



VIII

ANNUAL REPORT 2002



THE BCL AS AN ORGANISATION

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8 THE BCL AS AN ORGANISATION

8.1 Organisation of the BCL

8.1.1 The Council

In 2002, the members of the Council of the BCL were:

- President: Yves Mersch
- Members:
 - Andrée Billon
 - Jean Hamilius
 - Pit Hentgen
 - Mathias Hinterscheid
 - Serge Kolb
 - Patrice Pieretti
 - Nico Reyland
 - Michel Wurth.



From the left to the right: Nico Reyland, Pit Hentgen, Andrée Billon, Patrice Pieretti, Yves Mersch, Mathias Hinterscheid, Michel Wurth, Serge Kolb, Jean Hamilius.

The government appointed Mr Hamilius, Mr Hentgen and Mr Hinterscheid for a sixyear period starting from 1st August 2002, the mandates of Mr Hamilius and Mr Hinterscheid being renewed.

In accordance with article 6 of the law of 23 December 1998, the Council of the Bank has following powers:

- a) To discuss the implications of monetary policy, without prejudice to its President's independence of all instructions in his capacity as member of the Governing Council of the ECB and without prejudice to the provisions relating to professional secrecy applicable to the ESCB.
- b) To determine the business policy of the Central Bank and draft guidelines relating to the financial situation of the Central Bank.
- c) Each year, to approve the budget, the financial accounts and the report of the Board of Directors.
- d) To give its consent prior to the use of the Central Bank's reserve fund.
- e) To assist in the drafting of the Central Bank's business reports as referred to in Article 11.
- f) To propose to the Government the appointment of the Central Bank's auditor.
- g) To approve the internal rules of procedure of the Board of Directors.
- h) To deliver its opinion prior to any decision to dismiss a Director.
- i) To deliver an opinion on any Grand-Ducal regulation adopted pursuant to Article 14 of the present law concerning the agents of the Central Bank.
- j) To give its assent prior to the application of any disciplinary action against an agent of the Central Bank, when the preliminary opinion of the civil service disciplinary board has been requested.

During 2002, the Council held 5 meetings.

Within the framework of its patrimonial competence, the Council approved the financial accounts as of 31 December 2001, the budget lines and subsequently the budget for the financial year 2003.

In order to improve the efficiency of the Bank's governance in terms of flexibility and rapidity, the Council reviewed its internal rules and those of the Board of Directors.

The Council regularly observed and commented the economic and financial evolution on the national and international level and has been kept informed of the decisions made by the Governing Council of the ECB.

Finally, the Council appointed the members of the Audit Committee for 2003.

8.1.2 The Board of Directors

The Board of Directors is the superior executive authority of the Central Bank. It shall draw up the measures and take the decisions required for the fulfilment of the tasks of the Central Bank.

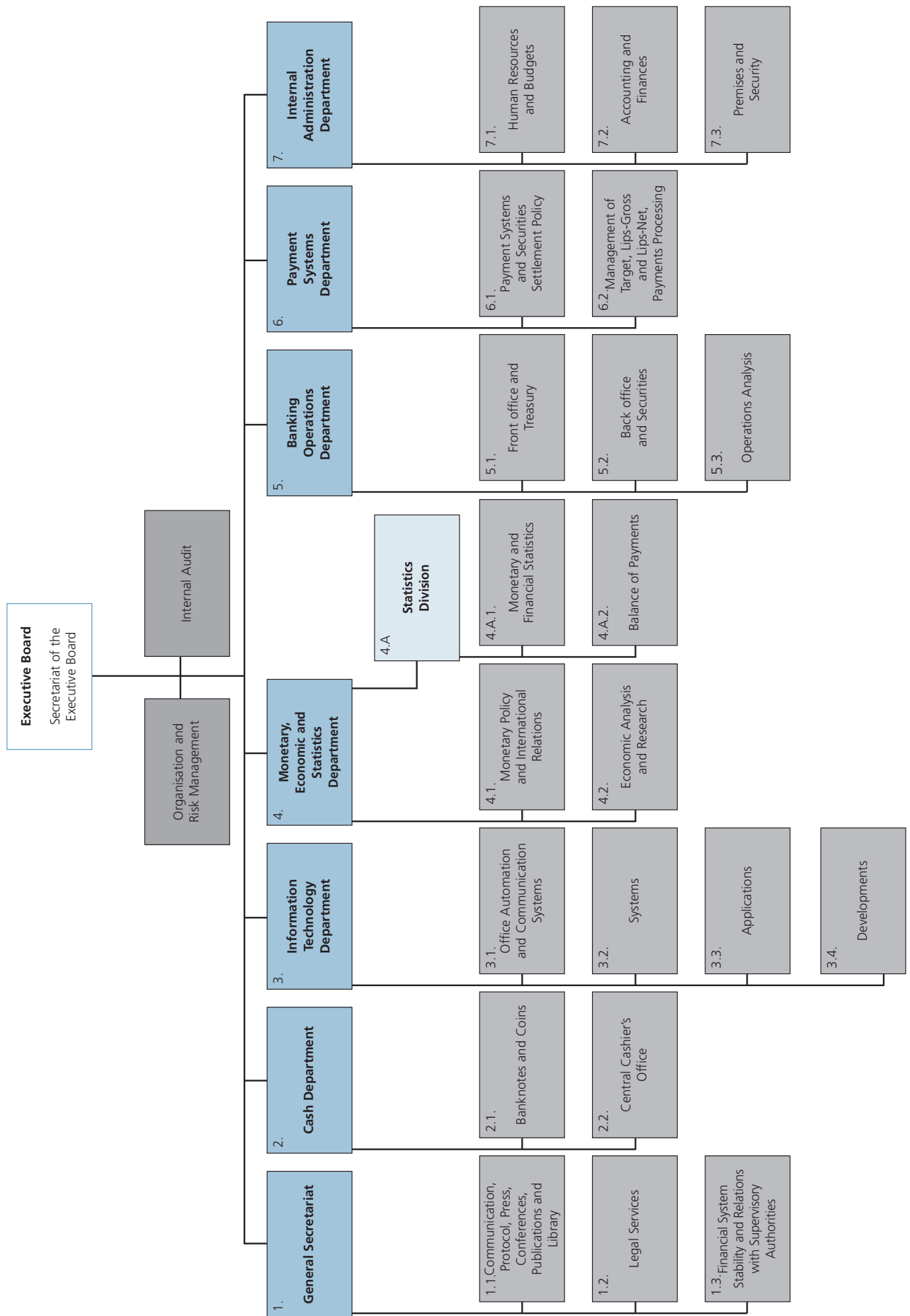
Without prejudice to the independence of its president with regard to all instructions in his capacity as member of the Governing Council of the ECB, the decisions of the Board of Directors shall be taken collectively.

The Board of Directors shall comprise a Director-General and two Directors.

Director-General: Yves Mersch

Directors: Andrée Billon and Serge Kolb.

8.1.3 Organisation chart of the Banque centrale du Luxembourg



8.1.4 Corporate Governance

8.1.4.1 Audit Committee

Created by the Council at its meeting of 13th December 2001, the Audit Committee's objective is to assist the Council in the performance of its missions related to the approval of the financial accounts (articles 6 (c) and 29 (1) of the law¹) and to the work of the statutory auditors of the BCL (article 6 (f) and 16 of the law).

The Committee has a preparation role and has no decision power. It reports to the Council.

It counts 3 non-executive members of the Council and the President of the Council. It may invite the internal audit manager and the statutory auditor of the Bank to participate to its work. Each member of the Council has the right to request to be invited.

