

BANK OF ISRAEL
BALANCE SHEET AS OF DECEMBER 31, 2002 (TEVET 26, 5763)
(NIS million)

	31 December			31 December		
	Notes	2002	2001	Notes	2002	2001
Assets				Liabilities and capital		
Foreign exchange reserves	2	112,123	102,367	Banknotes and coins in circulation	8	18,009 16,858
International Monetary Fund	3	1,957	875	International financial institutions	9	761 665
Credit to the government	4	5,051	5,514	Deposits of the government	10	8,152 4,259
				Treasury bills deposit	11	43,762 35,031
Loans	5	3,006	807*	Deposits of banking corporations	12	
				Local-currency time deposits		34,533 45,062
				Other		15,733 19,154
Local-currency securities	6	6,005	6,690	Other liabilities	13	3,406 2,972
Other assets	7	544	658*	Balance of matched timing account	1.j	1,357 1,008 *
				Revaluation accounts	14	16,014 6,659
				Bank of Israel capital		
				Capital and general reserve	15	320 320
				Losses	16	(13,361) (15,077)*
Total		128,686	116,911	Total		128,686 116,911

* Reclassified

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



Dr. David Klein
Governor



Zvi Auerbach
Comptroller

March 13, 2003

BANK OF ISRAEL
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING
DECEMBER 31, 2002
(NIS million)

	Notes	2002	2001
Interest income from			
Foreign exchange reserves	19	3,772	3,890
Loans	20	121	51
The government	21	2,185	1,959
Other	22	30	15
Total interest income		<u>6,108</u>	<u>5,915</u>
Interest paid			
To banks and the public	23	5,238	6,137
To the government	24	382	707
Other	25	79	84
Total interest paid		<u>5,699</u>	<u>6,928</u>
Net interest income (interest paid)		<u>409</u>	<u>(1,013)</u>
Other financial income from			
Securities and derivatives	26	1,747	2,390
Exchange-rate differentials		931	73
Miscellaneous	27	40	23
Total other financial income		<u>2,718</u>	<u>2,486</u>
Profit on financial transactions		3,127	1,473
Expenses on printing banknotes and minting coins		52	19
Administrative and general expenses	28	687	711
Other expenses	29	323	–
Net Income		2,065	743
Income from the government subject to matched timing		(349)	146*
Net profit		<u>1,716</u>	<u>889*</u>

* Restated.

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

NOTES TO THE FINANCIAL STATEMENTS FOR 2002

1. Accounting policies

a. General

The financial statements are presented in accordance with generally accepted accounting principles adapted for the special activity of a central bank, and taking into consideration the accounting and reporting guidelines for the European System of Central Banks issued by the European Central Bank.

The financial statements are presented in nominal NIS (New Israel Sheqalim). Income and expenses are entered on an accrual basis and are included in the balance-sheet items on which they accrued.

b. Foreign currency

Assets and liabilities denominated in foreign currency are translated into NIS at the representative exchange rates published by the Bank of Israel for the balance-sheet date.

Income and expenses in foreign currency are recorded in the Profit and Loss Account at the representative exchange rates prevailing on the value dates of the transactions.

From 2000 exchange-rate differentials are recorded in separate revaluation accounts for each currency. Realized exchange-rate differentials are transferred to the Profit and Loss Account, and are calculated on the basis of the average cost of the balances of that currency. Realization is calculated monthly for all foreign-currency assets in each currency and for all foreign-currency liabilities in each currency. A balance of loss in the revaluation accounts at the end of the year is transferred to the Profit and Loss Account, and is not offset in the future against unrealized profits. Unrealized losses in one currency are not offset against unrealized profits in other currencies.

Details of the exchange rates are as follows:

	31 December			Rate of change	
	2002	2001	2000	2002	2001
		(NIS)		(percent)	
\$	4.7370	4.4160	4.0410	7.3	9.3
Euro	4.9696	3.9075	3.7628	27.2	3.8
Special drawing rights (SDR) ^a	6.4167	5.5447	5.2626	15.7	5.4
First currency basket ^b	4.9657	4.1980	3.9516	18.3	6.2
Currency basket ^c	5.0467	4.4654	4.1726	13.0	7.0

^a Based on a weighted 4-currency basket consisting of US\$, €, ¥, and £.

^b In effect until July 31, 1986, and consisting of: US\$ 0.3500; £ 0.1295; and € 0.4667.

^c In effect since May 2, 2000, and consisting of: US\$ 0.6698; £ 0.0453; € 0.2493; and ¥ 7.2411. (The currency basket in effect from April 30, 1996, to May 1, 2000, consisted of: US\$ 0.6741; £ 0.0589; € 0.2282; and ¥ 6.5437.)

c. Indexation

Assets and liabilities indexed to the Consumer Price index (CPI) are calculated according to the latest known index on the balance-sheet date or other appropriate index in accordance with the terms of the transactions.

Details of the Consumer Price Index (CPI) are as follows:

	31 December			Rate of change	
	2002	2001	2000	2002	2001
		(CPI) ^a		(percent)	
November	182.5	171.1	168.7	6.7	1.4
December	182.0	170.9	168.5	6.5	1.4

^a 1993 average = 100.

d. Securities

Tradable local- and foreign-currency securities are shown at market value on the balance-sheet date.

Unrealized profits arising from the difference between the market value of securities and their adjusted cost are included in the Revaluation Accounts item in the balance sheet (see Note 14); unrealized losses arising from a fall in the market price of securities to below their adjusted cost are taken at the end of the year to the Profit and Loss Account and are shown under 'Other financial income from securities and derivatives.' (see Note 26).

The adjusted cost of securities is their par value *plus* accrued interest, accrued CPI-indexation differentials, and the balance of the premium or discount. The premium or discount is applied from the time of the purchase of the security until its maturity. Income from the realization of securities is shown under 'Other financial income from securities and derivatives' (see Note 26).

Interest income from local-currency securities are shown under 'Interest income from the government' (see Note 21).

Interest income from foreign-currency securities are shown under 'Interest income from foreign exchange reserves' (see Note 19).

e. International financial institutions

The International Monetary Fund (IMF)

The Bank of Israel's participation in the IMF *minus* its liability for participation is shown under assets in the item 'The International Monetary Fund' (see Note 3).

Special drawing rights (SDR) allocated by the IMF are shown under liabilities in the item 'International financial institutions' (see Note 9).

Other financial institutions

The Bank of Israel's participation in other international financial institutions consists of an initial participation in the capital of the international institutions and additional participation payments for increases in those institutions' capital. The Bank of Israel's participation in other international financial institutions is included under 'Other assets' according to the

cost in the currency in which the participation was paid. Liabilities to international financial institutions are shown under liabilities in the item 'International financial institutions.'

The Bank of Israel participates in the following institutions:

IBRD	–	The International Bank for Reconstruction and Development
IDA	–	The International Development Association
IFC	–	The International Finance Corporation
EBRD	–	The European Bank for Reconstruction and Development
MIGA	–	The Multilateral Investment Guarantee Agency
IDB	–	The Inter-American Development Bank
IIC	–	The Inter-American Investment Corporation

f. Buildings and equipment

Buildings and equipment are stated at cost net of cumulative depreciation. Depreciation is calculated by the straight-line method for the estimated useful life:

Buildings	—	from fifty to seventy years;
Vehicles	—	six and a half years;
Computers	—	four years;
Other equipment	—	ten years.

For purchases of more than NIS 34,000 per item, the cost of the equipment purchase is recognized as fixed property; for purchases under this amount the costs are recognized as general expenses.

g. Treasury bills deposit

The Treasury bills deposit reflects the par value (the redemption price) of Treasury bills held by the public *less* the balance of the discount from their date of issue. Treasury bills sold by the government to the Bank of Israel but not yet sold to the public are not included in this deposit.

The discount is the difference between the par value (the redemption price) of the Treasury bills and the proceeds of their sale to the Bank (the issue price). The discount is reduced by the compound interest method, based on the interest rate published by the Accountant-General in the Ministry of Finance at the time the series was issued.

Profits and losses arising from selling Treasury bills to the public are taken to the Profit and Loss Account when they are sold to or purchased from the public, and are shown under 'Interest paid to the banks and the public.'

h. Employee pensions, severance pay, and vacation pay

The liability for employee pensions and severance pay is actuarially computed on an accrual basis which reflects the liability accrued to the date of the financial statements for pensions and severance pay payments to employees.

Provision for vacation pay is computed on the basis of vacation due accrued to the balance-sheet date.

i. Revaluation accounts

There are separate revaluation accounts for each item (currency, security), which are transferred to the Profit and Loss Account when the item is realized in whole or in part.

The balance of the loss in the Revaluation Accounts item is transferred to the Profit and Loss Account at the end of the year.

j. Matched timing

Local-currency income from the government on account of government securities is taken to the Profit and Loss Account on an accrual basis. Accrued income from government securities not yet received in cash from the government is deducted from net income in 'Income from the government subject to matched timing.' Accrued income from local-currency securities not yet included in 'Net profit' on the Profit and Loss Account is shown in the balance sheet as 'balance of matched timing account.'

k. Derivative financial instruments

The Bank of Israel uses derivative financial instruments in its monetary and foreign exchange activities.

1. Activity in derivative financial instruments in Israel:

a) NIS/US\$ swaps

NIS/US\$ swaps implemented by the Bank of Israel with domestic banks are shown net, i.e., the balance of dollars to be received from the banks (translated according to the exchange rate on the balance-sheet date) *minus* the balance of NIS to be transferred to the banks. A debit balance is shown under the item 'Other assets' and a credit balance under 'Other liabilities.'

Interest income on these transactions is shown in the Profit and Loss Account under the item 'Interest paid to banks and the public.'

b) Purchase and sale options on the US\$/NIS exchange rate

The balance of options to the date of the financial statement is shown in Note 18, 'Contingent liabilities and special commitments.'

Expenses arising from the exercise of options during the period of the statement, and expenses expected from their exercise in accordance with the representative exchange rate of the dollar on the balance-sheet date, *minus* income from the premium on the options, are given in the item 'Other financial income from securities and derivatives.' The income from the premium on options is spread evenly over the duration of the options using the straight-line method. Advance income on the premium *plus* expenses accrued due to the difference between the exercise rate and the representative dollar exchange rate on the balance-sheet date is included in the 'Other liabilities' item.

c) Future remittances of Treasury bills

The balance of the liability on Treasury bills for future remittance up to the date of the financial statement is given at par (redemption price) in Note 18, 'Contingent liabilities and special commitments.'

Receipts on account of future issues of Treasury bills is included in the balance sheet under 'Other liabilities.'

2. Derivative financial instruments in activities abroad:

a) Repurchase agreements (Repo), and Reverse repo

The balances of Repo and Reverse repo agreements are included in the balance sheet as 'Foreign exchange reserves.' In the Profit and Loss Account the results of the transactions are included in 'Interest income from foreign exchange reserves.'

b) Foreign-currency swaps

The transactions are shown at net value, i.e., the balance of future foreign-currency receipts (in one of the currencies) less future foreign-currency remittances (in the other currency). In the balance sheet the transactions are included in 'Foreign exchange reserves.' In the Profit and Loss Account the results of these transactions are included in 'Interest income from foreign exchange reserves'.

c) Futures

The balances of futures contracts at market prices on the date of the financial statement are given in Note 18, 'Contingent liabilities and special commitments.'

In the Profit and Loss Account the change in the interest rate in the contracts is given under 'Other financial income from securities and derivatives.'

