

Balance Sheet as at 31 December 2001

Assets	Note number	2001 €	2000 €
1 Gold and gold receivables	1	7,766,265,040	7,040,906,565
2 Claims on non-euro area residents denominated in foreign currency	2		
2.1 Receivables from the IMF		72,074,161	0
2.2 Balances with banks and security investments, external loans and other external assets		41,162,620,238	37,475,047,829
		41,234,694,399	37,475,047,829
3 Claims on euro area residents denominated in foreign currency	2	3,636,568,460	3,824,522,571
4 Claims on non-euro area residents denominated in euro	3		
Balances with banks, security investments and loans		391,170,869	698,252,463
5 Other claims on euro area credit institutions denominated in euro	4	0	288,143,000
6 Securities of euro area residents denominated in euro	5	4,423,742,115	3,667,731,194
7 Intra-Eurosystem claims	6		
Other claims within the Eurosystem (net)		9,697,303,920	13,080,794,017
8 Other assets			
8.1 Tangible and intangible fixed assets	7.1	100,585,654	64,168,178
8.2 Other financial assets	7.2	92,762,198	81,758,341
8.3 Off-balance-sheet instrument revaluation differences		0	251,564,471
8.4 Accruals and deferred expenditure	7.3	620,508,777	862,316,142
8.5 Sundry items	7.4	97,569,394	3,747,484
		911,426,023	1,263,554,616
Total assets		68,061,170,826	67,338,952,255
Memorandum item			
Forward claims denominated in euro		0	2,885,697,468

Liabilities	Note number	2001 €	2000 €
1 Liabilities to euro area credit institutions denominated in euro	8	0	288,143,000
2 Liabilities to other euro area residents denominated in euro	9	1,022,000,000	1,080,000,000
3 Liabilities to non-euro area residents denominated in euro	10	271,375,580	3,421,112,123
4 Liabilities to euro area residents denominated in foreign currency	11	17,192,783	0
5 Liabilities to non-euro area residents denominated in foreign currency Deposits, balances and other liabilities	11	5,840,349,099	4,803,381,255
6 Intra-Eurosystem liabilities Liabilities equivalent to the transfer of foreign reserves	12	40,497,150,000	39,468,950,000
7 Other liabilities	13		
7.1 Accruals and deferred income		1,759,319,678	1,626,022,228
7.2 Sundry items		94,122,190	52,005,650
		1,853,441,868	1,678,027,878
8 Provisions	14	2,803,216,269	2,637,039,135
9 Revaluation accounts	15	9,429,002,830	7,972,626,864
10 Capital and reserves	16		
10.1 Capital		4,097,229,250	3,999,550,250
10.2 Reserves		408,393,225	0
		4,505,622,475	3,999,550,250
11 Profit for the year		1,821,819,922	1,990,121,750
Total liabilities		68,061,170,826	67,338,952,255
Memorandum item Forward liabilities denominated in foreign currency		0	2,885,697,468

Profit and Loss Account for the year ending 31 December 2001

	Note number	2001 €	2000 €
Interest income on foreign reserve assets		1,707,431,459	2,507,164,892
Other interest income		2,271,293,068	4,657,469,867
<i>1.1 Interest income</i>		3,978,724,527	7,164,634,759
Remuneration of NCBs' claims in respect of foreign reserves transferred		(1,509,312,118)	(1,375,110,826)
Other interest expense		(1,698,022,587)	(4,375,476,075)
<i>1.2 Interest expense</i>		(3,207,334,705)	(5,750,586,901)
1 Net interest income	1	771,389,822	1,414,047,858
2.1 Realised gains/losses arising from financial operations	2	1,351,881,733	3,352,768,266
2.2 Write-downs on financial assets and positions	3	(109,023,392)	(1,084,563)
2.3 Transfer to/from provisions for foreign exchange rate and price risks		109,023,392	(2,600,000,000)
2 Net result of financial operations, write-downs and risk provisions		1,351,881,733	751,683,703
3 Net income from fees and commissions	4	298,120	673,498
4 Other income	5	1,393,851	904,158
Total net income		2,124,963,526	2,167,309,217
5 Staff costs	6 & 7	(97,288,818)	(80,275,827)
6 Administrative expenses	8	(185,712,394)	(82,808,524)
7 Depreciation of tangible and intangible fixed assets		(20,142,392)	(14,103,116)
Profit for the year		1,821,819,922	1,990,121,750

