

Balance Sheet as at 31 December 2000

Assets	Note number	2000 €	1999 €
1 Gold and gold receivables	1	7,040,906,565	6,956,995,273
2 Claims on non-euro area residents denominated in foreign currency	2		
Balances with banks and security investments, external loans and other external assets		37,475,047,829	41,923,041,208
3 Claims on euro area residents denominated in foreign currency	2	3,824,522,571	2,595,090,860
4 Claims on non-euro area residents denominated in euro	3		
Balances with banks, security investments and loans		698,252,463	3,002,567,659
5 Other claims on euro area credit institutions denominated in euro	3	288,143,000	565,724,243
6 Securities of euro area residents denominated in euro	4	3,667,731,194	3,537,141,285
7 Intra-Eurosystem claims Other claims within the Eurosystem (net)	5	13,080,794,017	0
8 Other assets			
8.1 Tangible and intangible fixed assets	6.1	64,168,178	42,589,467
8.2 Other financial assets	6.2	81,758,341	76,083,163
8.3 Off-balance-sheet instrument reevaluation differences	6.3	251,564,471	0
8.4 Accruals and deferred expenditure	6.4	862,316,142	777,032,332
8.5 Sundry items	6.5	3,747,484	6,774,149
		1,263,554,616	902,479,111
9 Loss for the year		0	247,281,223
Total assets		67,338,952,255	59,730,320,862
Memorandum item			
Forward claims denominated in euro		2,885,697,468	

Liabilities	Note number	2000 €	1999 €
1 Liabilities to euro area credit institutions denominated in euro	7	288,143,000	265,724,244
2 Liabilities to other euro area residents denominated in euro	8	1,080,000,000	1,080,000,000
3 Liabilities to non-euro area residents denominated in euro	9	3,421,112,123	301,656,911
4 Liabilities to non-euro area residents denominated in foreign currency Deposits, balances and other liabilities	10	4,803,381,255	4,708,950,946
5 Intra-Eurosystem liabilities			
5.1 Liabilities equivalent to the transfer of foreign reserves	11	39,468,950,000	39,468,950,000
5.2 Other liabilities within the Eurosystem (net)	5	0	1,720,937,646
		39,468,950,000	41,189,887,646
6 Other liabilities	12		
6.1 Accruals and deferred income		1,626,022,228	1,237,727,166
6.2 Sundry items		52,005,650	36,881,237
		1,678,027,878	1,274,608,403
7 Provisions	13	2,637,039,135	21,862,239
8 Revaluation accounts	14	7,972,626,864	6,860,539,710
9 Capital and reserves	15		
9.1 Capital		3,999,550,250	3,999,550,250
9.2 Reserves		0	27,540,513
		3,999,550,250	4,027,090,763
10 Profit for the year		1,990,121,750	0
Total liabilities		67,338,952,255	59,730,320,862
Memorandum item			
Forward liabilities denominated in foreign currency		2,885,697,468	

Profit and Loss Account for the year ending 31 December 2000

	Note number	2000 €	1999 €
Interest income on foreign reserve assets		2,507,164,892	1,733,987,854
Other interest income		4,657,469,867	3,122,690,418
<i>1.1 Interest income</i>		7,164,634,759	4,856,678,272
Remuneration of NCBs' claims in respect of foreign reserves transferred		(1,375,110,826)	(913,067,289)
Other interest expense		(4,375,476,075)	(2,988,344,639)
<i>1.2 Interest expense</i>		(5,750,586,901)	(3,901,411,928)
1 Net interest income	1	1,414,047,858	955,266,344
2.1 Realised gains/losses arising from financial operations	2	3,352,768,266	(466,056,435)
2.2 Write-downs on financial assets and positions	3	(1,084,563)	(604,920,383)
2.3 Transfer to/from provisions for foreign exchange rate and price risks		(2,600,000,000)	0
2 Net result of financial operations, write-downs and risk provisions		751,683,703	(1,070,976,818)
3 Net income from fees and commissions	4	673,498	232,200
4 Other income	5	904,158	436,898
Total net income		2,167,309,217	(115,041,376)
5 Staff costs	6 & 7	(80,275,827)	(61,022,091)
6 Administrative expenses	8	(82,808,524)	(60,748,855)
7 Depreciation of tangible and intangible fixed assets		(14,103,116)	(10,468,901)
Profit/(Loss) for the year		1,990,121,750	(247,281,223)