1. Transfer of profits

In accordance with the Bank of Israel Law, 5714–1954, the Bank must transfer its net profits to the government within sixty days of the end of each business year. Since the Bank has accrued losses, the profits are offset against these and are not transferred to the government.

2. Foreign exchange reserves

The currency composition of the Bank of Israel's reserves matches the economy's import-financing and debt-servicing needs. The Bank of Israel thereby reduces the purchasing-power exposure of the reserves to changes in cross rates, and thus to some extent hedges against the exchange-rate risk of Israel's external debt. (The yields on the foreign exchange reserves are shown in Table 4 in the Explanatory Remarks to the Financial Statements below.)

	31 December		31 December	
	2002	2001	2002	2001
	(NIS million)		(\$ million)	
Tradable securities ^a	100,798	90,091	21,279	20,401
Short-term deposits	22,308	24,721	4,709	5,598
Demand deposits	962	1,341	203	304
Derivative financial instruments ^b	(11,945)	(13,786)	(2,522)	(3,122)
Total	112,123	102,367	23,669	23,181

^a At their market value (see note 1.d).
^b Derivative financial instruments are shown net, i.e., future foreign-currency assets *minus* future foreign-currency liabilities (see note 1.k.2).

3. The International Monetary Fund (IMF)

The balance with the IMF (the reserve tranche) consists of the foreign-currency payment made by Israel to the Fund and constitutes part of the quota allocated to Israel.

The quota in the IMF

Each member country is allocated a quota which determines the basis of that country's financial and organizational ties with the Fund. The quota is related to the country's economic situation (national income, exports, balance of payments, level of the reserves) and determines its voting rights. Part of the quota is deposited in the country's central bank in notes and deposits indexed to Special Drawing Rights, and part (called the reserve tranche) is transferred to the Fund in foreign currency, and can be withdrawn.

Up to 1998 Israel drew its entire foreign-currency payment, putting up against these withdrawals a non-interest-bearing deposit in favor of the Fund. In 1999 the Fund increased members' participation, and Israel's rose by SDR 262 million. The foreign-currency payment for this increase, SDR 66 million, was deposited in the Fund, and has not been withdrawn.

The IMF financial transaction plan

In October 1999 Israel joined the group of countries which participate in financing the Fund's operational budget. The financial transaction plan is one of the mechanisms through which the Fund makes foreign-currency loans available to member countries in need of such loans. Participation in the financial transaction plan increases Israel's reserve tranche, against a reduction in the Fund's deposits in the Bank of Israel. In 2002 the balance of Israel's reserve tranche increased by SDR 146.7 million due to the Financial Transactions Plan (previously called the Operational Budget) (in 2001 it increased by SDR 67.4 million).

Loan repayments are divided between countries whose reserve tranche/quota ratio is higher than the average ratio of all the Fund's member countries which participate in its financial transaction plan.

	31 December		31 December	
	2002	2001	2002	2001
	(NIS million)		(SDR million)	
International Monetary Fund (IMF) quota	5,962	5,149	928	928
<i>minus</i> liability for the quota ^a	4,005	4,274	624	771
Total^b	1,957	875	304	157

^a The balance of the liability to the IMF is in notes and deposits.

^b The surplus of the reserve tranche over the 'basic sum' bears interest at a rate set by the IMF from time to time. Israel's 'basic sum' (on which no interest is paid) is SDR 33 million. The annual rate of interest on 31 December 2002, was 1.9 percent (on 31 December 2001, it was 2.2 percent).

4. Credit to the government

Credit to the government consists mainly of long-term advances. These advances to the government were made until 1988, and are currently as follows:

	31 December	
	2002	2001
	(NIS million)	
Long-term advances ^a		
Indexed ^b	4,065	4,455
Unindexed ^c	830	913
Credit for binational funds	156	146
Total	5,051	5,514

^a The interest and indexation differentials for each year are due for payment on 31 December of that year. The principal is due to be paid in annual payments, the last of which will be in the year 2012.

^b This credit is indexed to the first currency basket. NIS 4,064 million of it bears an interest rate of 8 percent, also indexed to that basket (the amount outstanding on 31.12.2001 was NIS 4,454 million).

^c This credit bears interest at prime rate *plus* 2 percentage points. The average rate of interest during 2002 was 10.8 percent (10.7 percent in 2001).

5. Loans

	31 December	
	2002	2001*
	(NIS million)	
Monetary loans ^a	871	802
Other loans ^b	2,135	5
Total	3,006	807

* Reclassified.

^a The average rate of interest on the monetary loans in 2002 was 6.6 percent, (in 2001 6.5 percent). The average rate of interest on the monetary loans on 31 December 2002 was 8.7 percent (on 31 December 2001 it was 3.5 percent).

^b Including NIS 2,067 million utilization of a special line of credit (of NIS 2,200 million) made available to the Industrial Development Bank to enable it to continue operating after it had encountered liquidity problems. This credit bears interest at the Bank of Israel key rate *plus* 3 percentage points per annum, and is secured by in floating lien on most of the assets of the Industrial Development Bank in favor of the Bank of Israel. Taking into consideration the relevant information available when these financial statements were approved, this credit is not expected to result in a loss to the Bank of Israel.

6. Local-currency securities

This item consists of tradable government securities indexed to the last CPI known on the balance-sheet date. They are shown at market value (see Note 1.d).

The yield to maturity on the local-currency securities portfolio on 31 December 2002 was 4.9 percent, and the portfolio's average period to maturity was 4.0 years (on 31 December 2001 the yield to maturity was 3.0 percent, and the average period to maturity was 4.5 years).

	31 December	
	2002	2001
	(NIS million)	
Time to redemption from balance-sheet date		
Less than one year	838	812
Between one and two years	917	832
Between two and three years	1,396	889
Between three and four years	223	1,366
Between four and five years	376	179
Between five and seven years	1,057	772
Seven years or longer	1,198	1,840
Total	6,005	6,690

7. Other assets

This item consists mainly of:

- Participation in international financial institutions (see Note 1.e);
- Net balance of NIS/US\$ swaps (see Notes 1.k.1(a) and 18);
- Loans to employees;
- Buildings and equipment net of cumulative depreciation (see Note 1.f);

8. Banknotes and coins in circulation

	31 December, 2002		31 December, 2001	
	Quantity	NIS	Quantity	NIS
	(million)		(million)	
Banknotes in circulation				
NIS 20	21	415	21	424
NIS 50	41	2,054	43	2,135
NIS 100	92	9,176	86	8,622
NIS 200	27	5,484	24	4,833
Coins in circulation	–	844	–	809
Other	–	31	–	31
Commemorative coins	–	5	–	4
Total		18,009		16,858

9. International financial institutions

	31 December	
	2002	2001
	(NIS million)	
Special Drawing Rights allocated ^a	685	593
Liabilities to international financial institutions ^b	76	72
Total	761	665

^a Special drawing rights (SDR) are money which member countries of the International Monetary Fund (IMF) have undertaken to buy from it. The Fund allocates SDRs to member countries relative to the size of their quotas. To date Israel has been allocated SDR 106.4 million.

^b Liabilities in bills or deposits to the following institutions: IDB, MIGA, EBRD, IDA, IBRD (see Note 1.e).

10. Deposits of the government

Government deposits comprise deposits for financing its budgetary activity and other deposits.

Government deposits for financing the budget

These are defined as deposits that the government may use to finance its budgetary and extra-budgetary activity and, accordingly, to which section 45(b) of the Bank of Israel Law, 5714-1954, applies. Financial movements arising from government budgetary and extra-budgetary activity in Israel and abroad and financial movements with the Bank of Israel are recorded in this item.

Other deposits

Other deposits include a bond-price stabilization local-currency deposit and various foreign-currency deposits. The bond-price stabilization deposit represents the proceeds from the purchase at source of government securities by the Bank of Israel in order to stabilize prices on the Tel Aviv Stock Exchange (TASE). In accordance with an agreement with the Ministry of Finance, the proceeds are placed in a special deposit on behalf of the government, but may not be used to finance government expenses. At the request of the Ministry of Finance the bond-price stabilization arrangement was ended in January 1993, and the deposit is being drawn down gradually against the redemption of such bonds purchased in the past. The redemption of these bonds will end in the year 2009.

	31 December		31 December	
	2002	2001	2002	2001
	(NIS million)		(\$ million)	
Deposits for budget financing				
Local currency^a	(12,400)	(14,951)		
Foreign currency				
Borrowing under US government guarantee ^b	17,967	16,101	3,793	3,646
US government economic aid ^b	1,973	2,394	417	542
Current deposit	376	389	79	88
Total	20,316	18,884	4,289	4,276
Total deposits for budget financing	7,916	3,933		
Other deposits				
Bond-price stabilization local-currency deposit ^a	180	201		
Other foreign-currency deposits	38	100	8	23
Total other deposits	218	301		
Accrued interest on government deposits	18	25		
Total	8,152	4,259		

^a Local-currency government deposits bear (when in debt) or pay (when in credit) interest at prime. The average prime rate in 2002 was 8.4 percent (in 2001 it was 8.4 percent).

^b Government foreign-currency deposits derived from borrowing under US government guarantee or from US government economic aid earn interest at the rate paid on US Treasury bills with an average of 6 months to maturity. The rate of interest on 31 December 2002 was 1.3 percent (on 31 December 2001 it was 1.8 percent). On foreign-currency debit balances interest is charged at the borrowing rate abroad *plus* 5 percentage points.

11. Treasury bills deposit

The Short-Term Loan Law, 5744–1984, authorizes the government to issue bonds to be sold only to the Bank of Israel; the Bank, in carrying out its functions, would sell them to and buy them from the public to regulate the money supply. The government may not use the proceeds of sales of bonds to the Bank of Israel for anything apart from repaying the loan in accordance with this Law or paying the interest on it. Hence the proceeds of the sale of Treasury bills to the public and other activities connected with Treasury bills are dealt with in a special account for such activities only.

The Treasury bills deposit includes accrued interest of NIS 1,521 million (in 2001, NIS 1,356 million).

12. Deposits of banking corporations

a. Local-currency time deposit

The Bank of Israel receives local-currency time deposits from the banking corporations. The deposits are allocated by auction for periods of a day, a week, or a month. In July 2002 the auctions for one month were discontinued. They are not considered liquid assets for purposes of the banking corporations' reserve requirements.

	31 December	
	2002	2001
	(NIS million)	
Daily deposits	14,500	12,000
Weekly deposits	20,000	9,000
Monthly deposits ^a	–	24,000
Total	34,500	45,000
Accrued interest on deposits	33	62
Total	34,533	45,062

^a The last monthly auction was held on 20 June 2002.
The average rate of interest on time deposits in 2002 was 7.0 percent (in 2001 it was 6.9 percent).
The average rate of interest on the balance of deposits on 31 December 2002 was 9.0 percent (on 31 December 2001 it was 4.7 percent).

b. Other deposits

Banks' other local-currency deposits in the Bank of Israel serve as liquid assets against residents' local-currency and foreign-currency deposits. The reserve requirement ranges from 0 percent to 6 percent, according to the term of the deposit.

Foreign-currency demand deposits serve as liquid assets against nonresidents' foreign-currency deposits.