Members are appointed by the Council for a renewable mandate. The Committee is chaired by one of its non-executive members.

The Committee plans to hold at least three meetings a year. The logistical support necessary to for the tasks of the Committee is provided by the BCL.

The Audit Committee has several missions:

- it assists the Council in its choice of the statutory auditor to be proposed to the Government;
- in addition to the legal mandate of the statutory auditor, the Committee assists the Council in specifying the scope of the potential specific controls to be performed by the statutory auditor (article 16 of the Law);
- it is kept informed of the audit programme of the statutory auditor in order to assist the Council in the analysis of the reports issued by the statutory auditor;
- it is kept informed of the internal audit plan auditor in order to assist the Council in the analysis of the internal audit report;
- it is kept informed of the follow-up of the statutory auditor's and internal audit's recommendations.

In 2002, the Audit Committee held three meetings. During its meeting on 12 December 2002, the Council appointed the members of the Audit Committee for 2003: Jean Hamilius, Pit Hentgen and Nico Reyland. Mr Mersch is an ex officio member in his function as President of the Council.

8.1.4.2 Code of Conduct

The Code of Conduct, drafted in 2001, is destined to the people working with the BCL. This code comprises ethical rules and the standards the addressees have to keep to. It is directly inspired by the one enforced at the ECB. It is not detrimental to the application of the legal rules regarding the civil service, the social regulations and contractual commitments between the BCL and its employees.

Specific provisions, which are complementary, are applicable to employees appointed at specific work functions as well as to those working with the markets.

8.2 The BCL staff

8.2.1 Quantitative evolution

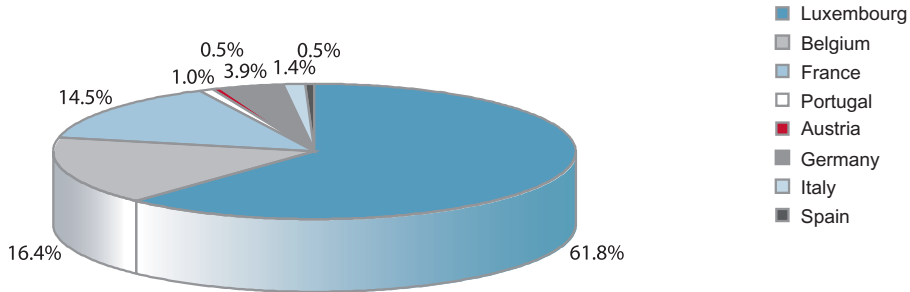
During 2002, the BCL staff has increased by 13.74% to reach a total of 207 agents on 31 December 2002 (including Executive Board members); this is equivalent to 202.5 full time positions. On 31 December, 9 agents have worked part-time. The BCL has recruited 30 new agents, while 5 agents left.

As during the last few years; the BCL continued to make considerable efforts to recruit qualified staff in 2002. Recruitment has been based on high-level academic degrees and people having a potential. 86% of new agents have a university degree or a bac+2 level (undergraduate). A competitive entrance exam was organised on 20 and 21 June 2002 for which a total of 680 candidates applied. Moreover, the BCL received approximately 750 spontaneous job applications and around 350 applications for internships.

1 Law of 23 December 1998 concerning the monetary status and the Central Bank of Luxembourg.

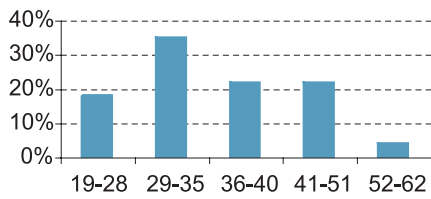
Staff members are of eight different nationalities and this contributes to cultural enrichment and to the diversity of human capital.

GRAPH 1 AGENTS BY NATIONALITY

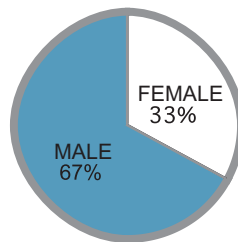


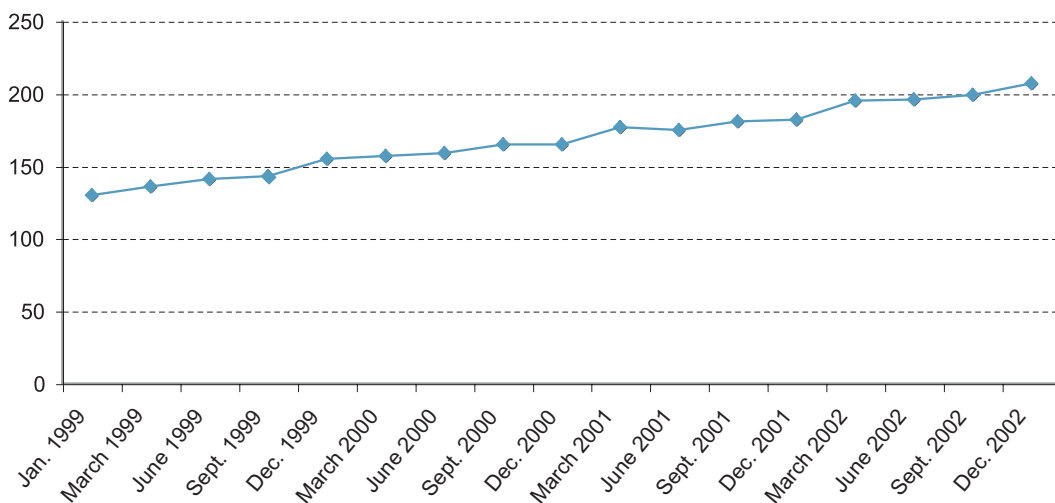
The average age of BCL staff members has slightly increased from 35.5 in 2001 to 35.63 on 31 December 2002. On this date, the staff counted 33% female and 67% male agents, meaning that the proportion of female agents has slightly increased in comparison with 2001.

GRAPH 2 DISTRIBUTION OF AGENTS PER AGE GROUP

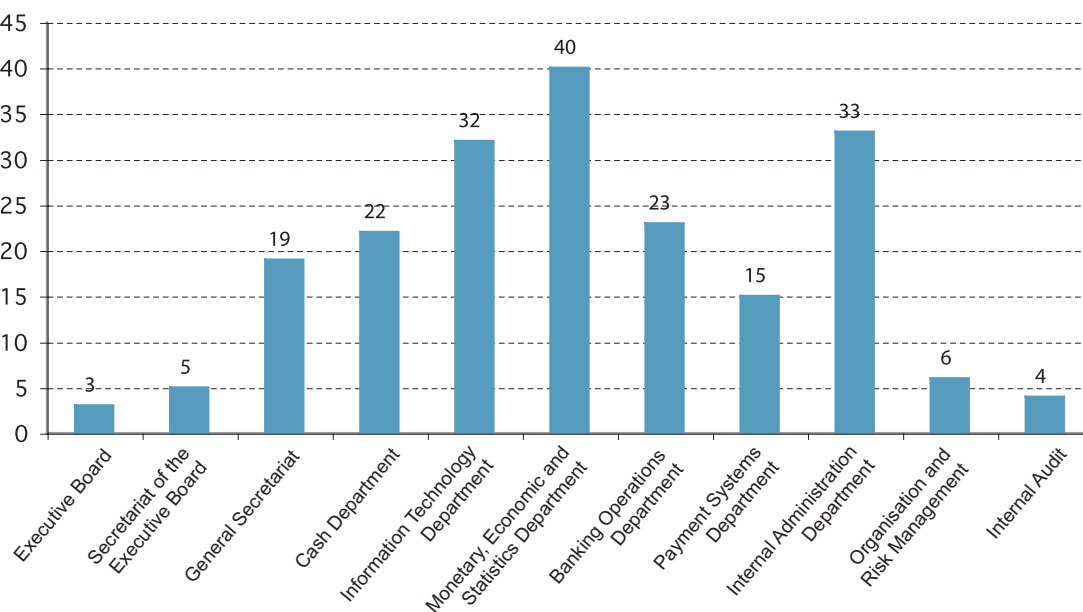


GRAPH 3 PROPORTION FEMALE / MALE



GRAPH 4 EVOLUTION IN NUMBERS PER QUARTER SINCE THE 1ST JANUARY 1999

GRAPH 5 NUMBERS PER ENTITY ON 31 DECEMBER 2002



8.2.2 Human resources management

In 2002, the concept of an annual appraisal discussion was introduced at the BCL. Its aim is to achieve a high level of competence for all staff members. It was elaborated with the intention to link the performance of each staff member to the objectives of the Bank. In this context, the annual assessment has to be perceived as a tool:

- setting up a constructive dialogue;
- offering a support for the management of potentials;
- optimising human resources management by using appropriate corrective measures;
- favouring the elaboration of individual training schemes.



2002 was marked by a high number of recruitments (30 new staff members), and this requested considerable efforts for the organisation of the competitive entrance exam and for the follow-up of the acceptable applications. The staff increase of 2002 provides the BCL with the necessary resources to achieve the defined objectives, namely consolidation and internal stabilisation.

These recruitments have also mobilised important resources with regard to the management and the administrative follow-up of the internal training courses for the new agents. This trend should decrease over the next years and reach a steady rhythm according to the normal line-up of the staff. The BCL Council decided not to create any additional positions for 2003, which means that the recruitment for 2003 will be limited to the remaining vacancies of the 2002 organisation chart.

8.2.3 Staff training

In order to be able to reach the objective of excellence stated in the Bank's positioning and in parallel with quality recruitment, the BCL emphasises particularly the training of new agents as well as the permanent training of all staff. Thus staff members have different opportunities to widen their knowledge. Besides a basic training programme that each new agent is invited to follow as part of his internal training, all staff members are encouraged to participate in external training courses, notably in other NCBS in the ESCB. In order to target the pursued training objectives more precisely and to be able to fully satisfy its national, European and international obligations, the Bank made a sizeable coordination effort by grouping the different training possibilities. This has led to the elaboration of the bases for a training policy adapted to the Bank's specific needs. This training policy will be set up during 2003.

During 2002, a total number of 5 150 training hours were completed, which represents an average of 3.3 training days per agent.

8.2.4 Pension fund of the BCL

Article 14 of the statute of 23 December 1998 relating to the monetary status of the BCL provides that legal pension entitlements of BCL agents are determined by their status (i.e., civil servant, State employee, private employee or worker).

The costs and financing of pensions are governed by article 14, indent 4 (b), which reads as follows:

"Costs of pensions of BCL agents are incurred by the BCL. These costs are financed by the BCL pension fund. Legal withholdings on agents' compensations, according to the rules governing the pension system corresponding to their status, on the one hand, and payments made by the BCL itself on the other hand, finance the pension fund."

Article 35, indent 4(a) organises the transitory regime applicable to BCL agents, who contributed previously to another pension fund, as follows: "Luxembourg pension funds, which received contribution from people who are or become BCL agents as of the date of entry into force of the present statute, transfer these contributions to the BCL pension fund". In addition, "the periods within which these agents contributed to these pension funds are automatically validated as contribution periods with the BCL."

Operational as of 2001, the BCL pension fund adopted internal rules. In addition, it created both a decision-making Executive Committee (Comité directeur), composed of BCL Executive Board members, two elected representatives of BCL agents and two co-opted members, acting as delegated managers) and a consultative Tactical Benchmark Committee.

On 13 December 2001, the BCL sued the Pension and Insurance fund of private employees (Caisse de Pensions des Employés Privés et Etablissement d'Assurance contre la Vieillesse et l'Invalidité) before the Luxembourg court (tribunal d'arrondissement de Luxembourg), in order to obtain the payment of the contributions owed in relation to people hired by the BCL and previously registered with the above-mentioned fund.

With regard to the default of the Pension and Insurance fund of private employees and the legal duty imposed by article 14 upon itself, the BCL withheld an amount of 33,8 Mio euros, in addition to the withdrawal from its reserve fund provided for in article 35(a) (c), in order to "bring its pension fund up to the required size".

At the time of the drafting of this report, the trial is still in progress.

8.3 Buildings/Facilities

The upgrading of the technical equipments was one of the important tasks of 2002. During the course of the year the functioning of most installations was optimised and currently the reliability rate is very high.

At the administrative level, the Bank introduced a programme allowing the straightforward management of recurrent tasks like ordering office stationary and maintenance material, filing, stock management and the handling of technical interventions.

A fitness room was installed which staff may use outside normal working hours.

During the first half of the year, preparatory work has been performed concerning the renovation of the new building of the bank on the so-called "Prince Henri" site.

The draft building project has been validated. Works are planned to start in September 2003 and end in September 2006.

8.4 Accounting and budget

8.4.1 Accounting

European integration implies the obligation to report balance sheet data for each member of the Eurosystem on a daily basis and according to harmonised rules.

In 2002, the BCL continued to strengthen its accounting system and its procedures in order to meet its internal quality standards and those of the Eurosystem. The controlling systems in place have shown to be efficient during the year.

The Bank regularly checks the development of balance sheet, off-balance-sheet and profit & loss items. Investments, revenues and expenses are particularly closely monitored with respect to the internal procedures of authorised signatures. Since January 2002, the monthly balance sheet of the Bank is published on its Internet site.

The management information system has been extended and meets the essential requirements for monitoring the Bank's activities. It is based on a set of indicators, which are calculated daily, weekly, monthly, quarterly or annually. These tables include all activities of the Bank. The analysis of the profit & loss items is completed by a result analysis of the various activities. The Bank strictly controls the development of the interest margin and compares the profitability of its investments to benchmarks. The BCL regularly checks its risk exposure and controls the appropriateness of own funds and of short-, middle- and long-term provisions. The Bank has adopted a prudent policy of constituting and maintaining provisions for general and specific bank risks.

The Bank performs static and dynamic assessments of its long-term financial situation and carries out prospective analyses of external factors such as interest rates, exchange rates and other variables of the Eurosystem.

The Council and the Executive Board of the Bank are regularly informed of the temporary and estimated results in order to be in a position to decide on the future orientations and actions to undertake.

Moreover, an asset/liability committee was set up in 2002 in order to follow more closely the risk exposure and the financial situation during the year, and in particular the risk resulting from the appropriateness of assets and liabilities.

8.4.2 Budget

Every year in December, the BCL's Council approves the budget for the coming year. The elaboration of the 2002 budget was done in accordance with the budgetary procedure aiming at managing the Bank's resources in a rational manner.

The budgetary procedure ensures that the limit set beforehand will not be exceeded. Within this limit expenses can be committed only as far as they are abiding by the bank's rules regarding profitability and economic efficiency. It should be mentioned that operational costs for 2002 have stayed within the budgetary limit approved by the Council.

In order to continually improve the BCL's budgetary procedure, 2002 has seen the implementation of a software for electronic data processing allowing to elaborate the budgetary requests within a predefined framework and not only offering an enhanced reliability but also being less time consuming with regard to the consolidation of the different budgetary requests. Furthermore, the software allows a daily monitoring of each budgetary item in real time, thus shortening the margin for possible deviations.

