency reserves	1 469 828	1 469 828	1 469 828	1 469 828	1 465 002
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem	–	4 215 170	7 420 034	7 315 274	6 145 713
8.4 Other claims within the Eurosystem (net)	178 554	–	–	–	–
9. Other assets	10 206 124	10 503 476	8 476 908	8 864 955	8 384 276
9.1 Coins of euro area	6 589	7 734	8 711	8 009	8 453
9.2 Tangible and intangible fixed assets	494 794	440 936	403 730	412 926	436 525
9.3 Other financial assets	6 772 075	7 493 799	7 195 259	6 988 312	6 507 559
9.4 Off-balance-sheet instruments revaluation differences	89 775	156 050	–	90 592	57 050
9.5 Accruals and prepaid expenditure	2 723 564	2 330 968	837 199	1 360 459	1 358 129
9.6 Sundry	119 327	73 989	32 009	4 657	16 560
10. Loss for the year	3 370 413	579 593	–	–	–
Total assets	286 372 702	338 981 990	359 399 897	298 594 381	181 789 087

Liabilities

(in € thousand)

	2023	2022	2021	2020	2019
1. Banknotes in circulation	52 110 298	52 694 546	51 767 819	48 084 842	43 190 510
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	192 575 662	212 455 590	171 421 401	145 672 939	45 443 128
2.1 Current accounts (covering the minimum reserve system)	8 592 836	7 014 103	97 194 582	97 076 814	36 466 154
2.2 Deposit facility	183 982 826	205 441 487	74 226 819	48 596 125	8 976 974
2.3 Fixed-term deposits	–	–	–	–	–
2.4 Fine-tuning reverse operations	–	–	–	–	–
2.5 Deposits related to margin calls	–	–	–	–	–
3. Other liabilities to euro area credit institutions denominated in euro	983 721	1 401 357	908 212	1 479 685	301 391
4. Liabilities to other euro area residents denominated in euro	1 116 908	4 299 060	5 947 992	1 914 597	612 745
4.1 General government	699 985	3 641 859	5 440 401	1 304 531	80 616
4.2 Other liabilities	416 923	657 201	507 591	610 066	532 129
5. Liabilities to non-euro area residents denominated in euro	812 143	3 650 731	5 476 602	6 864 942	857 264
6. Liabilities to euro area residents denominated in foreign currency	3 879 638	2 061 223	2 953 293	2 320 512	3 350 988
7. Liabilities to non-euro area residents denominated in foreign currency	645 249	2 626 570	1 461 240	1 346 671	654 709
8. Counterpart of special drawing rights allocated by the IMF	12 725 597	13 102 434	12 937 044	5 095 493	5 334 574
9. Intra-Eurosystem liabilities	229 779	25 019 859	86 357 768	66 198 276	63 974 101
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	229 779	–	–	–	–
9.3 Other liabilities within the Eurosystem (net)	–	25 019 859	86 357 768	66 198 276	63 974 101
10. Other liabilities	740 583	1 767 750	568 036	665 831	660 484
10.1 Off-balance-sheet instruments revaluation differences	–	–	24 608	–	–
10.2 Accruals and income collected in advance	217 212	1 050 188	23 892	15 396	41 546
10.3 Sundry	523 371	717 562	519 536	650 435	618 938
11. Provisions	1 551	–	–	–	3 146
11.1 For future exchange losses	–	–	–	–	–
11.2 For new premises	–	–	–	–	–
11.3 For contingencies	–	–	–	–	–
11.4 In respect of monetary policy operations	1 551	–	–	–	3 146
12. Revaluation accounts	13 714 283	12 492 431	12 018 744	11 381 836	10 068 000
13. Capital, reserve fund and available reserve	6 837 290	7 410 439	7 226 355	6 907 813	6 512 795
13.1 Capital	10 000	10 000	10 000	10 000	10 000
13.2 Reserve fund :					
Statutory reserve	1 168 694	1 168 694	1 168 694	1 168 694	1 168 694
Extraordinary reserve	1 153 603	1 153 603	1 153 603	1 153 603	1 153 603
Depreciation accounts in respect of tangible and intangible fixed assets	330 183	323 139	316 750	328 680	346 288
13.3 Available reserve	4 174 810	4 755 003	4 577 308	4 246 836	3 834 210
14. Profit for the year	–	–	355 391	660 944	825 252
Total liabilities	286 372 702	338 981 990	359 399 897	298 594 381	181 789 087