Secondary foreign-currency reserve-requirement deposits serve as liquid assets against residents' and nonresidents' foreign-currency deposits. In December 2001 the secondary reserve requirement against the public's foreign-currency deposits was 10 percent. At least half of this, i.e., 5 percent, had to be deposited in the Bank of Israel, and the rest could be deposited abroad. In August 2002 a process of reducing the secondary requirement by one percentage point a month was started—while complying with the above requirement—so that it is expected to be eliminated by May 2003. At the end of December 2002 (i.e. for liquidity month January 2003) the secondary reserve requirement was 5 percent.

The Bank of Israel pays interest on the secondary foreign-currency reserve-requirement deposits at a rate similar to the interbank interest rate abroad.

	31 December		31 December	
	2002	2001	2002	2001
	(NIS million)		(\$ million)	
Local-currency demand deposits	8,667	8,381		
Foreign-currency deposits				
Against foreign-currency reserve requirement				
Foreign-currency demand deposits	708	598	149	135
Secondary foreign-currency reserve requirement ^a	4,082	8,640	862	1,957
Total deposits against foreign-currency reserve requirements	4,790	9,238	1,011	2,092
Unrestricted deposits	2,276	1,535	481	348
Total foreign-currency deposits	7,066	10,773	1,492	2,440
Total	15,733	19,154		

^a Deposits against the secondary foreign-currency reserve requirement include accrued interest of NIS 8.8 million (in 2001, NIS 36 million).

13. Other liabilities

This item consists mainly of:

- Provision for employee pensions and severance and vacation pay;
- Deposits of the U.S.–Israel Binational Industrial Research and Development Fund and a deposit of the U.S.–Israel Binational Science Fund;
- Expected expenses against the exercise of options on the dollar/NIS exchange rate *less* advance payments;
- Other creditors;
- A liability for guarantees to depositors in the Trade Bank (see Note 29).

14. Revaluation accounts

Revaluation accounts include unrealized profits from the revaluation of the following items (see also Note 1.b, 1.d, and 1.i):

	31 December 2001	
	2002	2001
	(NIS million)	
Foreign-currency balances	14,938	5,247
Tradable local-currency securities	14	530
Tradable foreign-currency securities	1,062	882
Total	16,014	6,659

15. The Bank's capital

	31 December	
	2002	2001
	(NIS million)	
Share capital	60	60
General reserve	260	260
Total	320	320

16. Losses

In accordance with the Bank of Israel Law, 5714–1954, the Bank must transfer its net profits to the government within sixty days of the end of each business year. Losses incurred by the Bank accrue in this item, and will be offset against future profits.

	31 December	
	2002	2001*
	(NIS million)	
Loss brought forward from previous year	(15,077)	(15,966)
Profit in current year	1,716	889
Total loss	(13,361)	(15,077)

* Reclassified. The balance of the matched timing account which was shown in previous years as a deduction from the total loss is now shown as a separate item in the balance sheet.

17. Assets and liabilities, by indexation bases

	31 December 2002				31 December 2001*			
	In local currency	In foreign currency	Non-financial items	Total	In local currency	In foreign currency	Non-financial items	Total
	(NIS million)				(NIS million)			
Assets								
Foreign-currency balances ^a		112,123		112,123		102,367		102,367
Balance in the IMF		1,957		1,957		875		875
Credit to the government ^b	830	4,221		5,051	913	4,601		5,514
Loans*	3,003	3		3,006	802	5		807
Local-currency securities ^c	6,005			6,005	6,690			6,690
Other assets ^{d*}	(6,350)	6,648	246	544	(5,778)	6,198	238	658
Total assets	3,488	124,952	246	128,686	2,627	114,046	238	116,911
Liabilities								
Banknotes and coins in circulation	18,009			18,009	16,858			16,858
International monetary institutions	–	761		761	–	665		665
Government deposits	(12,224)	20,376		8,152	(14,752)	19,011		4,259
Treasury-bills deposit	43,762			43,762	35,031			35,031
Deposits of banking corporations	43,200	7,066		50,266	53,443	10,773		64,216
Other liabilities ^e	3,223	183		3,406	2,813	159		2,972
Matched timing	1,357			1,357	1,008			1,008
Revaluation accounts	14,952	1,062		16,014	5,777	882		6,659
Bank of Israel capital			(13,041)	(13,041)			(14,757)	(14,757)
Total liabilities	112,279	29,448	(13,041)	128,686	100,178	31,490	(14,757)	116,911
Surplus assets (liabilities)	(108,791)	95,504	13,287	–	(97,551)	82,556	14,995	–

* Reclassified.

^a These include NIS 1,740 million indexed to the US Consumer Price Index (NIS 3,064 million on 31 December 2001).

^b Foreign-currency credit to the government includes long-term advances totalling NIS 4,065 million denominated in NIS and indexed to the exchange rate against the first currency basket (NIS 4,455 million on 31 December 2001).

^c Local-currency securities indexed to the Consumer Price Index.

^d NIS/\$ swaps are shown in the balance sheet net, in accordance with the balance (see Note 1.k.1(a)). This table shows dollars to be received in the foreign-currency column (NIS 6,632 million on 31 December 2002; NIS 6,182 million on 31 December 2001), and NIS to be paid in the local-currency column (NIS 6,565 million on 31 December 2002; NIS 5,977 million on 31 December 2001), so that the balances of these items are negative.

^e Other local-currency liabilities include NIS 9 million deriving from expenses expected on exercising US\$/NIS exchange-rate options (NIS 25 million on 31 December 2001).

18. Contingent liabilities and special commitments

	31 December	
	2002	2001*
	(NIS million)	
1. Contingent liabilities^a		
Documentary credits and guarantees for government imports and exports		
Documentary credits	9	47
Guarantees	282	57
Other contingent liabilities		
Liabilities to pay international financial institutions on demand	3,826	3,543
2. Special commitments		
Derivative financial instruments in activity in Israel		
Currency swaps with domestic banks		
Future receipts of dollars ^b	6,632	6,182
Future payments of NIS ^c	6,565	5,977
\$/NIS purchase options	1,208	1,148
\$/NIS sales options	592	574
Future remittances of Treasury bills (at par) (price at redemption)	640	600
Derivative financial instruments in activity abroad		
Currency swaps and forward transactions		
Future receipts of foreign currency	883	1,082
Future payments of foreign currency	882	1,070
Repurchase agreements (Repo) and Reverse Repo (RRepo)		
Repo	15,645	18,294
Reverse Repo	3,703	4,512
Futures		
Sales commitments	2,365	2,736
Purchase commitments	1,575	452
Participation in international financial institutions not yet due for payment	44	46
* Reclassified.		
^a Several claims were made on the Bank of Israel. The Bank of Israel does not consider it necessary to make a special provision for these claims, as the chances that they will be upheld are slight.		
^b The balance of swaps on the balance-sheet date was \$1,400 million (\$1,400 million in 2001).		
^c Including interest of NIS 23 million accrued to the balance-sheet date (NIS 8 million in 2001).		

19. Interest income from the foreign exchange reserves

	Year to 31 December	
	2002	2001
	(NIS million)	
Tradable securities ^a	3,478	3,621
Short-term deposits	330	585
Demand deposits	15	30
Derivative financial instruments ^b	(51)	(346)
Total	3,772	3,890
^a Income from interest includes indexation differentials and reductions of premium and discount.		
^b Income from (expenses on) interest on derivatives is shown net.		

20. Interest income from loans

	Year to 31 December	
	2002	2001*
	(NIS million)	
From monetary loans	56	51
From other loans ^a	65	–
Total	121	51

* Reclassified.
^a Mostly deriving from interest on credit advanced to the Industrial Development Bank (see Note 5).

21. Interest income from the government^a

	Year to 31 December	
	2002	2001
	(NIS million)	
Long-term advances		
Indexed	718	385
Unindexed	98	106
From binational funds	65	63
From government deposits ^b	514	882
From local-currency securities	790	523
Total	2,185	1,959

^a Including indexation differentials, reductions of premium and discount.
^b See Note 10.

22. Other interest income

This item consists of interest income from the IMF.

23. Interest paid to banks and the public

	Year to 31 December	
	2002	2001
	(NIS million)	
In local currency		
On banks' local-currency time deposits	2,321	3,219
on swaps	343	170
On Treasury bills deposit	2,407	2,328
On bank's deposits	4	4
In foreign currency		
On banks' deposits	163	416
Total	5,238	6,137

24. Interest paid to the government

	Year to 31 December	
	2002	2001
	(NIS million)	
In local currency ^a	17	20
In foreign currency	365	687
Total	382	707

^a On the bond-price stabilization deposit (see Note 10).

25. Other interest paid

This item consists mainly of interest paid:

- a. To international financial institutions.
- b. On deposits of the US–Israel Binational Industrial Research and Development (BIRD) Fund and a deposit of the US–Israel Binational Science Foundation.

26. Other financial income from securities and derivatives

	Year to 31 December	
	2002	2001*
	(NIS million)	
Securities^a		
In foreign currency	2,040	2,470
In local currency	(67)	–
Derivative financial instruments^b		
In foreign currency	(175)	(85)
In local currency	(51)	5
Total	1,747	2,390

* Reclassified.

^a Including income from the realization of securities and from decline in their value at the end of the year (see Note 1.d).

^b See Note 1.k.

27. Other financial income—miscellaneous

	Year to 31 December	
	2002	2001*
	(NIS million)	
In local currency	26	3
In foreign currency	14	20
Total	40	23

* Reclassified.

28. Administrative and general expenses

	Year to 31 December	
	2002	2001
	(NIS million)	
Wages and general expenses ^a	496	488
Provision for employees' entitlements	191	223
Total	687	711

^a Including pensions.

29. Other expenses

	Year to 31 December	
	2002	2001
	(NIS million)	
Expenses related to the Trade Bank ^a	350	–
Doubtful debts ^b	(27)	–
Total	323	–

^a In April 2002 a case of embezzlement was discovered in the Trade Bank, as a result of which the bank is being liquidated, by court order. The Bank of Israel, with government approval, gave guarantees to depositors in the Trade Bank who were not parties at interest and who had no part in the embezzlement. The Bank gave a complete guarantee (at a rate of 100 percent) for every deposit up to NIS 4 million. For larger deposits the Bank guaranteed the first NIS 4 million in full, and 95 percent of any balance of the deposit in excess of NIS 4 million. At the time of signing these financial statements, it is estimated that the Bank of Israel's expenses due to the Trade Bank will total NIS 350 million. Until 31 December 2002, about NIS 100 million had been paid on account of the above guarantee.

^b Update of the loan-loss provision for the Bank of North America.

EXPLANATORY REMARKS TO THE FINANCIAL STATEMENTS

1. MAIN DEVELOPMENTS

The main assets on the Bank of Israel's balance sheet are the foreign exchange reserves, which accounted for 87 percent of the total balance sheet, and the main liabilities are the Treasury bills deposit and the banks' time deposits which together constitute 61 percent of the Bank's total liabilities. The main changes in the Bank's balance sheet in 2002 were: a 9.5 percent rise in the foreign-exchange reserves in NIS terms, the result of the depreciation of the NIS; a special loan of NIS 2 billion granted in November to the Industrial Development Bank, which had encountered liquidity problems; a switch from banks' time deposits in the Bank of Israel, which declined by NIS 10.5 billion, to Treasury bills sold to the public, which increased by NIS 8.7 billion; and a reduction in the banks' foreign-currency deposits, mainly due to a reduction in the secondary foreign-currency reserve ratio.

The main changes in the Bank's income and expenses in 2002 derived from changes in the rate of interest in Israel and abroad, and from the changes in prices of securities (i.e., capital gains) due to changes in interest rates; in 2002 the Bank had considerable income from realized exchange-rate differentials on foreign-currency-denominated assets and liabilities.