Frankfurt am Main, 13 March 2001

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;
- 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 29 December 2000.

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 2000, mid-market prices on 29 December 2000 were used. Non-marketable securities are valued at cost.

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

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), which has been published in the Official Journal of the European Communities (OJ L 33, 2.2.2001).

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.

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.

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 or currencies.

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.

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 a similar manner to the 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 primarily processed via TARGET², and give rise to bilateral balances in accounts held between each of the central banks (participating NCBs, non-participating NCBs and the ECB) in or connected to TARGET.

With effect from 30 November 2000, all TARGET-related bilateral claims and liabilities 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. This position in the books of the ECB

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

represents the net claim or liability of each NCB against the rest of the ESCB.

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.

Treatment of tangible and intangible fixed assets

Tangible and intangible 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.

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

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.

Changes to the balance sheet format

The Governing Council of the ECB has decided to change the balance sheet format as from the end of 2000. Changes have also been made to the format of the ECB's Profit and Loss Account. The comparative figures shown for 1999 have been adjusted accordingly.

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 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 million ounces of fine gold. No transactions in gold took place in 2000. The balance sheet movement is due to the quarterly revaluation process (see “Gold, foreign currency assets and liabilities” in the notes on accounting policies).

2 Claims on non-euro area and 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 and euro area credit institutions denominated in euro

Claims on non-euro residents consist of bank deposits and repurchase operations conducted in connection with the management of the ECB’s own funds. Similar repurchase operations conducted with euro area residents are shown under “Other claims on euro area credit institutions denominated in euro”.

4 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.

5 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).

	2000 €	1999 €
Due from participating central banks in respect of TARGET	59,010,910,157	7,697,803,922
Due to participating central banks in respect of TARGET	(45,930,059,415)	(9,418,628,635)
Net position	13,080,850,742	(1,720,824,713)

The significant change in this position compared with 1999 is principally due to the effect of purchases of euro against foreign currencies during the year, which were settled via TARGET.

6 Other assets

6.1 Tangible and intangible fixed assets

Net of cumulative depreciation totalling €43.2 million, tangible fixed assets comprised the following main items on 31 December 2000:

	Net book value as at 31 Dec. 2000 €	Net book value as at 31 Dec. 1999 €
Land and buildings	1,305,097	0
Computers	21,042,849	15,865,660
Equipment, furniture, plant in building and motor vehicles	4,852,047	5,955,720
Assets under construction	21,691,248	12,989,835
Other fixed assets	15,276,937	7,778,252
Total	64,168,178	42,589,467

The increase in fixed assets is primarily due to investment in the ECB’s new second site, the Eurotheum. Land and buildings relates to capitalised refurbishment costs at the Eurotower.

6.2 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 €42.9 million (1999: €32.2 million). The assets held represent the investments of accumulated pension contributions by the ECB and the staff of the ECB as at 31 December 2000, 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.

6.3 Off-balance-sheet instrument revaluation differences

This accounting entry represents a revaluation loss on off-balance-sheet forward positions that arise from outstanding foreign exchange swap transactions. Since the corresponding on-balance-sheet spot positions are revalued at the same rate as the forward positions, no net valuation difference results overall (see "Off-balance-sheet instruments" in the notes on accounting policies).

6.4 Accruals and deferred expenditure

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

6.5 Sundry items

This position consists mainly of 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.