3.2.8.2 Profit and loss account

(in € thousand)

	2023	2022	2021	2020	2019
1. Net interest income	–4 036 184	578 629	1 229 612	1 174 757	1 427 590
1.1 Interest income	4 934 620	1 788 508	2 133 819	1 714 322	1 700 539
1.2 Interest expense	–8 970 804	–1 209 879	–904 207	–539 565	–272 949
2. Net result of financial operations, write-downs and provisions	41 234	–344 574	77 065	103 866	87 790
2.1 Realised gains/losses arising from financial operations	52 195	–20 278	107 639	111 813	91 854
2.2 Write-downs on financial assets and positions	–10 961	–324 296	–30 575	–7 947	–4 064
2.3 Transfer to/from provisions	–	–	–	–	–
3. Net income/expense from fees and commissions	–2 256	–1 596	592	2 446	–661
3.1 Fees and commissions income	8 944	10 940	11 435	10 713	7 217
3.2 Fees and commissions expense	–11 200	–12 536	–10 843	–8 267	–7 878
4. Income from equity shares and participating interests	52 240	43 477	65 432	79 958	80 530
5. Net result of pooling of monetary income	949 469	–585 046	–705 627	–325 693	–313 502
6. Other income	218 398	187 327	195 667	171 805	169 788
7. Staff costs	–451 341	–319 980	–301 037	–300 155	–311 572
8. Administrative expenses	–120 397	–105 196	–94 594	–90 194	–101 332
9. Depreciation of tangible and intangible fixed assets	–12 509	–14 990	–16 024	–18 004	–18 755
10. Banknote production services	–9 066	–18 163	–12 682	–13 563	n.
11. Other expenses	0	0	0	0	–3
12. Corporate tax	–1	519	–83 013	–124 279	–194 621
Profit / Loss (–) for the year	–3 370 413	–579 593	355 391	660 944	825 252

3.2.8.3 Dividend per share

(in €)

	2023	2022	2021	2020	2019
Gross dividend	1.50	1.50	138.04	105.77	122.57
Withholding tax	0.45	0.45	41.41	31.73	36.77
Net dividend	1.05	1.05	96.63	74.04	85.80

3.3 Auditor's report to the Council of Regency

Auditor's report to the Council of Regency of The National Bank of Belgium SA/NV on the annual accounts as of and for the year ended 31 December 2023

FREE TRANSLATION OF UNQUALIFIED AUDITOR'S REPORT ORIGINALLY PREPARED IN FRENCH AND DUTCH

In the context of the statutory audit of the annual accounts of The National Bank of Belgium SA/NV ("the Company"), we provide you with our auditor's report. This includes our report on the annual accounts for the year ended on 31 December 2023, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as auditor by the general meeting of 15 May 2023, in accordance with the public procurement regulation, on the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended on 31 December 2025. This is the first exercise for which we have performed the statutory audit of the annual accounts of the National Bank of Belgium SA/NV.

Report on the annual accounts

Unqualified opinion

In compliance with article 27.1 of the Protocole (No 4) on the statute of the European System of Central Banks and of the European Central Bank, we have audited the annual accounts of the National Bank of Belgium SA/NV as of and for the year ended on 31 December 2023, prepared in accordance with the financial reporting framework applicable to the Bank as described in the paragraph "Emphasis of matter - Accounting framework applicable to the Bank" (hereinafter "the accounting framework applicable to the Bank"). These annual accounts comprise the balance sheet as at 31 December 2023, the income statement for the year then ended and the notes. The balance sheet total amounts to KEUR 286.372.702 and the income statement shows a loss for the year of KEUR 3.370.413.

In our opinion, the annual accounts give a true and fair view of the Bank's equity and financial position as at 31 December 2023 and of its financial performance for the year then ended in accordance with the accounting framework applicable to the Bank.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Auditors' responsibility for the audit of the annual accounts" section of our report. We have complied with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the independence requirements.

Zetel - Siège:
Luchthaven Brussel Nationaal 1K
B-1930 Zaventem

KPMG Bedrijfsrevisoren - KPMG Réviseurs d'Entreprises BV/SRL
Ondernemingsnummer / Numéro d'entreprise 0419.122.548
BTW - TVA BE 0419.122.548
RPR Brussel - RPM Bruxelles
IBAN : BE 95 0018 4771 0358
BIC : GEBABEBB

We have obtained from the board of directors and the Bank's officials the explanations and information necessary for performing our audit.