Table 1
Exchange-Rate Differentials^a on Foreign-Currency Balances,
2001–2002

	(NIS million, at current prices)	
	2001	2002
Assets		
Foreign-exchange reserves	7,387	12,258
Credit to the government—binational funds	12	11
Other accounts—international financial institutions	42	190
Other assets—NIS/\$ swaps	525	449
Liabilities		
Government deposits	-1,746	-1,489
Banks' foreign-currency deposits	-874	-687
International financial institutions	-35	-100
Other liabilities—deposits of the binational fund	-13	-11
Total	5,298	10,622
Realized exchange-rate differentials	73	931
Unrealized exchange-rate differentials	5,225	9,691

^a Due to the adjustment of foreign-exchange balances to the rate of exchange.

In 2002 large-scale embezzlement in the Trade Bank was discovered that led to the collapse of the bank. The Bank of Israel provided guarantee for depositors in the bank, and the (net) expenses incurred in 2002 and in the future due to the collapse are estimated at NIS 350 million. This expense has been recorded in the Profit and Loss Account for 2002.

The foreign exchange reserves increased in 2002 by 1.6 percent in dollar terms, and at the end of the year stood at \$ 23.7 billion. The main reason for the rise in the reserves in NIS terms was the 9.5 percent depreciation of the NIS.

Interest rates worldwide fell in 2001, resulting in a drop in receipts from interest on the investment of the foreign reserves. Nevertheless, the decline in interest rates led to a rise in bond prices (capital gains) which exceeded the reduction in interest receipts. In 2002 interest rates continued their downwards, albeit more slowly. Capital gains in 2002 were lower than in 2001, and did not fully compensate for the drop in interest income.

The main instruments that the Bank of Israel has used to implement its monetary policy in the last few years were Treasury bills and banks' local-currency time deposits with the Bank.¹ In 2002 the downward trend of interest rates in Israel that had continued for three years came to an end (Table 7). In December 2001 the Bank of Israel's interest rate was reduced by 2 percentage points, to 3.8 percent. It remained at this level in January and February 2002, but in March the rate was increased moderately, and in June and July it went up by 2.5 and 2.0 percentage points respectively. In terms of annual averages, the interest rates in 2001 and 2002 were similar, 6.8 percent and 6.9 percent, the result of decreases in 2001 and increases in 2002. The average rate of interest on time deposits and Treasury bills held by the public in 2002 was 6.6 percent, compared to 7.2 percent in 2001. The removal of the ceiling on the issue of Treasury bills at the beginning of 2002 enabled their sales to the public to increase, with a reduction in the balance of time deposits. From December 2001 to December 2002 the total balance of time deposits and Treasury bills went down by about 2 percent.

The government has local-currency deposits, which have had debit balances for several years, and foreign-currency deposits whose credit balances exceed the local-currency debit balances. The government's total deposits went up by NIS 3.9 billion from 2001 to 2002. The local-currency deposit increased by NIS 2.5 billion (i.e., the debit balance contracted by that amount), while the foreign-currency deposit remained stable in dollar terms, meaning a rise in local-currency terms of NIS 1.4 billion due to depreciation of the NIS.

The increase in the government's deposits was the outcome of government absorption of NIS 7.6 billion, against payments abroad of NIS 2.6 billion (\$ 0.5 billion) and payments to the Bank of Israel of NIS 1.2 billion.

The monetary base (cash and the banks' current-account deposits in the Bank of Israel) increased by NIS 1.4 billion in 2002, after rising by NIS 4.4 billion in 2001 (Table 1 and 5). In the first quarter of the year the government absorbed money by means of domestic borrowing, but later in the year, and particularly at its end, it injected a considerable

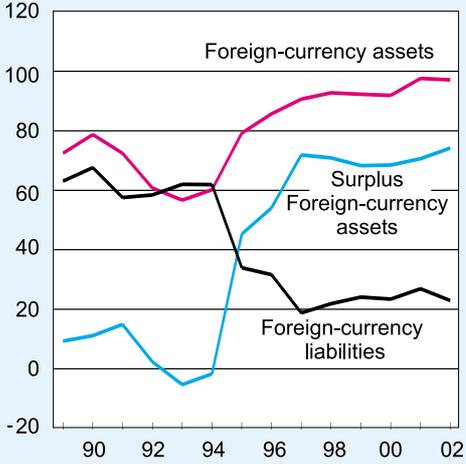
¹ The Bank of Israel uses other instruments that also appear in the financial statements: monetary loans, NIS/\$ swaps and sales of dollar options. Until October 2001 government bonds/Treasury bills swaps were also used. The role played by these instruments in the Bank's monetary policy is smaller than that of Treasury bills and time deposits.

amount of money. For the year as a whole, as stated, the government absorbed some NIS 7.6 billion. The Bank of Israel, on the other hand, injected about NIS 9.3 billion in 2002. The injection deriving from the implementation of the Bank’s monetary policy—NIS 7.3 billion—was similar to the extent of the government absorption, and was reflected principally in the reduction of NIS 1.7 billion in the Treasury bills and time deposits aggregate and of NIS 4.7 billion in the banks’ interest payments on those deposits; the rest of the Bank of Israel’s injection was the loan of NIS 2 billion to the Industrial Development Bank.

As was the case in every year since 1998, in 2002 the Bank of Israel did not trade in foreign currency with the public.

The amount of banknotes and coins in circulation in 2002 rose by NIS 1.1 billion, but at constant prices did not change. In 2001 there was a rapid increase of NIS 2.2 billion in the amount of cash in circulation, attributed in part to the effect of Palestinian terrorism that led to increased use of cash. The relative stability in the stock of cash in 2002 apparently derived from ending of the process of adjustment to the security situation and the acceleration in price increases.

**Figure 1
Foreign-Currency Assets,
Liabilities, and Surplus Foreign-
Currency Assets of the Bank of
Israel, 1989–2002**



In 2002 the Bank of Israel’s profit was NIS 1.7 billion, up from NIS 0.9 billion in 2001. The increase was mainly due to realized exchange-rate differentials and to the direct and indirect effects of changes in interest rates, which rose in Israel and fell worldwide.

The NIS depreciated against the currency basket by 13 percent in 2002, after depreciating by 7 percent in 2001. (Against the euro, which strengthened in 2002 in the world markets, the NIS depreciated by 27 percent; against the dollar the NIS depreciated by 7 percent.) As the Bank has a surplus of assets over liabilities in foreign currency (97 percent of the Bank’s assets are in or indexed to foreign currency, and only 23 percent of its liabilities), the depreciation led to a marked rise in total exchange-rate differentials. Exchange-rate differentials accumulated on assets or liabilities that are not sold (or repaid) are defined as unrealized exchange-rate differentials and are recorded in the revaluation accounts in the Bank’s balance sheet; exchange-rate differentials on assets and liabilities that are sold or repaid during the year are defined as realized exchange-rate differentials and are recorded in the Profit and Loss Account. The realization of the differentials is calculated from the date of purchase of the asset or of creation of the liability (even if this was in previous years) until the date of sale.² As sales of assets and liabilities in 2002 were at a relatively low level, most of the exchange-rate differentials (NIS 9.7 billion out of a total of NIS 10.6 billion) were not realized, and were added to the revaluation accounts in the balance sheet.

The Bank of Israel maintains a fixed composition of currencies in accordance with the basket of uses of the foreign exchange reserves, so that the strengthening of any one currency increases its weight in the portfolio beyond its weight in the basket of uses; in

² If unrealized exchange-rate differentials have a debit balance they are recorded in the Profit and Loss Account for that year, before they are realized. See also Notes 1.b, 1.c, 1.i and 14 to these Financial Statements, and the Explanatory Notes to the Financial Statements for 2000.

order to revert to the fixed composition, the Bank sells some of the reserves in that currency. In 2002 the euro strengthened significantly, and the Bank of Israel sold some of its euro foreign exchange reserves. These sales were the main reason for the NIS 0.9 billion realization of exchange-rate differentials in 2002 (NIS 0.1 billion in 2001).

In 2002 the Bank of Israel had a net interest income of NIS 0.4 billion, compared with net interest paid of NIS 1 billion in 2001. The main reason for the change was the reduction of NIS 0.8 billion in interest paid by the Bank on the Treasury bills and time deposits aggregate.

Interest payments on Treasury bills are determined according to rates on interest prevailing at the time of issue of the various series, and as the bills are issued for periods of up to one year, interest payments in any year are affected by interest rates in that year and in the previous year. During 2001 and at the beginning of 2002 domestic interest rates followed a downward trend; while the average balance of Treasury bills held rose by 26 percent, the Bank's interest payments on the public's Treasury bills holding rose by only 3 percent. Bank's time deposits with the Bank of Israel are short term, for up to one month, so that their rate of interest is similar to the Bank's key rate, the annual average of which, 7 percent, was the same as in 2001. Time deposits fell by 28 percent in 2002, also reducing the Bank's interest payments on them by 28 percent. Total interest paid on the treasury bills and time deposit aggregate went down from NIS 5.5 billion in 2001 to NIS 4.7 billion in 2002.

Table 2
Indicators of the Bank of Israel Profit, 1990–2002

Profit (loss)	Realized exchange- rate differentials ^a	Net foreign- currency assets end-of-year	Change in currency-basket exchange rate during year	Treasury bills <i>plus</i> time deposits <i>minus</i> monetary loans 31 Dec	Average interest, annual rates	
					Time deposits	Monetary loans
	<i>NIS billion</i> <i>(at current prices)</i>	<i>\$ billion</i>	<i>percent</i>	<i>NIS billion</i> <i>(at current prices)</i>	<i>percent</i>	
1990	1.5	0.5	10.6	–		14.4
1991	1.9	0.8	11.2	(1)		15.5
1992	1.7	0.6	16.3	(5)		12.1
1993	1.3	(0.2)	6.3	(10)		10.7
1994	1.8	0.4	5.7	(8)		12.7
1995	2.5	1.4	6.3	9		14.9
1996	(0.5)	0.5	1.6	21	16.2	14.9
1997	(1.1)	2.1	4.1	51	13.9	13.5
1998	10.9	13.1	20.4	63	11.9	11.5
1999	(8.7)	(3.5)	(3.2)	73	12.2	11.8
2000	(6.7)	(3.7)	(5.5)	80	9.4	8.9
2001	0.9	0.1	7.0	79	6.9	6.5
2002	1.7	0.9	13.0	77	7.0	6.6

^a Until 1999 all exchange-rate differentials were defined as realized.