7 Liabilities to euro area credit institutions denominated in euro

This item consists of the counterpart of repurchase operations conducted with euro area credit institutions in connection with the investment of the ECB's own funds.

8 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 payments settled through the TARGET system.

9 Liabilities to non-euro area residents denominated in euro

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

10 Liabilities to non-euro area residents denominated in foreign currency

Liabilities arising from repurchase agreements in connection with the management of the foreign currency reserves of the ECB are shown under this heading.

11 Intra-Eurosystem liabilities

At the start of Stage Three of EMU, the NCBs of the participating countries transferred foreign reserve assets to the ECB in accordance with Article 30 of the Statute of the ESCB and a Decision of the Governing Council which gave effect to that Article. Amounts equivalent to €39.5 billion were transferred between 4 and 7 January 1999, in the form of gold, cash and securities.

	Capital key %	€
Nationale Bank van België/ Banque Nationale de Belgique	2.8658	1,432,900,000
Deutsche Bundesbank	24.4935	12,246,750,000
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	1.3970	698,500,000
Total	78.9379	39,468,950,000

The resulting claims of the NCBs are denominated in euro 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). During the first three years of Stage Three of EMU, and following a decision of the Governing Council, these claims are subject to a waiver in the event that the ECB has insufficient net income and reserves to cover unrealised losses caused by falls in the exchange rates relating to the foreign reserve assets held. Any amounts to be waived may not reduce the liability to below 80% of its original value. As at 31 December 2000, no waiver of claims had been invoked.

12 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 11). The ECB's liabilities in respect of the pension fund of €42.9 million (1999: €32.2 million) and other accruals are also shown under this item.

13 Provisions

Taking into account the ECB's large exposure to exchange rate and interest rate risk, and the current size of its revaluation reserves, it was deemed appropriate to establish a special provision against these risks amounting to €2,600 million. The provision will be used to fund future realised and unrealised losses, in particular valuation losses not covered by the revaluation accounts. The continuing requirement for this provision will be reviewed on an annual basis.

The remaining balance consists of administrative provisions relating to expenditure on goods and services.

14 Revaluation accounts

These accounts represent revaluation reserves arising from unrealised gains on assets and liabilities.

	2000 €	1999 €
Gold	1,120,787,564	1,036,876,277
Foreign currency	6,228,835,267	5,821,397,453
Securities	623,004,033	2,265,980
Total	7,972,626,864	6,860,539,710

15 Capital and reserves

The fully paid-up subscriptions of the euro area NCBs to the capital of the ECB of €5 billion amount to a total of €3,946,895,000, 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
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	1.3970	69,850,000
Total	78.9379	3,946,895,000

The non-euro area 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 €52,655,250 as shown below:

	Capital key %	€
Danmarks Nationalbank	1.6709	4,177,250
Bank of Greece	2.0564	5,141,000
Sveriges Riksbank	2.6537	6,634,250
Bank of England	14.6811	36,702,750
Total	21.0621	52,655,250

These amounts represent contributions to cover the operational costs incurred by the ECB in connection with tasks performed for the non-euro area NCBs. The non-euro area NCBs are not required to pay up any capital subscriptions beyond the amounts already decided until such time as they join the Eurosystem. The non-participating NCBs 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.

16 Post-balance-sheet events

Based on 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 in accordance with Article 49.1 of the Statute of the ESCB and the legal acts adopted by the Governing Council on 16 November 2000³, the Bank of Greece transferred to the ECB as at 1 January 2001 an amount of €97,679,000, representing the remaining 95% of its capital subscription and, between 2 and 5 January 2001, in accordance with Article 30.1 of the Statute of the ESCB, foreign reserve assets with a total value equivalent to €1,278,260,161. The total amount transferred 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 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. These foreign reserve assets comprised amounts of gold, US dollars and Japanese yen in the same proportions as the amounts transferred at the beginning of 1999 by the other participating NCBs. The currency component was transferred in the form of cash and securities.