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

Emphasis of matter – Accounting framework applicable to the Bank

We draw attention to section "3.2.7.1. Legal framework » of the annual accounts which describes the accounting framework applicable to the Bank. The annual accounts are drawn up in accordance with article 33 of the Act of 22 February 1998 establishing the organic statute of the National Bank of Belgium.

Our opinion is not modified in respect of this matter.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Credit risk linked to the bond portfolios

We refer to the notes 2 "Claims on non-euro area residents denominated in foreign currency", 3 "Claims on euro area residents denominated in foreign currency", 7 "Securities of euro area residents denominated in euro", 9 "Other assets", 21 "Provisions" of the annual accounts as well as sections "3.1.2.1.1 Portfolios and risk factors" and "3.1.2.1.3 Risk Management" of the management report.

- Description

In the context of its market and monetary policy support activities, the Bank holds bond portfolios, including securities held for monetary policy purposes resulting from asset purchase programs, and is exposed to the risk of credit, considered significant due to amongst others the size of said portfolios. Furthermore, in accordance with the concept of risk sharing applicable within the network of European central banks, the Bank is also partially exposed to credit risk on bond portfolios held by other European central banks. This exposure is presented in the "Monetary policy operations to which risk-sharing applies" section of the management report.

As of 31 December 2023, the amount of the Bank's bond portfolios amounts to EUR 238.1 billion, of which EUR 229.7 billion are valued at amortized cost. The amount of write-down recorded as of 31 December 2023 amounts to EUR 1.5 million.

Due to the importance of the portfolios held by the Bank, its exposure to risk on portfolios held by other European central banks and the judgment required to determine the amount of write-down (provision in Bank terminology), we consider the credit risk linked to the bond portfolios as a key audit matter.

- *Our audit procedures*
  - Acquire an understanding of the processes and internal control measures relevant to the monitoring of credit risk linked to the portfolios held by the Bank and the bond portfolios held by other European central banks;
  - Assess the design and implementation of key controls relating to the credit risk provisioning process;
  - Analyze the minutes of the committees within the network of European central banks "Risk Management Committee" (RMC) and "Accounting and Monetary Income Committee" (AMICO) and the justification for the conclusions included therein;
  - Analyze internal audit reports or other reports issued by management and the bodies of the European Central Bank and assess the basis for the conclusions and the impacts, where applicable, on our risk assessment;
  - Based on a sample of securities as of 31 December 2023 presenting possible indicators of write-down in accordance with internal policy (including the watch list as well as the list of securities whose decline in market value could indicate a deteriorated credit environment), discuss and assess the appropriateness of the Bank's conclusion as well as assess the relevance of management's documentation;
  - Assess the procedure applicable at the level of the European Central Bank for the identification of credit risks on the portfolio held by the Bank and the bond portfolios held by other European central banks;
  - For exposures held by other European central banks: inspect the correspondence between the European Central Bank and the Bank and analyze the minutes of the relevant European write-down committees in order to identify the exposures subject to a write-down as well as the amount thereof;
  - For the exposures listed above, obtain confirmation from the auditor of the European Central Bank of the completeness of the write-down having been the subject of risk sharing;
  - Recalculate the amount of the value reduction based on the risk sharing methodology.
  - Retrospective analysis of write-down recognized in application of risk sharing in order to corroborate the correct application of the procedure.

Other matter

The Bank's annual accounts for the financial year ended on 31 December 2022 were audited by another auditor who expressed in its report dated 24 March 2023, an unqualified opinion on these annual accounts.

Board of directors' responsibilities for the preparation of the annual accounts

The board of directors is responsible for the preparation of these annual accounts that give a true and fair view in accordance with the accounting reporting framework applicable to the Bank, and for such internal control as board of directors determines, is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance as to whether the annual accounts as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these annual accounts.

When performing our audit, we comply with the legal, regulatory and professional requirements applicable to audits of the annual accounts in Belgium. The scope of the statutory audit of the annual accounts does not extend to providing assurance on the future viability of the Bank nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Company. Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatements of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit 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 Company’s internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the Board of Directors

The board of directors is responsible for the preparation and the content of the board of directors’ annual report on the annual accounts, the statement of the non-financial information attached to the board of directors’ annual report on the annual accounts and the other information included in the annual report, of the documents required to be filed in accordance with the legal and regulatory requirements, for maintaining the Bank’s accounting records in compliance with the law of 22 February 1998 establishing the organic status of the National Bank of Belgium, the provisions of the Companies and Associations Code which apply to it, the legal and regulatory provisions relating to accounting and annual accounts and the Bank's bylaws.

Auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the annual accounts, the statement of the non-financial information attached to the board of directors' annual report on the annual accounts and the other information included in the annual report, certain documents to be filed in accordance with legal and regulatory requirements, compliance with the law of 22 February 1998 establishing the organic statute of the National Bank of Belgium SA/NV, the provisions of the Companies and Associations Code applicable to it, the legal and regulatory provisions relating to accounting and annual accounts and the bylaws of the Bank, as well as reporting on these elements.

Aspects concerning the board of directors' annual report on the annual accounts and other information included in the annual report

Based on specific work performed on the board of directors' annual report on the annual accounts, we are of the opinion that this report is consistent with the annual accounts for the same period and has been prepared in accordance with articles 3:5 and 3:6 of the Companies' and Associations' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the annual accounts and other information included in the annual report:

- 3.1.2. Risk Management
- 3.1.9.2. Internal control and risk management in connection with the financial reporting process
- 3.1.10. Remuneration report
- Chapitre 2 – section II – Environmental information
- Chapitre 2 – section III – Social information
- Chapitre 2 – section IV – Governance information

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:6 §4 of the Companies' and Associations' Code has been included in the board of directors' annual report on the annual accounts, which is part of section "Chapter 2 – The NBB as a socially responsible organization" of the annual report. The Bank has prepared this non-financial information based on the Directive 2013/34/EU on the publication of non-financial information and information relating to diversity by large companies and large groups (Non-Financial Reporting Directive, NFRD). In accordance with art 3:75 §1, 1st paragraph, 6° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the mentioned Directive 2013/34/UE.

Information regarding the documents to be filed in accordance with article 3:12 §1 5° of the Companies’ and Associations’ Code

The following documents, which are to be filed the National Bank of Belgium in accordance with article 3:12 §1 5° of the Companies’ and Associations’ Code, include, with respect to form and content, the information required by law and do not present any material inconsistencies with the information that we became aware of during the performance of our engagement:

- a document with the following information, unless already separately disclosed in the annual accounts:
  - at the closing of the financial year, the amount of the debts or parts of the debts guaranteed by the Belgian government;
  - on the same date, the amount of the debts due and payable to any tax authorities and to the National Social Security Service, irrespective of whether an extension of payment has been obtained;
  - in respect of the closed financial year, the amount of the capital and interest subsidies paid or granted by public authorities or institutions.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the annual accounts and our audit firm remained independent of the Bank during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit of the annual accounts referred to in article 3:65 of the Companies’ and Associations’ Code were correctly stated and disclosed in the notes to the annual accounts.

Other aspects

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable to the Bank.
- The appropriation of results proposed to the Council of Regency complies with the legal provisions and the provisions of the articles of association.
- We do not have to inform you of any transactions undertaken or decisions taken in breach of the law of 22 February 1998 establishing the organic statute of the National Bank of Belgium SA/NV, the provisions of the Companies and Associations Code applicable to it, the legal and regulatory provisions relating to accounting and annual accounts and the bylaws of the Bank.
- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Auditor's report to the Council of Regency of the National Bank of Belgium SA/NV on the annual accounts as of and for the year ended on 31 December 2023