Frankfurt am Main, 12 March 2002

EUROPEAN CENTRAL BANK

Willem F. Duisenberg
President

Accounting policies¹

Form and presentation of the financial statements

The financial statements of the European Central Bank (ECB) have been designed to present fairly the financial position of the ECB and the results of its operations. They have been drawn up in accordance with the following accounting policies, which the Governing Council of the ECB considers to be appropriate to the function of a central bank. These policies are consistent with the provisions of Article 26.4 of the Statute of the ESCB, which require a standardised approach to the rules governing the accounting and reporting operations of the Eurosystem.

Accounting principles

The following accounting principles have been applied: economic reality and transparency, prudence, recognition of post-balance-sheet events, materiality, the accruals principle, going concern and consistency and comparability.

Basis of accounting

The accounts have been prepared on a historical cost basis, modified to include market valuation of marketable securities, gold and all other on-balance-sheet and off-balance-sheet assets and liabilities denominated in foreign currency. Transactions in financial assets and liabilities are reflected in the accounts on the basis of the date on which they are settled.

Gold, foreign currency assets and liabilities

Assets and liabilities denominated in foreign currency are converted into euro at the exchange rate prevailing on the balance sheet date. Income and expenses are converted at

the exchange rate prevailing at the time of the transaction. The revaluation of foreign exchange assets and liabilities is performed on a currency-by-currency basis, including on-balance-sheet and off-balance-sheet instruments.

Revaluation to the market price for assets and liabilities denominated in foreign currency is treated separately from the exchange rate revaluation.

No distinction is made between the price and currency revaluation differences for gold. Instead, a single gold valuation is accounted for on the basis of the price in euro per fine ounce of gold, which is derived from the exchange rate of the euro against the US dollar on 28 December 2001.

Securities

All marketable debt securities and similar assets are valued at the mid-market prices prevailing at the balance sheet date. For the year ending on 31 December 2001, mid-market prices on 28 December 2001 were used. Non-marketable securities are valued at cost.

Income recognition

Income and expenses are recognised in the period in which they are earned or incurred. Realised gains and losses are taken to the profit and loss account. An average cost method is used on a daily basis to calculate the acquisition cost of individual items. In the event of an unrealised loss on any item at the year-end, the average cost of that item is reduced in line with the end-of-year exchange rate and/or market price.

¹ The detailed accounting policies of the ECB are laid down in a Decision of the Governing Council of the ECB of 12 December 2000 (ECB/2000/16) OJ L 33, 2.2.2001.

Unrealised gains are not recognised as income, but are transferred directly to a revaluation account.

Unrealised losses are taken to the profit and loss account if they exceed previous revaluation gains registered in the corresponding revaluation account. Unrealised losses in any one security or currency or in gold are not netted against unrealised gains in other securities, currencies or gold.

Premiums or discounts arising on purchased securities are calculated and presented as part of interest income and are amortised over the remaining life of the assets.

Repurchase agreements

Repurchase agreements are recorded in the balance sheet as collateralised inward deposits. The balance sheet shows the deposits and the value of the securities used as collateral. Securities sold under this type of agreement remain on the balance sheet of the ECB and are treated as if they had remained part of the portfolio from which they were sold. Agreements involving securities denominated in foreign currency have no effect on the average cost of the currency position.

Reverse repurchase agreements are recorded as collateralised loans on the assets side of the balance sheet, for the value of the loan. Securities acquired under this type of agreement are not revalued.

Repurchase agreements and reverse repurchase agreements (including security lending transactions) conducted under an automated security lending programme are recorded with effect on the balance sheet for such transactions only where collateral is provided by the borrower in the form of cash over the maturity of the operation. In 2001, the ECB did not receive any collateral in the form of cash over the maturity of such an operation.