8.5 Internal audit activities

The BCL set up an internal control system based on generally accepted standards prevailing in the financial sector. Internal control principles, as well as the various responsibilities resulting thereof, are described in the internal Manual of Procedures.

The main activity of internal audit function is to assess the internal control system. This task is ensured by an independent Internal Audit Unit that reports directly to the President of the Bank. The definition of the internal audit function is based on the rules and regulations prevailing in the Luxembourg financial centre, as well as on the standards promoted by the Institute of Internal Auditors and the ESCB Audit Policy.

The annual audit plan comprises audit assignments on the level of the ESCB that are coordinated by the ECB Internal Auditor's Committee and audit assignments defined and performed on a national level. During 2002, the Internal Audit Unit performed various assignments in the field of payment systems, monetary policy operations, banknotes and coins, accounting, facility management and information systems.

The Internal Audit Unit is in charge of the follow-up of the recommendations issued during its audit activities.

8.6 Financial statements as at 31 December 2002

8.6.1 Key figures as at year-end

	2001	2002	Change in % 2002/2001
Total assets	18,273,636,286	24,990,130,072	37%
Banks' current accounts	5,981,169,410	4,638,044,452	-22%
Claims on credit institutions	16,511,127,821	23,370,585,585	42%
Own funds ⁽¹⁾ , revaluation accounts, administrative provisions and specific banking risks	296,879,839	362,808,977	22%
Net result of banking activities ⁽²⁾	47,532,693	86,224,016	81%
Administrative expenses	23,776,660	26,483,970	11%
Gross operating profit ⁽³⁾	61,197,976	69,745,992	14%
Net profit	5,535,573	4,970,236	-10%
Cash Flow ⁽⁴⁾	61,370,384	74,701,802	22%
Personnel	182	204	12%
BCL's part in the capital of the ECB	0.1492%	0.1492%	
BCL's part in the Eurosystem's monetary policy operations	8.076%	9.852%	

⁽¹⁾ Capital, reserves, provisions for general banking risks and net profit to be affected to the reserves

⁽²⁾ Net interest income, net result from fees and commissions, net result on financial operations

⁽³⁾ Total revenues less total costs (excluding transfers to and from depreciations and provisions)

⁽⁴⁾ Net profit plus depreciation of tangible / intangible assets and write-downs on financial assets, as well as net transfers to administrative provisions and provisions for banking risks

8.6.2 Report of the Independent Auditor

To the Council of the Banque centrale du Luxembourg

To the Government

To the Chamber of Representatives

We have audited the attached financial statements of the Banque centrale du Luxembourg for the year ended 31 December 2002. The financial statements are the responsibility of the Directors and are approved by the Council. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached financial statements give, in conformity with the generally accepted accounting principles and those defined by the European System of Central Banks, a true and fair view of the financial position of the Banque centrale du Luxembourg as at 31 December 2002 and of the results of its operations for the year then ended.

PricewaterhouseCoopers S.à r.l.

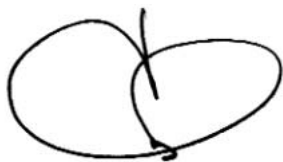
Luxembourg, 11 March 2003

Réviseur d'entreprises

Represented by



Pierre Krier



Didier Mouget

8.6.3 Balance sheet as at 31 December 2002

(IN EUROS)

	Note	2002	2001
		EUR	EUR
ASSETS			
Gold and gold receivables	3	24,958,618	24,052,246
Claims on non-euro area residents denominated in foreign currency	4	144,650,120	119,723,095
- Receivables from the IMF		144,481,474	119,576,877
- Balances with banks, security investments, external loans and other external assets		168,646	146,218
Claims on non-euro area residents denominated in euros		301,182	1,626,956
- Balances with banks, security investments and loans		301,182	1,626,956
Lending to euro area credit institutions related to monetary policy operations denominated in euros	5	23,307,712,900	16,443,086,730
- Main refinancing operations	5.1	19,591,455,200	13,298,064,800
- Longer-term refinancing operations	5.2	3,716,257,700	3,145,021,930
Other claims on euro area credit institutions denominated in euros	6	62,872,685	68,041,091
Securities of euro area residents denominated in euro	7	204,171,319	200,053,535
Intra-Eurosystem claims	8	83,176,316	82,060,000
- Participating interest in ECB	8.1	7,460,000	7,460,000
- Claims related to the transfer of foreign reserves	8.2	74,600,000	74,600,000
- Other claims within the Eurosystem	8.3	1,116,316	-
Items in course of settlement		250	404,860
Other assets	9	1,162,286,682	1,334,587,773
- Tangible and intangible fixed assets	9.1	61,693,547	62,342,524
- Other financial assets	9.2	1,028,411,411	638,785,285
- Off-balance sheet instruments revaluation differences		1,996,500	253,938
- Accruals and prepaid expenses	9.3	49,019,675	54,600,170
- Sundry	9.4	21,165,549	578,605,856
TOTAL ASSETS		24,990,130,072	18,273,636,286

Balance sheet as at 31 December 2002

(IN EUROS)

	Note	2002	2001
		EUR	EUR
LIABILITIES			
Banknotes in circulation	10	614,169,272	647,418,833
Liabilities to euro area credit institutions related to monetary policy operations denominated in euros	11	4,638,044,452	5,881,093,187
- Current accounts (covering the minimum reserve system)		4,637,844,452	5,881,093,187
- Deposit facility		200,000	-
Other liabilities to euro area credit institutions denominated in euros		-	100,076,223
Liabilities to other euro area residents denominated in euros	12	525,914,231	596,710,486
- General government	12.1	525,909,890	581,405,933
- Other liabilities	12.2	4,341	15,304,553
Liabilities to non-euro area residents denominated in euros	13	53,947,531	63,571,015
Counterpart of special drawing rights allocated by the IMF	14	21,978,716	24,152,567
Intra-Eurosystem liabilities	15	18,568,559,665	10,575,042,860
- Net liabilities related to the allocation of euro banknotes within the Eurosystem	15.1	9,254,574,795	-
- Other liabilities within the Eurosystem	15.2	9,313,984,870	10,575,042,860
Items in course of settlement	16	14,515,834	-
Other liabilities	17	132,622,382	41,313,143
- Off-balance sheet instruments revaluation differences		1,816,500	57,125
- Accruals and income collected in advance		114,444,118	38,775,867
- Sundry		16,361,764	2,480,151
Provisions	18	243,363,505	181,013,810
Revaluation accounts	19	37,302,358	28,502,272
Capital and reserves	20	134,741,890	129,206,317
- Capital	20.1	25,000,000	25,000,000
- Reserves	20.2	109,741,890	104,206,317
Profit for the year		4,970,236	5,535,573
TOTAL LIABILITIES		24,990,130,072	18,273,636,286

8.6.4 Off-balance sheet as at 31 December 2002

(IN EUROS)

	Note	2002	2001
		EUR	EUR
Custody deposits	21	87,077,073,455	77,322,587,983
Commitments and similar instruments	22	1,000,000,000	-
Foreign currency reserve assets administrated on behalf of the ECB	23	78,565,861	86,133,972
Forward transactions	24	410,582,250	28,432,437
Numismatic collection		107,972	107,972
		88,566,329,538	77,437,262,364

8.6.5 Profit and loss account for the year 2002

(IN EUROS)

	Note	2002	2001
		EUR	EUR
Interest income		708,247,980	889,797,713
Interest expense		(606,739,095)	(843,094,782)
Net interest income	25	101,508,885	46,702,931
Realised (losses) / gains arising from financial operations		(9,751,967)	1,485,245
Write-downs on financial assets and positions	26	(4,955,810)	(172,408)
Transfer to/from provisions for foreign exchange rate and price risks	27	(61,377,778)	(41,716,374)
Net result of financial operations, write-downs and risk provisions		(76,085,555)	(40,403,537)
Fees and commissions income		5,533,284	4,727,254
Fees and commissions expense		(6,110,375)	(5,210,329)
Net result from fees and commissions	28	(577,091)	(483,075)
Income from participating interest	29	3,801,103	3,009,213
Net result of pooling of monetary income	30	(9,665,168)	(1,141,306)
Other income	31	24,750,115	35,815,538
Total net income		43,732,289	43,499,764
Staff costs	32	(15,366,065)	(12,916,121)
Other administrative expenses	33	(8,416,991)	(7,346,125)
Depreciation of tangible and intangible fixed assets	34	(4,858,986)	(4,840,724)
Banknote production services	35	(2,462,941)	(3,005,101)
Other expenses	36	(7,657,070)	(9,856,120)
PROFIT FOR THE YEAR		4,970,236	5,535,573

The accompanying notes form an integral part of the financial statements.