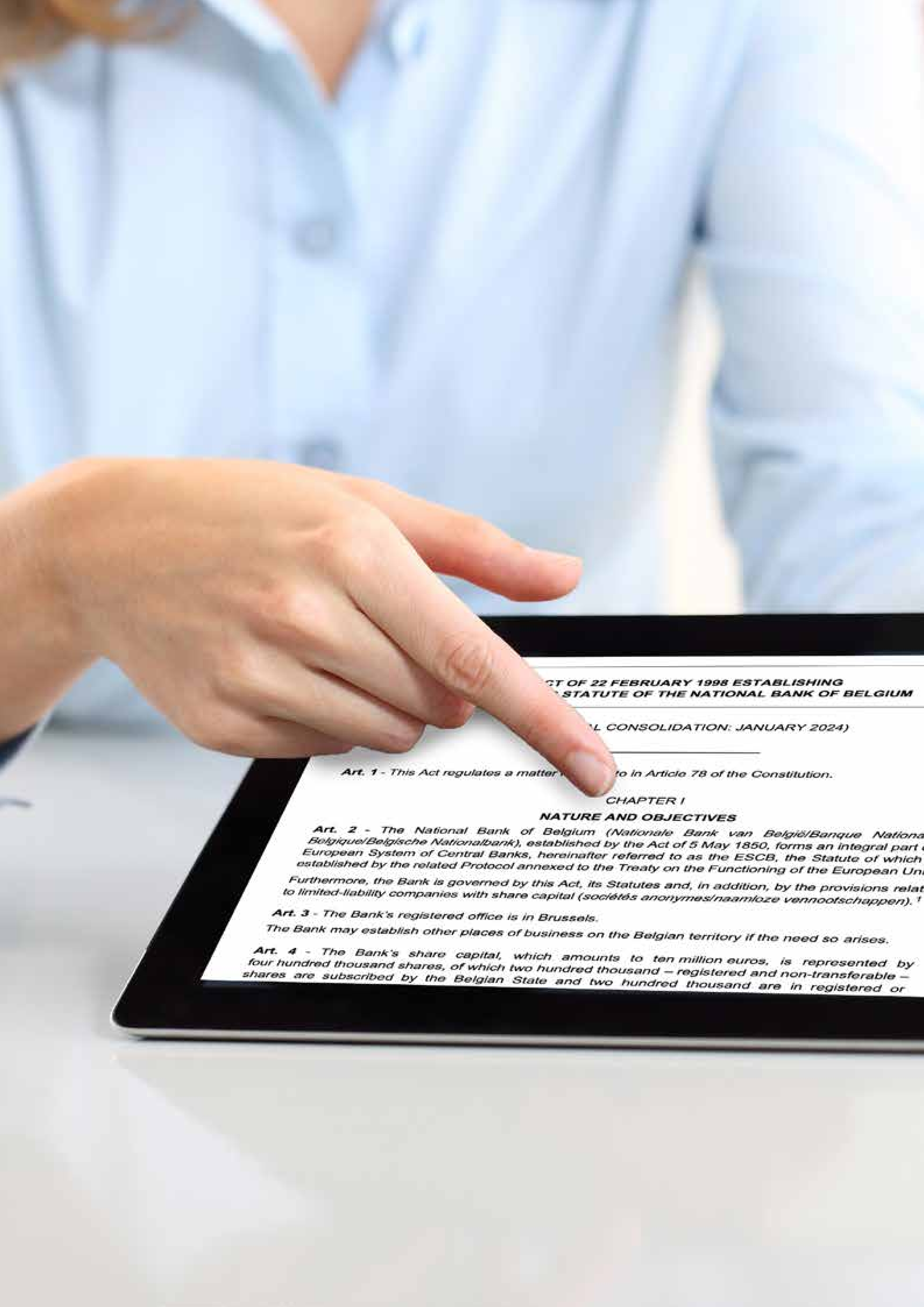
Zaventem, 27 March 2024

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Auditor
represented by

Olivier Macq
Bedrijfsrevisor / Réviseur d'Entreprises

3.4 Approval by the Council of Regency

Having taken note of the examination by the Audit Committee, the Council of Regency approved the annual accounts and the report on the company's activities in the year 2023 on 27 March 2024 and determined the final allocation of the result for that year. In accordance with Article 44 of the Statutes, the approval of the accounts implies a discharge for the members of the Board of Directors.


OF 22 FEBRUARY 1998 ESTABLISHING
STATUTE OF THE NATIONAL BANK OF BELGIUM
CONSOLIDATION: JANUARY 2024)
Art. 1 - This Act regulates a matter
to in Article 78 of the Constitution.
CHAPTER I
NATURE AND OBJECTIVES
Art. 2 - The National Bank of Belgium (Nationale Bank van België/Banque
Belgique/Belgische Nationalbank), established by the Act of 5 May 1850, forms an integral part
European System of Central Banks, hereinafter referred to as the ESCB, the Statute of which
established by the related Protocol annexed to the Treaty on the Functioning of the European
Furthermore, the Bank is governed by this Act, its Statutes and, in addition, by the provisions
to limited-liability companies with share capital (sociétés anonymes/naamloze vennootschappen).
Art. 3 - The Bank's registered office is in Brussels.
The Bank may establish other places of business on the Belgian territory if the need so arises.
Art. 4 - The Bank's share capital, which amounts to ten million euros, is represented by
four hundred thousand shares, of which two hundred thousand – registered and non-transferable –
shares are subscribed by the Belgian State and two hundred thousand are in registered or