Off-balance-sheet instruments

Currency instruments, namely foreign exchange forward transactions, forward legs of foreign exchange swaps and other currency instruments involving an exchange of one currency for another at a future date, are included in the net foreign currency position for the purpose of calculating foreign exchange gains and losses. Interest rate instruments are revalued on an item-by-item basis and treated in a similar manner to securities. For foreign exchange swaps, the forward position is revalued in conjunction with the spot position. Consequently, no net valuation differences arise since the currency received and the obligation to return it are both valued at the same market rate in euro. Profits and losses arising from off-balance-sheet instruments are recognised and treated in the same way as profits and losses relating to on-balance-sheet instruments.

Post-balance-sheet events

Assets and liabilities are adjusted for events that occur between the annual balance sheet date and the date on which the Governing Council of the ECB approves the financial statements if such events materially affect the condition of assets and liabilities at the balance sheet date.

Intra-ESCB balances

Intra-ESCB transactions are cross-border transactions that occur between two EU central banks. These transactions are processed primarily via TARGET² and give rise to bilateral balances in accounts held between those EU central banks connected to TARGET. These bilateral balances are novated to the ECB daily, leaving each NCB with a single net bilateral position vis-à-vis the ECB only. This position in the books of the ECB represents the net claim or liability of each NCB against the rest of the ESCB.

² TARGET is the Trans-European Automated Real-time Gross settlement Express Transfer system (see also Chapter VII).

Intra-ESCB balances of the participating NCBs with the ECB (except for the capital of the ECB and positions resulting from the transfer of foreign reserve assets to the ECB) are described as intra-Eurosystem claims or liabilities and are presented in the Balance Sheet of the ECB as a single net asset or liability position.

Intra-ESCB balances of the non-participating NCBs with the ECB are disclosed under "Liabilities to non-euro area residents denominated in euro".

Treatment of tangible and intangible fixed assets

Tangible fixed assets are valued at cost less depreciation. Depreciation is calculated on a straight-line basis, beginning in the quarter after acquisition and continuing over the expected economic lifetime of the asset, namely:

- Computers, related hardware and software, and motor vehicles: four years;
- Equipment, furniture and plant in building: ten years;
- Building and capitalised refurbishment expenditure: twenty-five years.

Fixed assets costing less than €10,000 are written off in the year of purchase.

The ECB's retirement plan

The ECB operates a defined contribution pension scheme. The assets of the plan, which exist solely for the purpose of providing benefits for members of the plan and their dependants, are included in the other assets of the ECB and are identified separately. Valuation gains and losses arising on the assets of the pension fund are recognised as income and expenditure of the retirement plan in the year in which they arise. The benefits payable from the core benefit account, resulting from the contributions of the ECB, have minimum guarantees

underpinning the defined contribution benefits.

Entry of Greece into the euro area

Following the entry of Greece into the euro area on 1 January 2001:³

- the Bank of Greece transferred to the ECB an amount of €97,679,000 representing the remaining 95% of its capital subscription to add to the 5% already paid-up;
- between 2 and 5 January 2001, and in accordance with Article 30.1 of the Statute of the ESCB, the Bank of Greece transferred foreign reserve assets to the ECB with a total value equivalent to €1,278,260,161⁴. These foreign reserve assets comprised amounts of gold, US dollars and Japanese yen in the same proportions as the amounts transferred by the other participating NCBs at the beginning of 1999. The currency component was transferred in the form of cash and securities. The Bank of Greece was subsequently credited with a claim on the ECB in respect of the paid-up capital and foreign reserve assets equivalent to the amounts transferred.
- the depreciation of the euro, in particular vis-à-vis the US dollar, implied that the euro equivalent of the foreign reserve assets transferred by the Bank of Greece, calculated using rates as of 29 December 2000, was higher than would have been the case had the Bank of Greece transferred these assets along with the other participating NCBs in 1999. Had the Bank of Greece been credited with a claim of €1,278,260,161, this would have implied

³ Council Decision (2000/427/EC) of 19 June 2000 in accordance with Article 122 (2) of the Treaty on the adoption by Greece of the single currency on 1 January 2001, and Article 49 of the Statute of the ESCB and the legal acts adopted pursuant to that Article by the Governing Council of the ECB on 16 November 2000.