Table 3
Composition of Changes in the Monetary Base and Foreign Reserves, 1998–2002

	(current prices)									
	2001					2002 ^g				
	1998	1999	2000	2001	2002 ^g	2001	2002 ^g	2001	2002 ^g	2002 ^g
<i>NIS million</i>										
1. Change in monetary base (1) = (2 + 3 + 4 + 5)	242	3,927	311	4,364	1,437	2,731	1,424	1,424	1,424	318
Injection (+)/absorption (-)										
2. Government and National Institutions	1,901	4,067	-2,729	-2,611	-6,065	1,860	-9,270	375	-1,469	4,298
3. Bank of Israel	-2,664	-365	2,729	7,675	9,265	1,600	11,146	-1	1,568	-3,447
4. Foreign-currency conversions at Bank of Israel	1,746	0	0	0	0	0	0	0	0	0
5. Adjustments ^a	-741	225	311	-700	-1,763	-729	-452	-383	-395	-533
<i>\$ million</i>										
Banks' foreign-currency activity with the Bank of Israel										
6. Foreign-currency sales to Bank of Israel (6) = (8 - 9 - 7)	-492	0	0	0	0	0	0	0	0	0
7. Public-sector transfers to banks ^b	-163	-259	-345	-20	184	59	27	141	-20	36
8. Change in deposits with Bank of Israel	-369	585	-462	91	-982	-160	-59	410	-948	-384
9. Transfers to (-)/from (+) rest of world	286	844	-117	111	-1,165	-219	-86	269	-928	-421
10. Adjustments ^c	-343	-197	-275	-216	-186	-145	-69	65	-101	-80
Contribution to reserves										
11. Private sector ^d (11)=(9+10)	-57	647	-392	-105	-1,351	-364	-155	334	-1,029	-501
12. Public sector ^e	2,399	-806	1,041	122	1,840	-931	919	510	468	-58
13. Change in reserves ^f (13)=(11+12)	2,342	-159	649	17	489	-1,295	764	845	-561	-559

^a Adjustments include: transfers from abroad by the National Institutions through the banks, defined as public-sector injection (in row 2). Government and Bank of Israel domestic foreign-currency receipts from and payments to the private sector (e.g., income tax receipts in foreign currency) do not change the monetary base, as they are transferred directly from the private sector to the government: on the one hand they are defined as government absorption and on the other they are defined as the private sector's contribution to the foreign reserves (without going via the Bank of Israel's trading-room floor).

^b NIS/\$ swaps and other domestic foreign-currency payments.

^c Transfers from abroad by the public sector through the banks, e.g., by the National Institutions.

^d Including income tax payments by the private sector in foreign currency.

^e Transfers by the government and the National Institutions, and Bank of Israel income from the foreign reserves (interest income, capital gains and cross-rate differentials).

^f Including the change in accrued interest on the foreign reserves.

^g Data for 2002 is calculated at value dates. The rest of the data in the table are as at balance sheet dates.

Interest rates abroad continued to fall in 2002, so that interest income from the foreign exchange reserves fell by \$ 116 million. On the other hand, the drop in interest rates resulted in a rise in bond prices abroad, yielding capital gains of \$ 391 million. (In 2001 interest income decreased by \$ 227 million, and capital gains amounted to \$ 569 million.)

At the end of April 2002 an instance of large-scale embezzlement in the Trade Bank was discovered, leading to the Bank of Israel appointing an administrator to take over the management of the bank. When it became almost certain that the extent of the embezzlement exceeded the bank's capital, the process of liquidating the bank began. To increase the transparency of the operation the Bank of Israel approached the official receiver, and he appointed two special administrators who have since been engaged in winding up the bank.

To reduce the damage to depositors in the Trade Bank and to prevent the undermining of public confidence in the banking system, the Bank of Israel provided guarantees to depositors in the Trade Bank who were not interest parties and had no part in the embezzlement. The guarantee covered 100 percent for deposits of up to NIS 4 million, and 95 percent for the amounts in excess of NIS 4 million. The special administrators are working to effect these guarantees and to collect outstanding credit due to the bank.

At the time of compiling these financial statements, it is estimated that the net expense to the Bank of Israel arising from the Trade Bank will total about NIS 350 million. The expenses are mainly on account of the guarantees to depositors *less* income from credit granted to the bank's customers. Some NIS 100 million had been paid by 31 December 2002 on account of the guarantees, and the rest is due to be paid in the future in accordance with the results of investigations being performed by the special administrators. These expenses are shown in the Profit and Loss Account under 'Other expenses' (see Note 29).

ISRAEL'S PAYMENT AND SETTLEMENT SYSTEMS

Payment and settlement systems constitute a central feature of financial markets and of general economic activity. The proper functioning of these systems bolsters financial stability, whereas their malfunctioning, let alone a collapse of an entire system, is likely to affect several sectors of the economy and threaten overall financial stability.

In the past the functioning of the payment systems could be controlled by various arrangements that were backed by the central banks. As a result of the rapid expansion of financial activity in the international markets and the strengthening of the links and interdependence of the markets in the last few years, central banks can no longer back up the proper operation of the payment systems, and this has led to changes in their operating and supervision methods.

Currently, the basic principle behind the assurance of the payment and settlement systems is that the infrastructure instruments of the financial markets, including the payment systems, must be stable enough to withstand shocks, and in particular the failure of one or more participants in the markets.

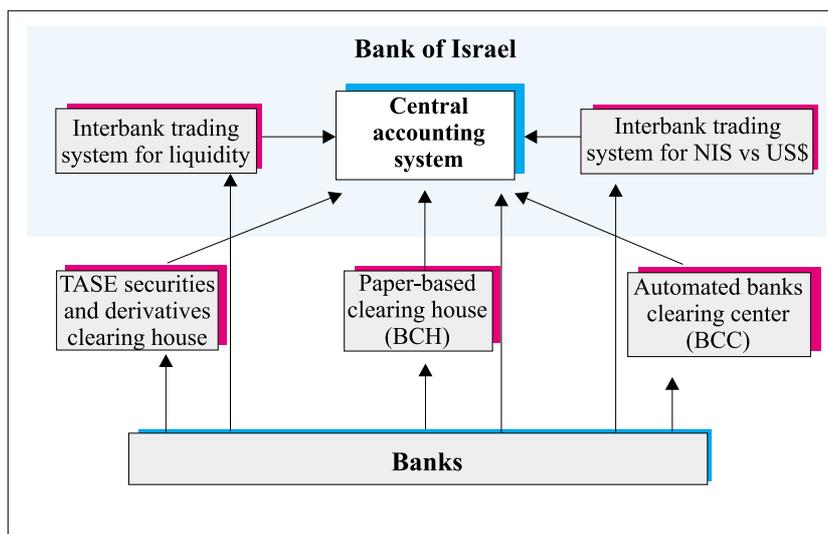
Growing recognition of the extent of risks led the Bank of International Settlements (BIS) in 1990 to set up a Committee on Payment and Settlement Systems (CPSS). The Committee formulated core principles for payment and settlement systems intended, among other things, to reduce the risks to payment systems and to those participating in them. These standards were adopted by most of the advanced economies and many of the emerging ones.

Israel's payment systems were examined by a team of experts from the International Monetary Fund (IMF), which found that the systems were not entirely in keeping with the core principles set by the BIS. The IMF team also recommended that Israel set up a Real Time Gross Settlement (RTGS) system that would reduce the settlement risks of all the payments it would handle as well as the risks of the other settlement systems.

In the light of progress in this field throughout the world and the recommendations of the IMF, the Governor of the Bank of Israel decided to reform Israel's payment and settlement systems to bring them into line with the generally accepted international norms. The reform includes changes to the systems in accordance with the BIS directives and the establishment of an RTGS system for large payments. Such a system, which now operates in most advanced economies, will reduce settlement risks, simplify the performance of transactions and improve Israel's financial stability.

Israel's payment and settlement systems comprise the Banks' Clearing House (BCH), the automated Banks' Clearing Center (BCC, or Masav, its Hebrew acronym), that acts according to BCH rules, the Tel Aviv Stock Exchange (TASE), the credit card companies, and the Bank of Israel. Several payment and settlement systems operate within the Bank of Israel: those in the Monetary Department, in the Foreign Exchange Department, and in the Comptroller's Office. The Bank of Israel's central accounting system serves as the final settlement agency for all Israel's settlement systems. Settlement is on a net basis, and takes place at the end of the trading day; results are generally published with a delay of one trading day.

The Settlement Systems in Israel



1. ISRAEL'S PAYMENT AND SETTLEMENT SYSTEMS

The banks' clearing house—the paper-based Banks' Clearing House (BCH) and the automated Banks' Clearing Center (BCC)

The banks' clearing house is regulated by agreement between its members, i.e., the commercial banks in Israel and in the Palestinian Autonomy, the Post Office Bank and the Bank of Israel. The activity of the clearing house is directed by the clearing house committee, which is appointed by the Governor of the Bank of Israel. The committee has fourteen members: seven, including the chairman of the clearing house, from the Bank of Israel, and seven representatives of the commercial banks. The committee's functions are to determine operating procedures and work rules for the paper-based and automated clearing houses, and to supervise the clearing houses. Members who decide to participate in sittings at which settlement takes place are called direct participants, and they also represent non-participating members, called represented members. The results of the settlement in both the paper-based and automated systems are entered in the banks' accounts in the Bank of Israel.

In accordance with agreements signed by Israel and the Palestinian Authority, banks operating in the Autonomy may be members of the banks' clearing house. As direct participant banks must have an account with the Bank of Israel, and the banks in the Palestinian Autonomy do not have such accounts, they participate as members represented by a direct participant Israeli bank.

At the end of 2002 the banks' clearing house had 47 members, 18 of whom operated in the Palestinian Autonomy.

No. of Banks	Description
24	Banking corporations in Israel, auxiliary corporations
3	Branches of foreign banks
1	The Post Office Bank
1	The Bank of Israel
18	Commercial banks in the Palestinian Autonomy (including branches of foreign banks)

The number of participants, by type of settlement

Type of settlement	No. of participants	
	Direct	Represented
Magnetic and manual	14	33
Electronic	4	32
Non-magnetic debits and credits	16	31
In the Banks' Clearing center	15	33
Foreign currency checks	12	3

Settlement of paper-based payment orders

The BCH settles checks and other paper-based payment orders. Most of the checks are settled by electronic means, which combine a reading of the magnetic data imprinted on checks when they are issued and data entered into the banks' computers when the checks are deposited, i.e., the amounts on the checks, the date of deposit, and the branch where they are deposited.

The rest of the checks are settled by magnetic means, in which all the relevant information is recorded on and read from the lower part of the check. A small proportion of checks do not have all the details in magnetized form, and these are settled manually.

The payment messages are settled on the evening of the business day they were deposited in the banks (banks' business day closes at 15:00). Banks may refuse to honor payment messages for reasons which are numerated in the clearing house regulations; such messages are generally returned on the day following their presentation, and in some cases the regulations allow their return two days after presentation. Returned messages are entered with the value date of the day they were presented, i.e., with a retroactive value date.

Settlement of payment orders transmitted via electronic media

Settlement of debit and credit orders transmitted via electronic means takes place in the BCC, which operates according to the regulations of the banks' clearing house.

Debits and credits are transferred to the BCC during the day on which they are carried out by the banks and by customers authorized to send payment orders directly to the BCC, and they are settled that evening at the current day's value date. As in the paper-based system, participants may return debits and credits for various reasons defined in the regulations; these allow payment orders which have been settled via the BCC to be returned within five days of being presented. Such returned orders have the value date of the day prior to their return.

Settlement by both methods (i.e., via the BCH and the BCC) takes place once per business day for all messages, debits and credits alike. The results are entered in the banks' accounts with the Bank of Israel on the day following the settlement at the value date of the day the messages were presented in the clearing house. As the possibility exists of a debit or credit being returned with a retroactive value date, the banks' balances in the central accounting system of the Bank of Israel and in the accounts of the banks' customers are only final after a one or two day lag.

Large-value-payment settlement systems

The Bank of Israel operates two systems for settling large payments: one is for interbank trade in NIS versus US\$, and the other for interbank trade in liquidity.