8.6.6. Notes to the financial statements as at 31 December 2002

Note 1 - General

The Banque centrale du Luxembourg ("BCL") was founded on 1 June 1998 in accordance with the law of 22 April 1998. The law of 23 December 1998 provides that the main task of the BCL shall be to take part in the accomplishment of the tasks of the European System of Central Banks ("ESCB") so as to achieve the objectives of the ESCB. The BCL is a public institution, endowed with legal personality and financial independence.

Note 2 – Accounting policies

The accounting policies applied in preparing the financial statements are described below:

2.1 *Layout of the financial statements*

The financial statements of the BCL have been prepared and drawn up in accordance with the generally accepted accounting principles and the rules adopted by the ESCB.

2.2 *Accounting principles*

The following accounting principles have been applied:

- economic reality and transparency;
- prudence;
- recognition of post-balance sheet events;
- accruals principle;
- consistency and comparability.

2.3 *Basic principles*

The financial statements are based on historical cost and are adjusted to take account of the valuation at market prices of securities, financial instruments, gold and of all the elements, both on-balance-sheet and off-balance-sheet denominated in foreign currencies.

Transactions in financial assets and liabilities are reflected in the accounts of BCL on their settlement date.

2.4 *Assets and liabilities in gold and foreign currencies*

Assets and liabilities denominated in foreign currencies (including gold) are converted into euros at the exchange rate in force on the balance sheet closing date. Proceeds and costs are converted at the exchange rate prevailing on the date of the transaction.

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

Securities are revalued at market prices separately from the revaluation of foreign exchange for securities denominated in foreign currencies.

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

2.5 *Securities*

Negotiable securities denominated in foreign currencies and in euros are valued at the market price prevailing on the balance sheet date. The revaluation took place item-by-item on the basis of the ISIN code.

2.6 *Recognition of gains and losses*

Income and expenses are assigned to the financial year during which they are earned or incurred.

Realised gains and losses on foreign exchange transactions, securities and financial instruments linked to interest rates and market prices are taken to the profit and loss account.



At the end of the year, unrealised revaluation gains on foreign currencies, securities and financial instruments were not considered in the profit and loss account, but transferred to a revaluation account on the liabilities side of the balance sheet.

Unrealised losses were recognised in the profit and loss account when they exceeded previous revaluation gains registered in the corresponding revaluation account. They may not be reversed against new unrealised gains in subsequent years. Unrealised losses regarding a specific security, financial instrument, currency or gold holding were not netted with unrealised gains in other securities, financial instruments, currencies or gold holdings.

In order to calculate the acquisition cost of securities or currencies that are sold, the average cost method is used on a daily basis. If any negative revaluation differences are taken to the profit and loss account, the average cost of the asset in question is adjusted downwards to the level of the current exchange rate or market price thereof.

For fixed-income securities, the premiums or discounts arising from the difference between the average acquisition cost and the redemption price were calculated and presented on a pro rata basis as part of interest income and amortised over the remaining life of the securities.

2.7 Post balance sheet events

Assets and liabilities are adjusted to take account of events occurring between the balance sheet date and the date on which the BCL's Council approves the annual accounts if such events have a material effect on the assets and liabilities on the balance sheet date.

2.8 Banknotes in circulation

The ECB and the 12 participating NCBs, which together form the Eurosystem, have issued euro banknotes since 1st January 2002. The total value of euro banknotes in circulation is allocated on the last working day of each month in accordance with the banknote allocation key.

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

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation gives rise to remunerated intra-Eurosystem balances. These claims or liabilities, which incur interest are disclosed under the sub-item "Intra-Eurosystem: Net claim/liability related to the allocation of euro banknotes within the Eurosystem" (see "Intra-ESCB balances" in the notes on accounting policies).

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

The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under "Net interest income".

The Governing Council of the ECB has decided that the seigniorage income of the ECB arising from the 8% share of euro banknotes allocated to the ECB shall be distributed separately to the NCBs in the form of an interim distribution of profit. It shall be so distributed in full unless the ECB's net profit for the year is less than its income earned on euro banknotes in circulation. For 2002, one interim distribution was made on the second working day of 2003. This is disclosed in the Profit and Loss Account under "Income from equity shares and participating interest".

From 2003 onwards, interim distributions will be made after the end of each quarter.

2.9 Intra-Eurosystem claims and liabilities

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are

included as a net single asset or liability under “Net claim/liability related to the allocation of euro banknotes within the Eurosystem”.

Intra-Eurosystem claims and liabilities arising from TARGET balances and counterparties accounts are shown as a single net asset or liability on the balance sheet.

2.10 Treatment of tangible and intangible assets

The tangible and intangible assets are recorded at their acquisition cost less depreciation. Depreciation was calculated on a straight-line basis over the expected economic lifetime of the assets:

	Years
Buildings	25
Renovation of buildings	10
Furniture and equipment	3-5
Computer hardware and software	4

2.11 Pension fund

As at 1st January 1999, after the introduction of the law of 23 December 1998, the pension claims of its agents are fully supported by the BCL. A pension fund, whose aim it is to cover the risks related to aging, infirmity or survival, has been created in 2000. The actuarial method for determining the BCL's liabilities towards its agents has been approved by the pension fund's board as at 12 February 2001.

The actuarial method determines the pension fund's liability related to aging, infirmity or survival for each agent. The model is based on each agent's personal and career data, on the level of inflation for the next sixty years as well as an average rate of return generated by the fund's assets.

The BCL's liabilities related to pensions are shown in the account “Provisions for pensions”. The increase of the provision results from the regular transfer of the employee's part and the BCL's employer's part. In addition, if necessary, periodic transfers from the account “Booking reserve of the pension fund”, equivalent to the revenues generated by the fund's assets, to adjust the account “Provision for pensions” to its actuarial value are booked. In the case of insufficient transfers in order to cover the BCL's pension liabilities, the difference between the existing provision and the real claim is covered by a special transfer to be supported by the BCL (see also note 18.2).

Note 3 – Gold and gold receivables

As at 31 December 2002, BCL holds 365.75 ounces of fine gold amounting to EUR 0.1 million (76 358.757 ounces of fine gold amounting to EUR 24.0 million as at 31 December 2001) and a first rated gold bond issued by the International Bank for Reconstruction and Development purchased in 2002 and valued at EUR 24.8 million.

Note 4 – Claims on non-euro area residents denominated in foreign currency

Under this item are recorded the BCL's foreign exchange reserve holdings with counterparties located outside the euro area (including international and supranational institutions and central banks that are not members of the Eurosystem).