⁴ This latter figure was determined by multiplying the euro value, at the exchange rates prevailing on 29 December 2000, of the foreign reserve assets already transferred to the ECB by the existing members of the Eurosystem by the ratio between the number of shares subscribed by the Bank of Greece and the number of shares already paid up by the other NCBs without a derogation.

that they would have had a higher share in the total claims of the participating NCBs on the ECB than their respective share in the capital of the ECB would have permitted. Consequently this claim was reduced, in agreement with the Bank of Greece, to €1,028,200,000 so that the claim of the Bank of Greece on the ECB would be in line with its share in the ECB's capital.

- the difference between the adjusted claim and the value of the assets transferred was recorded as part of the contributions of the Bank of Greece, due under Article 49.2 of the Statute of the ESCB, to the provisions and reserves of the ECB existing as at 31 December 2000. The total payment by the Bank of Greece in respect of these contributions amounted to €285,794,874 and can be broken down as follows:

Contributions of the Bank of Greece under Article 49.2 of the Statute of the ESCB

ECB provisions and reserves	Amount €	Balance sheet note
Special provision against exchange rate and interest rate risk	67,732,230	14
Revaluation accounts	207,693,768	15
General reserve fund	10,368,876	16
Total	285,794,874	

The outstanding balance of €35,734,713 was paid on 30 March 2001 after the ECB's annual accounts for 2000 had been approved.

Other issues

Having regard to the role of the ECB as a central bank, the Executive Board of the ECB is of the opinion that the publication of a cash flow statement will not provide the readers of the financial statements with any additional relevant information.

In accordance with Article 27 of the Statute of the ESCB, and on the basis of a recommendation of the Governing Council of the ECB, the Council of the European Union has approved the appointment of PricewaterhouseCoopers GmbH as the external auditors of the ECB.

Notes on the Balance Sheet

1 Gold and gold receivables

The ECB holds 24.7 million ounces of fine gold (2000: 24 million ounces). No transactions in gold took place in 2001. The increase in this position is due to revaluation and to the transfer of gold from the Bank of Greece under Article 30.1 of the Statute of the ESCB (see "Gold, foreign currency assets and liabilities" and "Entry of Greece into the euro area" in the notes on accounting policies).

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

2.1 Receivables from the IMF

This asset represents the ECB's holdings of Special Drawing Rights (SDRs) as at 31 December 2001. In 2001 the ECB agreed to establish a two-way SDR buying and selling arrangement with the International Monetary Fund (IMF) whereby the IMF is authorised to arrange sales or purchases of SDRs against euro, on behalf of the ECB, within minimum and maximum holdings levels.

The SDR is defined in terms of a basket of currencies. Its value is determined as the weighted sum of exchange rates of the four major currencies (US dollar, pound sterling, Japanese yen and euro). For accounting purposes, SDRs are treated as a foreign currency asset (see "Gold, foreign currency assets and liabilities" in the notes on accounting policies).

2.2 Balances with banks and security investments, external loans and other external assets Claims on euro area residents denominated in foreign currency

These claims consist of balances with foreign banks, loans denominated in foreign currency and investments in securities, denominated in US dollars and Japanese yen.

3 Claims on non-euro area residents denominated in euro

As at 31 December 2001, this claim consisted of bank deposits with non-euro area residents.

4 Other claims on euro area credit institutions denominated in euro

As at 31 December 2001, except for those transactions conducted under the automatic securities lending programme (see note 18), there were no outstanding reverse repurchase operations conducted with euro area credit institutions in connection with the management of the ECB's own funds.

5 Securities of euro area residents denominated in euro

These securities comprise marketable debt issued by specific euro area issuers with a high level of credit quality.

6 Intra-Eurosystem claims

This item consists mainly of the TARGET balances of the participating NCBs vis-à-vis the ECB (see "Intra-ESCB balances" in the notes on accounting policies).