Interbank trade in NIS versus US\$

Since July 1994 the foreign exchange market in Israel has operated a system of continuous bilateral trading, the norm in advanced markets abroad. To enable the market to develop, and specifically to overcome banks' concern over exposure to the high credit risk involved in entering into interbank transactions, the Bank of Israel introduced a settlement system in which trade was conducted on a payment versus payment (PVP) method. Locating this system in the Bank of Israel was possible because the banks, which are the market makers, hold both foreign-currency and NIS accounts in the Bank, and settlement is performed by transferring from one account to another.

The Bank of Israel receives instructions from the two parties to a transaction, and checks that the instructions accord with each other and that the balance in the banks' dollar accounts in the Bank are sufficient. If the instructions match each other and the dollar balance is large enough, the Bank of Israel settles the transaction at the value date agreed upon. If the balance dollar account in the Bank of Israel of the drawer of dollars is insufficient, the transaction is not performed. In settling transactions in this way, banks incur no credit risk, as they are debited dollars only if they are credited with NIS, and vice versa. If the transaction is not performed, however, the bank is exposed to market risk (mainly exchange-rate risk). The Bank of Israel is also exposed to risks because the balances in local-currency accounts are not final on the value date of the transaction, but only on the next day.

Interbank trade in liquidity

In 1982 interbank transfers at the previous day's value date, mostly for one day, were introduced. This system enables banks to borrow from other banks to meet their liquidity requirements and avoid creating debit balances in the Bank of Israel. The Bank of Israel enables settlement at the previous day's value date as the results of the settlement in the BCH are submitted by the participants on the day after they appear, i.e., they are processed by the Bank of Israel's accounting system on the day after the performance of the transaction, and the advice is only sent to the banks two days after settlement.

In such interbank transfers, the lending bank reduces its credit risk by issuing the payment order only after the borrowing bank has given the order to repay the loan.

In the course of a typical business day relatively large sums of money are settled via this system, at interest that is in most cases the same as that on the Bank of Israel's monetary auctions. This trade is bilateral, and transfers are settled between the banks' deposits in the Bank of Israel.

The Bank of Israel's central accounting system

The Bank of Israel's central accounting system serves as final settlement agency for all Israel's settlement systems. The system settles local-currency transactions of the government and the banks, as well as the results of the settlement in the various other settlement systems (the TASE, the BCH and BCC, and various Bank of Israel systems). The Bank's accounting system is updated daily. As the accounting system handles

transactions from other settlement systems with retroactive value dates, the local-currency balances in banks' accounts at the Bank of Israel are not final on the processing date, but only about two days later.

The TASE clearing house

The TASE clearing house settles transactions in securities carried out in the stock exchange and provides other securities-related services such as the payment of interest on bonds and the payment of dividends. Derivatives are settled in the MAOF clearing house, which is a subsidiary of the TASE clearing house.

The clearing houses that settle stock-exchange transactions in securities act as central counter parties (CCPs). In this method, the stock exchange is responsible for a member who has fulfilled his part of a transaction, and it carries out as the counter-party even if the counter-party to the transaction does not meet its commitments. In this way the stock exchange gives a guarantee to a member who has met all his obligations that the transaction will take place.

The stock exchange settles securities transactions on the trade date, and settlement is conditional on the results of the financial settlement performed on the next day in the banks' accounts at the Bank of Israel. The commercial banks debit and credit their customers on the day the transaction is performed.

2. THE BANK OF ISRAEL'S ROLE IN THE SETTLEMENT SYSTEM

The Bank of Israel is responsible for the stability of the country's payment system. The bank acts as final settlement agency for all the settlement systems in Israel, and directly operates two systems for large-value payments. The Bank is authorized to supervise most of the payment systems and settlement procedures. Its authority derives both from the fact that it operates payment systems directly, and from its function of banking supervision.

The Bank, via its representatives, is also active in the banks' clearing house committee and in the stock exchange directorate.

The payment and settlement systems are regulated and supervised on two levels:

- a) By means of legislation, which sets out the Bank of Israel's authority and deals with bank–customer relations (in banks participating in the payment system).
- b) By means of the clearing house regulations which determine settlement arrangements such as times of settlement, the format of the report to the Bank of Israel on the results of settlement, rules for settling disagreements between clearing house members and the conditions for accepting new members. The regulations apply to both the paper-based and the electronic clearing houses.

3. THE REFORM OF ISRAEL'S PAYMENT AND SETTLEMENT SYSTEMS

In the light of the IMF recommendations, the Governor of the Bank of Israel decided to reform Israel's payment and settlement systems. A team headed by the Comptroller of the Bank, who is responsible for this area, studied the subject and proposed an overall reform of the systems to bring them into line with the norms generally accepted in the advanced economies, including the establishment of a Real Time Gross Settlement (RTGS) system.

The Bank of Israel is cooperating with representatives of the commercial banks and the Tel Aviv Stock Exchange (TASE) regarding the establishment of this system.

The Bank of Israel would like to involve all the parties involved in the clearing house (its operators and customers) in all stages of implementing the reform—redesigning the payment and settlement systems, the adoption of new working procedures, and determination of the roles of the various participants in the reform process.

The establishment of an RTGS system

The essence of the planned reform is the establishment of an RTGS system that will ensure that large payments are carried out securely and efficiently. This will reduce most of the risks associated with the clearing system, and will actually eliminate some of them. The aim is to have the new system in operation by the end of 2006, and based on the experience of other countries it is reasonable to assume that a few years from its introduction the RTGS system will be settling some 90 percent of the total payments in the economy.

The new system will also help to reduce the risks in the other payments systems that operate according to the Delivery Versus Payment (DVP) or Payment Versus Payment (PVP) methods and to make them more efficient. For example, in the TASE clearing house a security is transferred on the day after the date of the transaction, as only then is the payment received. Linking the TASE system to the RTGS one will reduce participants' exposure to credit risk and liquidity risk.

The RTGS system will also lower the systemic risk, i.e., the effect of the failure of one bank to meet its commitments at any one time on the ability of the other banks to meet their obligations. It will also spread the pressure of settlements over the working day, which will help participants to deal with liquidity problems.

Bringing the systems into line with the core principles

Another objective of the reform, as stated, is to bring the essential payment and settlement system(s) into line with standards set by the Bank of Israel and with the BIS core principles. This step is vital to reduce the settlement risks in the systems and to make the systems compatible with the environment in which an RTGS-type system is operating.

STATISTICAL APPENDIX

Appendix Table 1

Selected Data from the Bank of Israel Balance Sheet,^a 1985–2002

(NIS million, at current prices, end of period)

Foreign exchange reserves	Assets										Liabilities										Bank's capital			
	Credit with IMF					Government deposits					Banking corporations' deposits					Reval-uation accounts					Total liabilities	Losses	reserve	
	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	3.0				3.1
1985	5,578	7,380	7,380	69	1,118	112	14,580	648	201	720	531	118	10,656	1,498	9,158	6,107	428	978	14,280	—	300			
1986	7,230	7,379	7,379	234	266	765	129	16,003	1,198	1,950	521	149	10,667	1,689	8,978	6,040	401	575	15,683	—	320			
1987	9,377	7,380	7,380	907	298	649	300	18,911	1,671	2,150	539	780	12,398	2,479	9,919	6,447	410	368	18,591	—	320			
1988	7,391	9,047	9,047	3,547	306	858	373	21,522	2,015	3,699	727	599	12,976	1,180	11,796	6,530	541	325	21,202	—	320			
1989	10,464	9,039	9,039	4,234	477	1,047	348	25,609	2,645	4,982	917	1,604	13,814	1,114	12,700	6,470	743	244	25,289	—	320			
1990	12,935	8,968	8,968	2,562	504	1,332	300	26,601	3,271	2,976	1,053	2,079	15,472	1,030	14,442	7,052	850	213	26,281	—	320			
1991	14,379	8,809	8,809	5,137	338	1,476	419	30,558	3,784	3,294	1,318	3,771	16,624	1,260	15,364	6,730	916	118	30,238	—	320			
1992	14,185	8,644	8,644	10,507	546	1,775	446	36,103	4,793	4,366	1,617	5,711	17,004	1,111	15,893	5,750	1,102	—	35,783	—	320			
1993	19,063	8,373	8,373	16,501	471	1,965	508	46,881	5,652	7,945	1,701	6,519	22,291	2,088	20,203	6,766	1,167	—	46,561	—	320			
1994	20,507	8,080	8,080	15,011	544	1,896	630	46,668	6,454	8,912	1,648	6,896	19,603	3,190	16,413	5,438	1,388	81	46,348	—	320			
1995	26,048	-	7,773	4,027	502	3,045	268	41,658	7,916	4,734	1,661	12,948	11,263	1,007	10,256	3,272	1,365	206	41,338	—	320			
1996	37,631	-	7,448	959	283	4,856	289	51,464	9,222	4,290	1,588	17,183	16,636	5,071	3,502	8,062	2,480	1,748	51,600	-456	320			
1997	71,896	-	7,109	1,443	93	5,090	320	85,952	10,373	5,598	1,630	20,322	46,547	32,810	6,021	7,715	2,182	1,891	206	87,184	-1,551	320		
1998	94,325	-	6,760	796	42	5,528	356	107,807	11,935	14,239	1,813	23,355	52,709	40,078	4,701	7,931	1,906	2,102	621	107,487	—	320		
1999	93,504	375	6,367	785	25	6,049	395	107,499	15,605	5,550	1,172	25,519	64,461	48,762	4,958	10,741	2,586	2,302	621	115,910	-8,731	320		
2000	93,606	474	5,946	781	6	6,584	427	107,824	14,659	6,345	775	30,249	65,900	50,586	6,214	9,100	2,252	2,795	960	122,936	-15,433	320		
2001	102,367	875	5,514	802	5	6,690	658	116,911	16,858	3,933	326	35,031	64,216	45,062	8,381	10,773	2,440	2,972	6,659	131,668	-15,077	320		
2002	112,123	1,957	5,051	871	2,135	6,005	544	128,686	18,009	7,916	236	43,762	50,266	34,533	8,667	7,066	1,492	3,406	16,014	1,357	141,727	-13,361	320	
2001	98,166	482	5,949	1,372	6	6,780	520	113,275	14,230	642	13,419	617	30,175	63,150	44,107	8,817	10,226	2,472	2,758	621	128,246	-15,291	320	
January	96,693	478	5,948	2,421	6	6,644	500	112,690	14,501	633	7,941	250	30,315	68,488	50,405	8,262	9,821	2,388	2,776	621	127,498	-15,128	320	
February	99,934	479	5,951	799	6	6,687	619	114,474	15,041	641	11,464	149	30,481	65,693	46,072	8,084	11,537	2,752	2,769	2,181	621	129,040	-14,886	320
March	96,930	476	5,949	689	6	6,725	539	111,313	15,295	641	11,260	293	30,734	63,065	46,084	6,833	10,148	2,452	2,778	1,130	621	125,815	-14,822	320
April	95,498	561	5,949	759	6	6,633	644	110,048	15,384	626	11,549	225	30,602	62,531	46,552	6,294	9,685	2,343	2,783	24	621	124,345	-14,617	320
May	96,096	561	5,950	759	5	6,799	683	110,853	15,580	624	10,396	176	30,842	63,701	45,065	8,826	9,809	2,355	2,779	368	621	125,087	-14,553	320
June	98,602	703	5,951	759	5	6,791	750	113,561	15,927	637	10,931	244	31,774	62,552	44,078	8,872	9,602	2,281	2,789	2,171	621	127,645	-14,404	320
July	101,711	725	5,953	781	5	6,871	824	116,870	16,306	653	11,021	132	32,707	62,279	47,054	5,369	9,856	2,313	2,797	4,301	621	130,817	-14,267	320
August	106,596	746	5,956	781	6	6,984	862	121,931	16,957	673	11,099	136	32,938	63,890	47,079	5,551	11,261	2,586	2,850	6,503	621	135,667	-14,056	320
September	102,871	728	5,954	1,631	5	6,464	804	118,457	16,638	658	7,121	288	33,127	65,822	47,589	8,377	9,855	2,302	2,848	4,900	621	132,022	-13,885	320
October	97,855	845	5,952	797	5	6,509	907	112,871	16,433	642	7,158	123	33,989	61,788	43,558	8,522	9,708	2,293	2,918	2,634	621	126,306	-13,754	320
November	102,367	875	5,514	802	5	6,690	658	116,911	16,858	665	3,933	326	35,031	64,216	45,062	8,381	10,773	2,440	2,972	6,659	1,008	131,668	-15,077	320
December	105,333	905	5,520	802	5	6,682	564	119,991	17,271	685	10,446	336	35,449	57,077	38,532	7,993	10,552	2,293	3,048	9,225	1,008	134,565	-14,895	320
January	111,084	1,277	5,521	825	5	6,840	441	125,992	17,830	683	18,168	605	35,967	53,606	35,023	7,325	11,258	2,435	3,071	9,612	1,008	140,550	-14,877	320
February	111,776	1,298	5,522	825	5	6,258	578	126,263	18,517	700	18,290	476	36,592	52,340	33,036	8,145	11,599	2,390	3,065	9,663	1,008	140,652	-14,710	320
March	117,745	1,386	5,530	842	5	6,293	847	132,648	18,384	747	21,047	1,006	37,541	48,919	28,039	8,890	11,950	2,450	3,098	15,047	1,008	146,797	-14,468	320
April	118,711	1,412	5,530	773	5	6,395	876	133,700	18,520	759	18,440	639	38,586	49,976	29,532	8,612	11,831	2,407	3,087	16,650	1,008	147,665	-14,285	320
May	118,222	1,809	5,526	800	4	6,205	633	133,199	18,521	748	15,623	267	39,545	52,584	31,050	8,133	13,402	2,810	3,080	15,502	1,008	146,879	-14,000	320
June	116,074	1,788	5,523	1,476	4	6,268	774	131,906	18,352	739	17,993	258	40,207	49,766	28,734	9,313	11,720	2,499	3,109	14,194	1,008	145,625	-14,039	320
July	113,142	1,775	5,522	799	949	6,115	850	129,152	18,100	763	14,465	211	40,284	51,051	31,524	9,719	9,809	2,105	3,119	13,773	1,008	144,744	-13,912	320
August	118,017	1,958	5,529	993	1,564	6,056	1,286	135,403	18,454	763	17,063	195	41,141	48,547	31,528	7,903	9,116	1,871	3,123	18,024	1,008	148,317	-13,234	320
September	113,576	1,920	5,525	1,296	1,914	6,059	1,001	131,292	18,087	748	16,352	371	41,997	46,937	32,508	6,369	8,059	1,690	3,116	15,625	1,008	144,241	-13,269	320
October	108,017	1,873	5,521	781	2,104	6,081	898	125,276	17,746	729	13,927	273	42,854	45,802	30,323	8,686	7,093	1,529	3,136	16,679	1,008	138,154	-13,198	320
November	112,123	1,957	5,051	871	2,135	6,005	544	128,686	18,009	761	7,916	236	43,762	50,266	34,533	8,667	7,066	1,492	3,406	16,014	1,357	141,727	-13,361	320
December	105,333	905	5,520	802	5	6,682	564	119,991	17,271	685	10,446	336	35,449	57,077	38,532	7,993	10,552	2,293	3,048	9,225	1,008	134,565	-14,895	320