This item is broken down into two sub-items:

- receivables from the International Monetary Fund (“IMF”);
- balances held on accounts with banks which do not belong to the euro area as well as securities, loans and other foreign currency assets issued by non-residents of the euro area.

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

This balance sheet item represents the liquidity-providing transactions executed by the BCL with Luxembourg credit institutions.

The item is divided into various sub-items depending on the type of instrument used to provide liquidity

to the financial sector.

5.1 *Main refinancing operations*

This sub-item records the amount of liquidity provided to credit institutions by way of weekly 14-day tenders.

5.2 *Long-term refinancing operations*

This sub-item records the amount of credit extended to credit institutions by way of monthly 3-month tenders.

Note 6 - Other claims on euro area credit institutions denominated in euros

This item includes the BCL's current accounts and fixed-term deposits with Luxembourg credit institutions.

Note 7 - Securities of euro area residents denominated in euros

This item covers the BCL's portfolio in euros which could be used, if needed, for monetary policy operations. It was intended that the size of this portfolio should stay stable during the first 3 years of stage III of the EMU according to the decision taken by the Governing Council of the ECB in 1998. The agreement was extended for at least one year in November 2001.

This portfolio consists solely of government bonds denominated in euros issued by Member States of the European Union and top-rated bonds issued by euro area resident companies. Securities are valued at market prices. As at 31 December 2002, their value at market prices included an unrealised loss amounting to EUR 21 677 (EUR 4 888 as at 31 December 2001).

Note 8 – Intra-Eurosystem claims

8.1 *Participating interest in ECB*

This sub-item represents the BCL's contribution to the capital of the ECB. It corresponded to 0.1492% in the subscribed capital of the ECB (EUR 5 billion). A decision allowing for an increase of the authorised capital up to EUR 10 billion has been taken in May 2001 by the Council of the European Union based on the ESCB/ECB statutes.

8.2 *Claims equivalent to the transfer of foreign reserves*

This sub-item represents the euro-denominated claims on the ECB in respect of the transfer of part of the BCL's foreign reserves.

This claim is remunerated at 85 % of the interest rate on the main refinancing operations, which means 2,42 % on the balance sheet date.

In May 2001, the Council of the European Union has taken a decision, based on the ESCB/ECB statutes, allowing the ECB to ask for the transfer of supplementary foreign reserves in order to reconstitute the initial transfer of foreign reserves.

8.3 *Other claims within the Eurosystem*

This sub-item represents the interim distribution of profit of the ECB related to the euro banknotes allocated to the ECB (see explanatory note 2.8).

Note 9 – Other assets

9.1 *Tangible and intangible assets*

Tangible and intangible fixed assets developed as follows:



	Buildings EUR	Furniture and equipment EUR	Software EUR	TOTAL EUR
Cost as at 01.01.2002	65,143,498	6,651,697	2,805,125	74,600,320
Acquisitions	2,389,562	1,319,802	513,685	4,223,049
Disposals	-	(25,938)	-	(25,938)
COST AS AT 31.12.2002	67,533,060	7,945,561	3,318,810	78,797,431
Accumulated depreciation as at 01.01.2002	(8,163,426)	(2,901,438)	(1,192,933)	(12,257,797)
Depreciation	(2,932,092)	(1,336,873)	(590,021)	(4,858,986)
Reversal	46	10,894	1,959	12,899
Accumulated depreciation as at 31.12.2002	(11,095,472)	(4,227,417)	(1,780,995)	(17,103,884)
NET BOOK VALUE AS AT 31.12.2002	56,437,588	3,718,144	1,537,815	61,693,547

The sub-item "Buildings" comprises the acquisition cost of the premises located on the 2 boulevard Royal, the costs incurred in relation to the reconstruction and transformation of the new site ("Pierre Werner" building), the renovations made on the main building ("Royal" headquarters) and the acquisition cost of the premises located on the boulevard Prince Henri.

The "Pierre Werner" is considered as a new building and is amortised over a period of 25 years while the costs incurred in relation to the transformation of the "Royal" are considered as renovations and are amortised over 10 years.

9.2 Other financial assets

The components of this item are as follows:

	2002 EUR	2001 EUR
Other participating interests	231,344	143,168
Pension fund	47,066,258	46,935,872
Securities portfolio	981,113,809	591,706,245
	1,028,411,411	638,785,285

The other participating interests comprise the entry fees to LIPS-Net (EUR 50 000) together with the BCL's investments in Swift (EUR 90 168), ATTF (EUR 3 000) and RTGS-L GIE (EUR 88 104).

The assets of the pension fund are recorded in the accounts under "Pension fund BCL". The balance of this account corresponds to the net asset value of the fund as calculated by the depositary bank as at 31 December 2002. In accordance with the decision of the fund's board, following the annual computation of the pension commitments, a transfer amounting to EUR 5.2 million has been executed by BCL to the pension fund in January 2003.

The securities portfolio recorded under this heading corresponds to the securities held by BCL for the purpose of the investment of the own funds and amounts owed to third parties amounting to a total of EUR 981,1 million (EUR 591.7 million as at 31 December 2001). Securities are valued at market prices. As at 31 December 2002, their value at market prices included an unrealised loss amounting to EUR 0.2 million (EUR 0.1 million as at 31 December 2001).

9.3 Accruals and prepaid expenses

Most of this item consists of the accrued interests on monetary policy operations, securities and receivables from the IMF.

Are also included under this item the commissions receivables, prepaid expenses of which salaries for January 2003 and other income receivable.

9.4 Sundry

	2002 EUR	2001 EUR
Claim on the NBB in relation to Belgian banknotes circulating in Luxembourg	-	578 592 711
Withdrawals in advance	14 515 000	-
Others	6 650 549	13 145
	21 165 549	578 605 856

The claim on the Banque Nationale de Belgique ("BNB") which corresponded to the counterpart of the theoretical amount of Belgian banknotes circulating in Luxembourg recorded under liabilities item "Banknotes in circulation" has been cancelled following the introduction of the euro banknotes.

The sub-item "Withdrawals in advance" corresponds to the amount of euro banknotes ordered by the credit institutions as at 31 December 2002 and which were not yet put into circulation on that date.

The sub-item "Others" consists mainly of the counterpart of the unrealised loss on SDRs recorded in the financial statements of the BCL which is guaranteed by the State according to the agreement signed in May 1999 establishing the financial relationship between the State of Luxembourg and the BCL.

Note 10 – Banknotes in circulation

Since 2002, this caption includes, besides the amount of Luxembourg banknotes not yet returned at the end of the year (EUR 6.5 million), the BCL's share of the total euro banknotes put into circulation by the 12 central banks of the Eurosystem according to their weightings in the capital of the ECB, which totalled EUR 607.7 million (see explanatory note 2.8).

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

This item primarily comprises credit institutions' accounts held within the framework of the requirements of the minimum reserve system.

Note 12 - Liabilities to other euro area residents denominated in euros

12.1 Liabilities to general government

This item records the amounts owed to the Luxembourg Treasury including a current account balance of EUR 0.9 million (EUR 2.8 million as at 31 December 2001) and a fixed-term deposit amounting to EUR 525.0 million (EUR 578.6 million as at 31 December 2001). The fixed-term deposit relates to the agreement signed in 1999 between the State of Luxembourg and the BCL which originally specified that the State should maintain at the BCL a deposit equivalent to the BCL's claim on the BNB in relation to Belgian banknotes circulating in Luxembourg. The fixed-term deposit matured on 1 March 2002 and was replaced, following agreement between the parties, by a term deposit renewed on a monthly basis. The remuneration on the term deposit is calculated using the ECB rate applied to the deposit facility. Interest expense in relation with this term deposit for the financial year 2002 amounts to EUR 10.5 million and is recorded under the caption "Interest expense".