	2001 €	2000 €
Due from participating central banks in respect of TARGET	66,908,187,928	59,010,910,157
Due to participating central banks in respect of TARGET	(57,210,884,008)	(45,930,059,415)
Net position	9,697,303,920	13,080,850,742

7 Other assets

7.1 Tangible and intangible fixed assets

These assets comprised the following main items on 31 December 2001:

	Net book value as at 31 Dec. 2001 €	Net book value as at 31 Dec. 2000 €
Land and buildings	39,288,068	1,305,097
Computers	28,703,744	21,042,849
Equipment, furniture, plant in building and motor vehicles	4,492,005	4,852,047
Assets under construction	8,077,125	21,691,248
Other fixed assets	20,024,712	15,276,937
Total	100,585,654	64,168,178

The principal increase, under the heading “Land and buildings”, relates to capitalised costs of the ECB’s installations at its second site, the Eurotheum, transfers from the category “Assets under construction” following commencement of use of the assets, and the acquisition of an official residence for Presidents of the ECB.

7.2 Other financial assets

The main components of this item are as follows:

- (a) The investment portfolios relating to the ECB pension fund, which are valued at €53.9 million (2000: €42.9 million). The assets held represent the investments of accumulated pension contributions by the ECB and the staff of the ECB as at 31 December 2001, and are managed by an external fund manager. The regular contributions of the ECB and members of the plan have been invested on a monthly basis. The assets of the plan are not fungible with other financial assets of the ECB, and net income thereon does not constitute income of the ECB, but is

reinvested in the funds concerned, pending payment of benefits. The value of the assets held by the plan is based on a valuation by the external fund manager, using year-end market prices.

- (b) The ECB holds 3,000 shares in the Bank for International Settlements, which are included at the acquisition cost of €38.5 million.

7.3 Accruals and deferred expenditure

The principal component of this item is accrued interest on securities and other financial assets.

7.4 Sundry items

The increase in sundry items in 2001 is primarily due to the capitalisation of banknote production costs related to the production of a contingency stock of euro banknotes for the Eurosystem. These costs have been borne in the first instance by the ECB pending the allocation of the stock to NCBs at cost.

This position also includes a claim against the German Federal Ministry of Finance in respect of recoverable value added and other indirect taxes paid. Such taxes are refundable under the terms of Article 3 of the Protocol concerning the Privileges and Immunities of the European Communities, which applies to the ECB by virtue of Article 40 of the Statute of the ESCB.

8 Liabilities to euro area credit institutions denominated in euro

As at 31 December 2001, except for those transactions conducted under the automatic securities lending programme (see note 18), there were no outstanding repurchase operations conducted with euro area credit institutions in connection with the management of the ECB’s own funds.

9 Liabilities to other euro area residents denominated in euro

This item comprises deposits by members of the Euro Banking Association (EBA), which are used in order to provide the ECB with collateral in respect of the EBA's payments settled through the TARGET system.

10 Liabilities to non-euro area residents denominated in euro

These liabilities principally represent balances held at the ECB by non-participating NCBs arising from transactions processed via the TARGET system (see "Intra-ESCB balances" in the notes on accounting policies).

11 Liabilities to euro area and non-euro area residents denominated in foreign currency

These liabilities arise from repurchase agreements conducted with euro area and non-euro area residents in connection with the management of the foreign currency reserves of the ECB.

12 Intra-Eurosystem liabilities

These represent the liabilities to participating NCBs that arose from the transfer of foreign reserve assets to the ECB. The original liabilities were denominated in euro on a fixed basis determined by the value of the assets at the time of their transfer, and are remunerated at the short-term refinancing rates of the Eurosystem, adjusted to reflect a zero return on the gold component (see "Notes on the Profit and Loss Account", note 1). The total liability has increased as a result of the transfer of such assets by the Bank of Greece at the beginning of 2001 (see "Entry of Greece into the euro area" in the notes on accounting policies).