^a From 1995 the totals and the items shown are adjusted to what is shown in the balance sheet as of 31 December 2000. The main change is in showing accrued interest with the item on which it was accrued. Prior to 1995, interest was shown under "other assets" or "other liabilities."

^b Budget financing deposits in accordance with the 1997 definition.

^c Data for 2002 are calculated at value dates. The rest of the data in the table are as at balance-sheet dates.

Appendix Table 2
The Bank of Israel Profit and Loss Account, New Format, a 2000–2002

(NIS million, at current prices)

	Interest income from										Expenses												
	Interest income from					Interest paid					Other financial income from					Expenses							
	Foreign exchange reserves	Loans	The government	To banks and the public	To the government	Total	Other	To banks and the public	To the government	Total	Net interest income (paid)	Securities and derivatives	Exchange -rate diff.	Other	Total	Profit (loss) on financial transactions	On printing banknotes and minting coins	Administrative and general	Other	Net income	Income from the government subject to matched timing	Net profit	
2000	1.1	1.2	1.3	2.1	2.2	2.3	2.1	2.2	2.3	2	(3)=(1)-(2)	4.1	4.2	4.3	4	(5)=(3)+(4)	6.1	6.2	6.3	7	8	(9)=(8)+(7)	
January	4,544	71	1,747	7,605	1,062	93	8,760	(2,370)	359	(3,669)	(73)	(3,383)	6	943	—	(6,702)	—	—	—	—	—	—	(6,702)
February	3,890	51	1,959	6,137	707	84	6,928	(1,013)	2,390	73	23	2,486	19	711	—	1,473	19	711	—	—	743	146	889
March	3,772	121	2,185	5,238	382	79	5,699	409	1,747	931	40	40	52	687	323	3,127	52	687	323	2,065	(349)	1,716	
2001																							
January	394	5	292	576	95	8	679	13	102	82	2	186	1	56	—	199	1	56	—	—	142	—	142
February	354	(72)	148	534	79	8	621	(188)	257	73	1	330	1	55	—	142	1	55	—	—	86	—	86
March	356	82	158	582	79	7	668	(71)	387	47	1	435	1	44	—	364	1	44	—	—	319	—	319
April	345	4	141	559	454	7	1,020	(529)	240	10	—	251	1	43	—	(278)	1	43	—	—	(322)	—	(322)
May	334	5	189	521	(322)	6	205	325	302	7	1	310	7	37	—	634	7	37	—	—	591	—	591
June	288	4	154	500	58	7	565	(117)	256	(36)	2	222	(1)	42	—	105	(1)	42	—	—	63	—	63
July	332	4	140	513	58	7	579	(101)	285	2	3	291	(4)	43	—	189	(4)	43	—	—	150	—	150
August	359	4	133	495	55	7	557	(59)	163	77	3	242	5	41	—	183	5	41	—	—	137	—	137
September	300	4	141	446	488	7	549	(104)	282	139	(1)	419	2	103	—	315	2	103	—	—	211	—	211
October	291	4	154	493	38	7	539	(87)	150	146	1	297	0	39	—	210	0	39	—	—	171	—	171
November	196	4	132	449	30	6	484	(151)	334	65	4	404	2	120	—	253	2	120	—	—	131	—	131
December	340	3	174	427	28	7	462	57	(368)	(538)	5	(901)	4	88	—	(844)	4	88	—	—	(935)	146	(789)
2002																							
January	372	2	120	366	30	7	402	94	105	90	—	194	2	104	—	288	2	104	—	—	182	—	182
February	199	(75)	170	314	34	5	353	(58)	49	5	4	58	8	51	—	—	8	51	—	—	(60)	—	(60)
March	333	80	141	358	35	7	400	154	105	32	7	144	7	50	—	298	7	50	—	—	240	—	240
April	429	3	198	358	282	7	647	(15)	(18)	95	1	78	—	62	—	63	—	62	—	—	1	—	1
May	325	3	297	393	(205)	7	195	434	98	(74)	(1)	24	8	39	—	458	8	39	—	—	410	—	410
June	297	5	190	445	35	7	487	7	84	234	1	320	326	35	—	326	7	35	—	—	284	—	284
July	409	6	120	483	32	7	521	16	91	(91)	2	2	18	53	—	18	—	53	—	—	(35)	—	(35)
August	249	6	145	476	31	7	513	(109)	185	89	9	283	8	43	—	174	8	43	—	—	124	—	124
September	451	6	345	495	32	7	534	271	512	(54)	60	518	789	47	—	789	—	47	—	—	742	—	742
October	214	6	41	263	28	7	561	(298)	292	18	79	388	90	36	—	90	1	36	—	—	53	—	53
November	160	8	45	4	217	495	24	(309)	195	217	(127)	285	(24)	49	—	(24)	9	49	—	—	(90)	—	(90)
December	333	71	374	529	23	7	558	223	49	370	6	424	647	118	—	647	—	118	—	—	213	(349)	(136)

^a The format of the Profit and Loss Account was changed in 2001. For the old format see Appendix Table 3.

Appendix Table 3
Bank of Israel Income and Expenses, ^a 1985–2002

(NIS million, at current prices)