³ The Decision of the ECB of 16 November 2000 providing for the paying up of capital and the contribution to the reserves and provisions of the ECB by the Bank of Greece, and for the initial transfer of foreign reserve assets to the ECB by the Bank of Greece and related matters (ECB/2000/14) with the annexed Guideline of the ECB of 3 November 1998, as amended by the ECB Guideline of 16 November 2000 on the composition, valuation and modalities for the initial transfer of foreign reserve assets, and the denomination and remuneration of equivalent claims. (ECB/2000/15), OJ L 336, 30.12.2000, pp. 110-117; Agreement of 16 November 2000 between the ECB and the Bank of Greece regarding the claim credited to the Bank of Greece by the ECB under Article 30.3 of the Statute of the ESCB and related matters, OJ L 336, 30.12.2000, pp. 122-123.

The Bank of Greece was credited with claims in respect of the paid-up capital and foreign reserve assets equivalent to the amounts transferred. These claims are to be treated in an identical manner to the existing claims of the other participating NCBs (see note 11).

17 Off-balance-sheet items

Unmatured foreign exchange swap contract liabilities with a value of €2,886 million remained outstanding as at 31 December 2000.

No material contingent liabilities were outstanding as at 31 December 2000.

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 assets and liabilities denominated in euro. The remuneration paid to NCBs on their claims on the ECB in respect of the foreign reserve assets transferred at the beginning of 1999 is disclosed separately.

Interest income realised in connection with the disposal of certain securities is now presented under the net interest income caption of the Profit and Loss Account. In order to allow for a comparison, the 1999 figures have been modified accordingly.

The increase in net income compared with 1999 is primarily due to higher net interest income from foreign reserves and remuneration due to the ECB on balances resulting from TARGET transactions. This has been partially offset by higher remuneration paid to the NCBs in respect of their claims relating to the foreign reserve assets transferred, due to increases in the short-term refinancing rates of the Eurosystem (see note 11 on the Balance Sheet of the ECB).

2 Realised gains/losses arising from financial operations

Substantial realised gains arose due to the sales of foreign currency by the ECB during the course of intervention operations in September and November, and further as a result of the disposals of foreign currency income earned since the beginning of 1999. This item also contains net realised gains arising from the disposal of securities, as a result of normal portfolio management and of the liquidation of portfolios prior to intervention.

3 Write-downs in financial assets and positions

General increases in security prices in the latter part of 2000 resulted in very limited write-downs in the acquisition cost of securities shown in the balance sheet to their market value as at 31 December 2000.

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.

	2000 €	1999 €
Income from fees and commissions	1,296,112	593,902
Expenses relating to fees and commissions	(622,614)	(361,702)
Net income from fees and commissions	673,498	232,200

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 €67 million (1999: €52.3 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 €1.8 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.

On the last working day of 2000 the ECB employed 941 staff, of whom 72 held managerial positions. The average number of staff employed by the ECB in 2000 was 823 compared with 648 in 1999. 259 additional staff were employed during the period, and 50 members of staff left the service of the ECB.

7 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 1999, 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 €13.1 million (1999: €8.1 million). This includes a provision for pensions to members of the Executive Board of €0.6 million (1999: €1.8 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 main site, the Eurotower, and higher consultancy fees, especially 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 2000. 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 2000 and the results of its operations for the year then ended.

Frankfurt am Main, 14 March 2001

PricewaterhouseCoopers

Gesellschaft mit beschränkter Haftung
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 2000. 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 29 March 2001

to transfer an amount of €398 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.

	2000 €	1999 €
Profit/loss for the year	1,990,121,750	(247,281,223)
Withdrawals from/allocated to general reserve fund	(398,024,350)	27,540,513
Transfer from monetary income pooled	0	35,160,676
Direct charge on NCBs	0	184,580,034
Distributable profits	1,592,097,400	0
Distribution to NCBs	(1,592,097,400)	
Total	0	0