	Capital key %	€
Nationale Bank van België/ Banque Nationale de Belgique	2.8658	1,432,900,000
Deutsche Bundesbank	24.4935	12,246,750,000
Bank of Greece	2.0564	1,028,200,000
Banco de España	8.8935	4,446,750,000
Banque de France	16.8337	8,416,850,000
Central Bank of Ireland	0.8496	424,800,000
Banca d'Italia	14.8950	7,447,500,000
Banque centrale du Luxembourg	0.1492	74,600,000
De Nederlandsche Bank	4.2780	2,139,000,000
Oesterreichische Nationalbank	2.3594	1,179,700,000
Banco de Portugal	1.9232	961,600,000
Suomen Pankki – Finlands Bank	1.3970	698,500,000
Total	80.9943	40,497,150,000

13 Other liabilities

This item consists mainly of interest due to the NCBs in respect of their claims relating to the foreign reserves transferred (see note 12). The ECB's liabilities in respect of the pension fund of €53.9 million (2000: €42.9 million) and other accruals are also shown under this item.

14 Provisions

As at 31 December 2000, taking into account the ECB's large exposure to exchange rate and interest rate risk, and the size of its revaluation reserves, it was deemed appropriate to establish a special provision against these risks amounting to €2,600 million. In accordance with Article 49.2 of the Statute of the ESCB, the Bank of Greece also contributed an amount of €67.7 million in March 2001 to this provision (see "Entry of Greece into the euro area" in the notes on accounting policies). The continuing requirement for this provision is reviewed on an annual basis.

This position also includes administrative provisions relating to expenditure on goods and services. Given the ECB's announcement in 2001 of its intention to acquire a site in the city of Frankfurt am Main on which to

construct its permanent premises, it became appropriate to make an adequate provision against the contractual obligation to restore its current premises to their original condition when these are vacated.

15 Revaluation accounts

These accounts represent revaluation reserves arising from unrealised gains on assets and liabilities. The balances include contributions made by the Bank of Greece in accordance with Article 49.2 of the Statute of the ESCB (see “Entry of Greece into the euro area” in the notes on accounting policies).

	2001 €	2000 €
Gold	1,691,913,278	1,120,787,564
Foreign currency	7,428,130,700	6,228,835,267
Securities	308,958,852	623,004,033
Total	9,429,002,830	7,972,626,864

16 Capital and reserves

Capital

The fully paid-up subscriptions of the participating NCBs to the capital of the ECB of €5 billion amount to a total of €4,049,715,000 as shown below:

	Capital key %	€
Nationale Bank van België/ Banque Nationale de Belgique	2.8658	143,290,000
Deutsche Bundesbank	24.4935	1,224,675,000
Bank of Greece	2.0564	102,820,000
Banco de España	8.8935	444,675,000
Banque de France	16.8337	841,685,000
Central Bank of Ireland	0.8496	42,480,000
Banca d'Italia	14.8950	744,750,000
Banque centrale du Luxembourg	0.1492	7,460,000
De Nederlandsche Bank	4.2780	213,900,000
Oesterreichische Nationalbank	2.3594	117,970,000
Banco de Portugal	1.9232	96,160,000
Suomen Pankki – Finlands Bank	1.3970	69,850,000
Total	80.9943	4,049,715,000

The non-participating NCBs' contributions, which represent 5% of the amount which would be payable if these countries were to participate in Monetary Union, amount to a total of €47,514,250 as shown below:

	Capital key %	€
Danmarks Nationalbank	1.6709	4,177,250
Sveriges Riksbank	2.6537	6,634,250
Bank of England	14.6811	36,702,750
Total	19.0057	47,514,250

These amounts represent contributions to cover the operational costs incurred by the ECB in connection with tasks performed for the non-participating NCBs. The non-participating NCBs are not required to pay up any capital subscriptions beyond the amounts already decided until such time as they join the Eurosystem. They are not entitled to receive any share of the distributable profits of the ECB, nor are they liable to fund any losses of the ECB.

Reserves

In accordance with Article 33 of the Statute of the ESCB and the Governing Council decision of 29 March 2001, an amount of €398 million of the net profit for the year ending 31 December 2000 was transferred to the general reserve fund. The remaining €10.4 million included within this caption relates to the contribution of the Bank of Greece under Article 49.2 of the Statute of the ESCB to the reserves of the ECB (see “Entry of Greece into the euro area” in the notes on accounting policies).