In accordance with the articles of the agreement which foresee this possibility, the State renounced on the remuneration of its term deposit for the financial year 2002. An equivalent income (EUR 10.5 million) is recorded under "Other income" in order to reinforce BCL's own funds.

12.2 Other liabilities

The amount owed to the BNB which totalled EUR 15.3 million as at 31 December 2001, equivalent to the amount that BCL had to pay for the purchase of gold at its historical cost pursuant the Intergovernmental Agreement of 23 November 1998 between Belgium and Luxembourg, has been

reimbursed during the year.

Note 13 – Liabilities to non-euro area residents denominated in euros

This item includes current accounts held by central banks, international and supranational institutions and other account holders outside the euro area.

Note 14 - Counterpart of special drawing rights allocated by the IMF

The amount shown under this caption represents the exchange value of SDR, converted to euros at the same rate as applied to the SDR assets, which should be returned to the IMF if SDR are cancelled, if the SDR Department established by the IMF is closed or if Luxembourg decides to withdraw from it. This liability, of unlimited duration, amounts to SDR 17 million, or EUR 22.0 million (SDR 17 million, or EUR 24.2 million as at 31 December 2001).

Note 15 – Intra-Eurosystem liabilities

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

This item consists of the liabilities of the BCL towards the Eurosystem in relation to the allocation of euro banknotes within the Eurosystem (see explanatory note 2.8).

15.2 Other liabilities within the Eurosystem

This item comprises the BCL's net liabilities towards the Eurosystem, mostly from transactions resulting from cross-border payments initiated for monetary or financial operations, made via the TARGET system, between BCL and the other NCBs as well as the ECB. The liabilities amounted to EUR 9,3 billion as at 31 December 2002 (EUR 10,6 billion as at 31 December 2001).

This item also includes the liability resulting from the net result arising from the calculation and allocation of monetary income pooled within the Eurosystem. As at 31 December 2002, the liability amounted to EUR 9.7 million (EUR 1.1 million as at 31 December 2001).

Note 16 – Items in course of settlement

This item contains mainly the counterpart of the euro banknotes ordered by credit institutions as at 31 December 2002 which were not yet put into circulation on that date.

Note 17 – Other liabilities

This item comprises mainly the negative revaluation differences on financial instruments linked to interest rates and market prices, accrued interest, of which accrued interest on intra-Eurosystem liabilities, as well as miscellaneous expenses payable, of which suppliers.

As at 31 December 2001, this item also included the booking reserve of the pension fund for EUR 587 727. To the extent that the result of the pension fund is dedicated to the beneficiaries of the fund, the corresponding expenses and revenues are not included in the profit and loss account of the BCL, but are part of this specific account. During the year 2002, this reserve has been used to increase the pension provisions.

Note 18 - Provisions

Provisions developed as follows:	2002 EUR	2001 EUR
Provisions for banking risks	183,785,756	122,407,978
Provisions for pensions	59,045,736	56,709,839
Other provisions	532,013	1,895,993
	243,363,505	181,013,810

18.1 Provisions for banking risks

Provisions for banking risks include the following items:

	2002 EUR	2001 EUR
Provisions for specific banking risks		
Provision covering credit risk	63,990,305	46,560,326
Provision covering foreign exchange risk	-	14,920,000
Provision covering operational risk	14,400,000	14,250,000
Provision covering liquidity risk	7,907,276	5,493,612
Provision covering interest rate risk	200,000	2,750,000
	86,497,581	83,973,938
Provisions for general banking risks		
Provision for liabilities resulting from monetary agreements	35,324,827	35,324,827
Other provision for general banking risks	61,963,348	3,109,213
	97,288,175	38,434,040
	183,785,756	122,407,978

18.1.1 Provision covering credit risk

The provision for EUR 64.0 million (EUR 46.6 million as at 31 December 2001) corresponds to:

- 4% of the BCL's own securities portfolio valued at market price as at 31 December 2002 (portfolio affected to monetary policy operations if necessary and structural portfolio) and participations other than the participating interest in the ECB;
- 4% of the total amount lent by the Eurosystem as at year-end for monetary policy reasons multiplied by the capital key corresponding to BCL (0.1842%).

18.1.2 Provision covering foreign exchange risk

This provision, initially created to cover risks related to the participation in the ESCB for potential losses incurred by the ECB between 1999 and 2001 following different mechanisms, has been dissolved during the year.

18.1.3 Provision operational risk

This provision was created in 2001 and is intended to cover the risk of losses resulting from the inadequacy or the failure of procedures and processes, and relating to human factor or external causes. Because of a lack of relevant statistics on the measure of risk, the transfer to the provision in 2002 has been based on the Basic Indicator Approach described by the consultative working-paper of the Basel Committee as being 15% of the net banking product (30% as at 31 December 2001). The increase is due to the fact that the net banking product more than doubled in 2002.

18.1.4 Provision for liabilities resulting from monetary agreements

The provision for liabilities resulting from monetary treaties was initially created in 1984 by the Institut Monétaire Luxembourgeois ("IML") together with the Ministry of Treasury to be able to face any future monetary liabilities.

18.1.5 Other provision for general banking risks

For prudence's sake and to safeguard its assets, BCL has transferred EUR 58.9 million to the provision for general banking risks to cover any inherent risks related to central bank activities.

18.2 Provisions for pensions

Provisions for pensions include the following items:

Provisions for pensions include the following items:		
	2002 EUR	2001 EUR
Provision for pensions	57,087,000	46,151,874
Provision for retained risks related to infirmity and death	-	1,261,158
Provision for equalisation and financial risks	850,252	3,000,000
Provision for increase of PBO	1,108,484	6,296,807
	59,045,736	56,709,839

18.2.1 Provision for pensions

The pensions claims of its agents are fully supported by the BCL. The corresponding liability is calculated on the basis of the actuarial method described in note 2.11 in consideration of current factors and amounts to EUR 57.1 million as at 31 December 2002.

The increase of the provision during the year results from:

- monthly withdrawals on the gross salaries of BCL employees (employee's part) and the employer's part;
- periodic transfers from the account "Booking reserve of the pension fund" to adjust the account "Provision for pensions" to its actuarial value ;
- a transfer for the year 2002 to adjust the account "Provision for pensions" to its actuarial value.

During the year 2001 and according to article 35 paragraph 4(c) of its institutional law, BCL operated a unique transfer from its reserves in order to adjust the pension fund to the required amount as at 31 December 2001. In addition, article 35 paragraph 4(a) of the same law indicates that "the Luxembourg pension offices that received contributions from persons that are or become BCL agents, pay these amounts to the BCL's pension fund".

As of today, the Luxembourg pension funds did not fulfil their obligations mentioned in article 35 paragraph 4(a). Consequently, the unique transfer from the reserves in 2001 for EUR 33,8 million was determined without considering the claim on the pension funds, which will be used for the reconstitution of the reserves.

18.2.2 Provision for retained risks related to infirmity and death

A provision covering the retained risks related to infirmity and death not subject to any insurance contract had been created during the year 2001 for EUR 1,3 million. This provision has been totally dissolved in 2002.

18.2.3 Provision for equalisation and financial risks

A provision of EUR 3 million for equalisation and financial risks has been created in 2001 to cover fluctuations in the pension fund's liabilities in the beginning years and/or to compensate a lower return on assets. During the year 2002, an amount of EUR 2.1 million has been used.