17 Post-balance-sheet events

The Governing Council decided that the ECB and the 12 participating NCBs, which together comprise the Eurosystem, shall issue euro banknotes as from 1 January 2002.⁵ The

⁵ ECB Decision of 6 December 2001 on the issue of euro banknotes (ECB/2001/15), OJ L 337, 20.12.2001, pp. 52-54.

ECB has been allocated a share of 8% of the total value of the euro banknotes in circulation from 2002, while 92% of the euro banknotes are to be issued by the 12 NCBs.

The ECB's share of the total euro banknote issue will be backed by claims on the NCBs as they put the ECB's banknotes into circulation. These claims, which will bear interest⁶, will be allocated among the NCBs in proportion to their respective shares in the ECB's capital.

18 Automatic securities lending programme

As part of the management of the ECB's own funds, the ECB entered into an automatic securities lending programme agreement in 2001, whereby an appointed securities lending agent enters into securities lending transactions on behalf of the ECB with a number of counterparties, designated by the

ECB as eligible counterparties. Under this agreement, transactions in repurchase and reverse repurchase operations, each with a value of €1.6 billion, were outstanding as at 31 December 2001 (see "Repurchase agreements" in the notes on accounting policies).

19 Off-balance-sheet items

The forward claims and liabilities outstanding as at 31 December 2000 in respect of foreign exchange swap contracts were liquidated during 2001.

No contingent liabilities were outstanding as at 31 December 2001.

⁶ ECB Decision of 6 December 2001 on the allocation of monetary income of the national central banks of participating member states from the financial year 2002 (ECB/2001/116), OJ L 337, 20.12.2001, pp. 55-61.

Notes on the Profit and Loss Account

1 Net interest income

This item includes interest income, net of interest expense, in respect of the assets and liabilities denominated in foreign currency, and net interest income on balances arising from TARGET and in respect of other assets and liabilities denominated in euro. The remuneration paid to participating NCBs on their claims on the ECB in respect of the foreign reserve assets transferred under Article 30.1 of the Statute of the ESCB is disclosed separately.

Interest income on foreign reserve assets is disclosed net of interest expense on foreign reserve liabilities as follows:

	2001 €	2000 €
Gross interest income on foreign reserve assets	1,851,694,324	2,734,740,519
Interest expense on foreign reserve liabilities	(144,262,865)	(227,575,627)
Interest income on foreign reserve assets (net)	1,707,431,459	2,507,164,892

The decrease in net interest income compared with 2000 is primarily due to lower net interest income from assets denominated in US dollars. This decrease was partially offset by higher interest income earned from remuneration on larger average balances resulting from TARGET transactions in 2001 when compared with 2000.

The balances for "Other interest income" and "Other interest expense" decreased in 2001, due primarily to netting of bilateral TARGET balances which commenced with effect from 30 November 2000. All TARGET-related bilateral balances between the EU NCBs and the ECB are netted daily at close of business by novating them to the ECB, leaving each NCB with a single net bilateral position vis-à-vis the ECB only (see "Intra-ESCB balances" in the notes on accounting policies).

2 Realised gains/losses arising from financial operations

Net realised gains arose mainly on sales of securities as a result of normal portfolio management transactions. The decrease in net realised gains compared with 2000 is primarily due to the fact that, in 2000, substantial realised gains arose due to the intervention activity of the ECB in the foreign exchange markets. The disposal of foreign currency income earned since the beginning of 1999 was also included in this item. In 2001 no foreign currency intervention activity took place, and disposals of earnings denominated in foreign exchange were suspended.

3 Write-downs on financial assets and positions

This expense is due almost entirely to the write-down of the acquisition cost of individual securities shown in the balance sheet to their market value as at 31 December 2001 due to falls in their prices in the latter part of 2001 (see "Income recognition" in the notes on accounting policies).

4 Net income from fees and commissions

This item consists of the following income and expenses. Income arose from penalties imposed on credit institutions for non-compliance with the minimum reserve requirements.

	2001 €	2000 €
Income from fees and commissions	931,206	1,296,112
Expenses relating to fees and commissions	(633,086)	(622,614)
Net income from fees and commissions	298,120	673,498

5 Other income

Other miscellaneous income during the year arose principally from the transfer of unused administrative provisions to the Profit and Loss Account.

6 Staff costs

Salaries and allowances of €82 million (2000: €67 million) and employer's contributions to the ECB's pension fund and to health and accident insurance are included under this heading. The emoluments of the Executive Board of the ECB amounted to a total of €1.9 million (2000: €1.8 million). No pensions were paid to former members of the Executive Board or their dependants during the year. Salaries and allowances of staff, including the emoluments of holders of senior management positions, are modelled in essence on, and are comparable with, the remuneration scheme of the European Communities.

At the end of 2001, the ECB employed 1,043 staff, of whom 75 held managerial positions. The average number of staff employed by the ECB in 2001 was 997 compared with 823 in 2000. 176 additional staff were employed during the period, and 74 members of staff left the service of the ECB.

7 The ECB's retirement plan

In accordance with the rules of the ECB plan, a triennial full actuarial valuation is required.

The latest actuarial valuation was carried out as at 31 December 2000, using the Projected Unit Credit Method, subject to minimum liabilities equal to cash lump sums that would be payable to members on termination of service.

The pension cost relating to the plan is assessed in accordance with the advice of a qualified actuary. The total pension cost to the ECB including a provision for disability and post-retirement benefits was €14.9 million (2000: €13.1 million). This includes a provision for pensions to members of the Executive Board of €0.7 million (2000: €0.6 million). The required future service contribution rate by the ECB is 16.5% of pensionable earnings of all staff.

8 Administrative expenses

These cover all other current expenses relating to rental of premises, maintenance of premises, goods and equipment of a non-capital nature, professional fees and other services and supplies, together with staff-related expenses including recruitment, relocation, installation, training and resettlement.

The increase in administrative expenditure is primarily due to additional operational costs associated with the ECB's second site, the Eurotheum, and higher consultancy fees, the latter mainly in connection with the preparation of the Euro 2002 Information Campaign.

President and Governing Council
of the European Central Bank

Frankfurt am Main

We have audited the accompanying financial statements of the European Central Bank as at 31 December 2001. The European Central Bank's Executive Board is responsible for the preparation of the accounts. It is our responsibility to form an independent opinion on these accounts based on our audit, and to report our opinion to you.

We conducted our audit in accordance with International Standards of Auditing. An audit includes examinations, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made in the preparation of the accounts, and of whether the accounting policies are appropriate to the European Central Bank's circumstances and adequately disclosed.

In our opinion, the financial statements, which have been prepared under accounting policies set out in the first part of the notes on the accounts of the European Central Bank, give a true and fair view of the financial position of the European Central Bank at 31 December 2001 and the results of its operations for the year then ended.

Frankfurt am Main, 13 March 2002

PricewaterhouseCoopers

GmbH
Wirtschaftsprüfungsgesellschaft

[signed]
(Wagener)
Wirtschaftsprüfer

[signed]
(Kern)
Wirtschaftsprüfer

Note on profit distribution

This note does not form a part of the financial statements of the ECB for the year 2001. It is published in the Annual Report for information purposes.

Profit distribution

Article 33 of the Statute of the ESCB states that the net profit of the ECB shall be transferred in the following order:

- An amount to be determined by the Governing Council, which may not exceed 20% of the net profit, shall be transferred to the general reserve fund subject to a limit equal to 100% of the capital;
- The remaining net profit shall be distributed to the shareholders of the ECB in proportion to their paid-up shares.

In accordance with this Article, the Governing Council decided on 21 March 2002 to transfer an amount of €364 million to the general reserve fund with the remaining balance being distributable to the participating national central banks in proportion to their paid-up capital.

Non-participating national central banks are not entitled to receive any share of the distributable profits.

	2001 €	2000 €
Profit for the year	1,821,819,922	1,990,121,750
Allocations to general reserve fund	(364,363,984)	(398,024,350)
Distributable profits	1,457,455,938	1,592,097,400
Distribution to NCBs	(1,457,455,938)	(1,592,097,400)
Total	0	0