18.2.4 Provision for increase of PBO

In 2001, a provision of EUR 6.3 million has been created based on the average expense in relation with pensions, infirmity and death for agents already being part of BCL personnel or included in the budgeted figures of 2002 but not included in the pension fund's liabilities calculation as at 31 December 2002. The liability ("Projected Benefit Obligation" or "PBO") equals the potential payments at their present value considering individual parameters and the actuarial method used. During the year 2002, an amount of EUR 5.2 million has been used to cover the BCL's increased pension liabilities resulting from the recruitment of 22 new agents.

Note 19 – Revaluation accounts

This item includes positive revaluation differences related to the spread between the exchange rate as at year-end and the average exchange rate of BCL's currency and gold positions, as well as positive

revaluation differences related to the spread between the market value as at year-end and the amortised cost for securities positions.

Note 20 - Capital and reserves

20.1 Capital

The Luxembourg State is the unique shareholder of the BCL's capital which is fixed to EUR 25 million (EUR 25 million as at 31 December 2001).

20.2 Reserves

The reserves amount to EUR 109.7 million. This amount has been increased by EUR 5.5 million during the year following the allocation of profit of the year 2001 according to the decision of the BCL's Board and its institutional law (article 31).

Note 21 – Custody deposits

This item includes the securities given into custody by Luxembourg financial institutions to cover their liabilities related to refinancing operations, marginal lending facilities and intra-day credits.

This caption also includes the securities given into custody in Luxembourg and used as a guarantee by commercial banks incorporated in other member states according to the agreement "Correspondent Central Banking Model" ("CCBM"). This agreement allows commercial banks to obtain funding with their country of residence's central bank by using the securities held in another member state as a guarantee.

As at 31 December 2002, the market value of these securities amounts to EUR 87.1 billion (EUR 77.3 billion as at 31 December 2001).

Note 22 – Commitments and similar instruments

This item corresponds to the guarantee issued by BCL for the project "Night Time Link". This liability is guaranteed by assets received in custody for the same amount.

Note 23 - Foreign currency reserves assets administrated on behalf of the ECB

This caption includes the foreign currency reserves at market value that have been transferred to the ECB in January 1999 and are managed by BCL on behalf of the ECB. These reserves are shown under asset item "Claims related to the transfer of foreign currency reserves" (see also note 8.2).

Note 24 – Forward contracts

BCL is engaged in bond and stock index futures. These instruments are mainly held for hedging purposes of interest rate risks related to the securities portfolio.

As at 31 December 2002, the total liabilities related to these forward contracts amount to EUR 410.6 million (EUR 28.4 million as at 31 December 2001). One security has been given as a guarantee in order to cover the initial margin deposit. This security remains on the balance sheet of BCL for an amount of EUR 3.5 million as at 31 December 2002 (EUR 2.0 million as at 31 December 2001).

Note 25 – Net interest income

This item includes interest income, after deduction of interest expense, on assets and liabilities in currency and in euros. Interest income and expense are detailed as follows:



COMPOSITION OF INTEREST INCOME

	AMOUNTS IN FOREIGN CURRENCY EUR		AMOUNTS IN EUROS EUR	
	2002	2001	2002	2001
IMF	2,928,216	3,297,253	-	-
Monetary policy	-	-	658,390,717	847,708,312
Claims related to the reallocation of euro banknotes in the Eurosystem	-	-	3,601,306	-
Intra-Eurosystem claims	-	-	3,662,707	2,780,476
Securities	-	-	39,092,983	34,814,883
Gold	393,544	154,018	-	-
Other	23	61	178,484	1,042,710
TOTAL	3,321,783	3,451,332	704,926,197	886,346,381

COMPOSITION OF INTEREST EXPENSE

IMF	514,552	831,508	-	-
Current accounts (including minimum reserves)	-	-	240,169,924	308,566,615
Liabilities related to the reallocation of euro banknotes in the Eurosystem	-	-	102,062,893	-
Other Intra-Eurosystem liabilities	-	-	252,290,832	531,394,729
Interests on term deposits	-	-	10,530,938	-
Other liabilities	-	-	1,169,956	2,301,930
TOTAL	514,552	831,508	606,224,543	842,263,274

Note 26 - Write-downs on financial assets and positions

This item includes revaluation losses on securities for EUR 3.1 million and on financial instruments linked to interest rates and market prices for EUR 1.8 million (EUR 0.1 million and EUR 0.1 million respectively in 2001).

Note 27 – Transfer to/from provisions for foreign exchange rate and price risks

This caption includes the transfers to and from provisions for banking risks (see also note 18.1).

Note 28 – Net result from fees and commissions

Fees and commissions income and expense are detailed as follows:

	FEES AND COMMISSIONS INCOME EUR		FEES AND COMMISSIONS EXPENSE EUR	
	2002	2001	2002	2001
Securities	5,351,425	4,566,425	5,846,379	5,064,391
Others	181,859	160,829	263,996	145,938
TOTAL	5,533,284	4,727,254	6,110,375	5,210,329

I

Note 29 – Income from participating interest

This item includes the dividend distributed by the ECB for the year 2001.

Also included under this heading is the distribution of the ECB's income on euro banknotes amounting to EUR 1.1 million. In 2002, the amount of the ECB's distributed income on euro banknotes in circulation was reduced by EUR 118 million in accordance with a decision of the Governing Council of the ECB in respect of expenses incurred by the ECB in connection with the issue and handling of euro banknotes. These expenses related to the costs, borne by the ECB, of the establishment of a strategic stock of euro banknotes for the Eurosystem.

II

Note 30 - Net result of pooling of monetary income

In 2002 the amount of each NCB's monetary income was determined by multiplying the liability base of each NCB by the main refinancing operations rate.

The liability base consists of the following items:

- banknotes in circulation (including both euro banknotes and non-returned national banknotes);
- liabilities to credit institutions related to monetary policy operations denominated in euro;
- net intra-Eurosystem liabilities resulting from TARGET transactions;
- and net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem.

Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

The monetary income pooled by the Eurosystem is to be allocated among NCBs according to the subscribed capital key (0.1842% for BCL).

The difference between the monetary income pooled by BCL, amounting to EUR 27.4 million, and reallocated to BCL, amounting to EUR 17.7 million, is the net result arising from the calculation of monetary income.

III

IV

V

Note 31 – Other income

Other income includes revenues for EUR 10,5 million that reflect the renunciation by the State of Luxembourg on the interests due for 2002 on its term deposit with BCL (see also note 12.1). This item also includes revenues for services rendered to third parties, transfers from administrative provisions and income from numismatic activities.

VI

Note 32 – Staff costs

This item includes the salaries and compensations as well as the employer's part of the contributions to the pension and social security regimes. The compensations paid to the Directors amount to EUR 424 389 for the year 2002 (EUR 409 167 for the year 2001).

As at 31 December 2002, BCL's personnel amounts to 204 agents (182 as at 31 December 2001). The average number of persons working for BCL from 1st January to 31 December 2002 amounted to 194 agents (175 for the year 2001).

VII

Note 33 - Administrative expenses

This caption includes all general and recurring expenses, meaning rents, cleaning and reparations of buildings and equipment, small goods and materials, fees paid and other services and furniture as well as recruitment expenses. The compensations paid to the members of the Board amount to EUR 58 397 in 2002 (EUR 55 780 in 2001).

VIII

Note 34 – Depreciation of tangible and intangible fixed assets

This item shows the depreciation applied on buildings, renovations on buildings, furniture and office equipment, computer hardware and software (see also note 9.1).

Note 35 – Banknote production services

This caption shows mainly the costs related to the production and issue of banknotes denominated in euros.

Note 36 – Other expenses

The bulk of other expenses are related to the transfer to the administrative provisions.