	Income										Expenses										Total	2	3	4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
	From credit to the government					From loans					On government deposits					On banking corporations' deposits									Printing and other banknotes and coins	Administration and general	Total	2	3	4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
	From credit to the government		From loans			From credit to the government		From loans			On government deposits		On banking corporations' deposits			Foreign-currency deposits	Swaps	Exchange-rate differentials on	Foreign-currency deposits	Swaps											Exchange-rate differentials on	Printing and other banknotes and coins	Administration and general	Total	2	3	4																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
	Total	rate of which: exchange-differentials	Total	rate of which: exchange-differentials	Total	rate of which: exchange-differentials	Total	rate of which: exchange-differentials	Total	rate of which: exchange-differentials	Total	rate of which: exchange-differentials	Total	rate of which: exchange-differentials	Total																							rate of which: exchange-differentials	Total	rate of which: exchange-differentials																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
1985	2,809	2,450	5,798	4,696	462	163	1.3	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8	4.9	5.0	5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.9	6.0	6.1	6.2	6.3	6.4	6.5	6.6	6.7	6.8	6.9	7.0	7.1	7.2	7.3	7.4	7.5	7.6	7.7	7.8	7.9	8.0	8.1	8.2	8.3	8.4	8.5	8.6	8.7	8.8	8.9	9.0	9.1	9.2	9.3	9.4	9.5	9.6	9.7	9.8	9.9	10.0	10.1	10.2	10.3	10.4	10.5	10.6	10.7	10.8	10.9	11.0	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	12.0	12.1	12.2	12.3	12.4	12.5	12.6	12.7	12.8	12.9	13.0	13.1	13.2	13.3	13.4	13.5	13.6	13.7	13.8	13.9	14.0	14.1	14.2	14.3	14.4	14.5	14.6	14.7	14.8	14.9	15.0	15.1	15.2	15.3	15.4	15.5	15.6	15.7	15.8	15.9	16.0	16.1	16.2	16.3	16.4	16.5	16.6	16.7	16.8	16.9	17.0	17.1	17.2	17.3	17.4	17.5	17.6	17.7	17.8	17.9	18.0	18.1	18.2	18.3	18.4	18.5	18.6	18.7	18.8	18.9	19.0	19.1	19.2	19.3	19.4	19.5	19.6	19.7	19.8	19.9	20.0	20.1	20.2	20.3	20.4	20.5	20.6	20.7	20.8	20.9	21.0	21.1	21.2	21.3	21.4	21.5	21.6	21.7	21.8	21.9	22.0	22.1	22.2	22.3	22.4	22.5	22.6	22.7	22.8	22.9	23.0	23.1	23.2	23.3	23.4	23.5	23.6	23.7	23.8	23.9	24.0	24.1	24.2	24.3	24.4	24.5	24.6	24.7	24.8	24.9	25.0	25.1	25.2	25.3	25.4	25.5	25.6	25.7	25.8	25.9	26.0	26.1	26.2	26.3	26.4	26.5	26.6	26.7	26.8	26.9	27.0	27.1	27.2	27.3	27.4	27.5	27.6	27.7	27.8	27.9	28.0	28.1	28.2	28.3	28.4	28.5	28.6	28.7	28.8	28.9	29.0	29.1	29.2	29.3	29.4	29.5	29.6	29.7	29.8	29.9	30.0	30.1	30.2	30.3	30.4	30.5	30.6	30.7	30.8	30.9	31.0	31.1	31.2	31.3	31.4	31.5	31.6	31.7	31.8	31.9	32.0	32.1	32.2	32.3	32.4	32.5	32.6	32.7	32.8	32.9	33.0	33.1	33.2	33.3	33.4	33.5	33.6	33.7	33.8	33.9	34.0	34.1	34.2	34.3	34.4	34.5	34.6	34.7	34.8	34.9	35.0	35.1	35.2	35.3	35.4	35.5	35.6	35.7	35.8	35.9	36.0	36.1	36.2	36.3	36.4	36.5	36.6	36.7	36.8	36.9	37.0	37.1	37.2	37.3	37.4	37.5	37.6	37.7	37.8	37.9	38.0	38.1	38.2	38.3	38.4	38.5	38.6	38.7	38.8	38.9	39.0	39.1	39.2	39.3	39.4	39.5	39.6	39.7	39.8	39.9	40.0	40.1	40.2	40.3	40.4	40.5	40.6	40.7	40.8	40.9	41.0	41.1	41.2	41.3	41.4	41.5	41.6	41.7	41.8	41.9	42.0	42.1	42.2	42.3	42.4	42.5	42.6	42.7	42.8	42.9	43.0	43.1	43.2	43.3	43.4	43.5	43.6	43.7	43.8	43.9	44.0	44.1	44.2	44.3	44.4	44.5	44.6	44.7	44.8	44.9	45.0	45.1	45.2	45.3	45.4	45.5	45.6	45.7	45.8	45.9	46.0	46.1	46.2	46.3	46.4	46.5	46.6	46.7	46.8	46.9	47.0	47.1	47.2	47.3	47.4	47.5	47.6	47.7	47.8	47.9	48.0	48.1	48.2	48.3	48.4	48.5	48.6	48.7	48.8	48.9	49.0	49.1	49.2	49.3	49.4	49.5	49.6	49.7	49.8	49.9	50.0	50.1	50.2	50.3	50.4	50.5	50.6	50.7	50.8	50.9	51.0	51.1	51.2	51.3	51.4	51.5	51.6	51.7	51.8	51.9	52.0	52.1	52.2	52.3	52.4	52.5	52.6	52.7	52.8	52.9	53.0	53.1	53.2	53.3	53.4	53.5	53.6	53.7	53.8	53.9	54.0	54.1	54.2	54.3	54.4	54.5	54.6	54.7	54.8	54.9	55.0	55.1	55.2	55.3	55.4	55.5	55.6	55.7	55.8	55.9	56.0	56.1	56.2	56.3	56.4	56.5	56.6	56.7	56.8	56.9	57.0	57.1	57.2	57.3	57.4	57.5	57.6	57.7	57.8	57.9	58.0	58.1	58.2	58.3	58.4	58.5	58.6	58.7	58.8	58.9	59.0	59.1	59.2	59.3	59.4	59.5	59.6	59.7	59.8	59.9	60.0	60.1	60.2	60.3	60.4	60.5	60.6	60.7	60.8	60.9	61.0	61.1	61.2	61.3	61.4	61.5	61.6	61.7	61.8	61.9	62.0	62.1	62.2	62.3	62.4	62.5	62.6	62.7	62.8	62.9	63.0	63.1	63.2	63.3	63.4	63.5	63.6	63.7	63.8	63.9	64.0	64.1	64.2	64.3	64.4	64.5	64.6	64.7	64.8	64.9	65.0	65.1	65.2	65.3	65.4	65.5	65.6	65.7	65.8	65.9	66.0	66.1	66.2	66.3	66.4	66.5	66.6	66.7	66.8	66.9	67.0	67.1	67.2	67.3	67.4	67.5	67.6	67.7	67.8	67.9	68.0	68.1	68.2	68.3	68.4	68.5	68.6	68.7	68.8	68.9	69.0	69.1	69.2	69.3	69.4	69.5	69.6	69.7	69.8	69.9	70.0	70.1	70.2	70.3	70.4	70.5	70.6	70.7	70.8	70.9	71.0	71.1	71.2	71.3	71.4	71.5	71.6	71.7	71.8	71.9	72.0	72.1	72.2	72.3	72.4	72.5	72.6	72.7	72.8	72.9	73.0	73.1	73.2	73.3	73.4	73.5	73.6	73.7	73.8	73.9	74.0	74.1	74.2	74.3	74.4	74.5	74.6	74.7	74.8	74.9	75.0	75.1	75.2	75.3	75.4	75.5	75.6	75.7	75.8	75.9	76.0	76.1	76.2	76.3	76.4	76.5	76.6	76.7	76.8	76.9	77.0	77.1	77.2	77.3	77.4	77.5	77.6	77.7	77.8	77.9	78.0	78.1	78.2	78.3	78.4	78.5	78.6	78.7	78.8	78.9	79.0	79.1	79.2	79.3	79.4	79.5	79.6	79.7	79.8	79.9	80.0	80.1	80.2	80.3	80.4	80.5	80.6	80.7	80.8	80.9	81.0	81.1	81.2	81.3	81.4	81.5	81.6	81.7	81.8	81.9	82.0	82.1	82.2	82.3	82.4	82.5	82.6	82.7	82.8	82.9	83.0	83.1	83.2	83.3	83.4	83.5	83.6	83.7	83.8	83.9	84.0	84.1	84.2	84.3	84.4	84.5	84.6	84.7	84.8	84.9	85.0	85.1	85.2	85.3	85.4	85.5	85.6	85.7	85.8	85.9	86.0	86.1	86.2	86.3	86.4	86.5	86.6	86.7	86.8	86.9	87.0	87.1	87.2	87.3	87.4	87.5	87.6	87.7	87.8	87.9	88.0	88.1	88.2	88.3	88.4	88.5	88.6	88.7	88.8	88.9	89.0	89.1	89.2	89.3	89.4	89.5	89.6	89.7	89.8	89.9	90.0	90.1	90.2	90.3	90.4	90.5	90.6	90.7	90.8	90.9	91.0	91.1	91.2	91.3	91.4	91.5	91.6	91.7	91.8	91.9	92.0	92.1	92.2	92.3	92.4	92.5	92.6	92.7	92.8	92.9	93.0	93.1	93.2	93.3	93.4	93.5	93.6	93.7	93.8	93.9	94.0	94.1	94.2	94.3	94.4	94.5	94.6	94.7	94.8	94.9	95.0	95.1	95.2	95.3	95.4	95.5	95.6	95.7	95.8	95.9	96.0	96.1	96.2	96.3	96.4	96.5	96.6	96.7	96.8	96.9	97.0	97.1	97.2	97.3	97.4	97.5	97.6	97.7	97.8	97.9	98.0	98.1	98.2	98.3	98.4	98.5	98.6	98.7	98.8	98.9	99.0	99.1	99.2	99.3	99.4	99.5	99.6	99.7	99.8	99.9	100.0	100.1	100.2	100.3	100.4	100.5	100.6	100.7	100.8	100.9	101.0	101.1	101.2	101.3	101.4	101.5	101.6	101.7	101.8	101.9	102.0	102.1	102.2	102.3	102.4	102.5	102.6	102.7	102.8	102.9	103.0	103.1	103.2	103.3	103.4	103.5	103.6	103.7	103.8	103.9	104.0	104.1	104.2	104.3	104.4	104.5	104.6	104.7	104.8	104.9	105.0	105.1	105.2	105.3	105.4	105.5	105.6	105.7	105.8	105.9	106.0	106.1	106.2	106.3	106.4	106.5	106.6	106.7	106.8	106.9	107.0	107.1	107.2	107.3	107.4	107.5	107.6	107.7	107.8	107.9	108.0	108.1	108.2	108.3	108.4	108.5	108.6	108.7	108.8	108.9	109.0	109.1	109.2	109.3	109.4	109.5	109.6	109.7	109.8	109.9	110.0	110.1	110.2	110.3	110.4	110.5	110.6	110.7	110.8	110.9	111.0	111.1	111.2	111.3	111.4	111.5	111.6	111.7	111.8	111.9	112.0	112.1	112.2	112.3	112.4	112.5	112.6	112.7	112.8	112.9	113.0	113.1	113.2	113.3	113.4	113.5	113.6	113.7	113.8	113.9	114.0	114.1	114.2	114.3	114.4	114.5	114.6	114.7	114

**Appendix Table 4
Government Deposits, 1985–2002**

(million, at current prices, end of period)

	Government budget-financing deposits ^a										Total government deposits				
	In local currency					In foreign currency					Acrued interest on government deposits ^b				
	Current		Deposit of US government economic aid		Deposit of money borrowed under US government guarantee		Current		Bond-price stabilization		Other deposits				
	NIS	Gold deposit, NIS	NIS	\$	NIS	\$	NIS	\$	NIS	\$	NIS	\$	NIS	\$	
1985	185							535	357	531	354			1,251	
1986	1,599							351	236	521	350			2,471	
1987	(62)		1,857	1,207				355	231	539	350			2,689	
1988	1,393		1,866	1,033				440	243	638	353			4,426	
1989	2,934		1,655	843				393	200	695	354			5,899	
1990	934		1,751	855				291	142	330	353			4,029	
1991	2,190	437	482	211				185	81	799	350			4,612	
1992	948	734	2,337	846				347	126	970	351			5,983	
1993	967	734	2,485	832	734			365	122	1,054	353			9,646	
1994	(1,540)	734	2,354	780	6,719	1,137		645	214	1,056	350			10,560	
1995	2,600	734			581	185		819	261	1,097	350		18	6,395	
1996	(2,644)	734	2,971	914	2,432	748		797	245	1,143	352		33	5,878	
1997	(5,759)		3,467	980	6,739	1,906		1,151	326	1,238	350		36	7,228	
1998	(4,821)		4,024	967	13,399	3,221		1,637	394	1,455	350		66	16,052	
1999	(13,645)		4,007	965	13,783	3,319		1,405	338	846	204		59	6,723	
2000	(14,162)		5,048	1,249	14,224	3,520		1,235	306	241	110		88	7,120	
2001	(14,951)		2,394	542	16,101	3,646		389	88	201	23		25	4,259	
2002	(12,400)		1,973	417	17,967	3,793		376	79	180	8		18	8,152	
2001															
January	(7,657)		5,150	1,245	14,638	3,538		1,288	311	241	90		2	14,035	
February	(12,907)		4,940	1,201	12,827	3,557		1,282	312	236	25		(88)	8,191	
March	(9,877)		4,999	1,192	15,023	3,584		1,320	315	231	22		(174)	11,613	
April	(9,064)		4,086	987	14,894	3,598		1,345	325	226	17		(2)	11,553	
May	(8,556)		3,674	889	15,044	3,640		1,387	336	221	18		(71)	11,774	
June	(10,385)		4,216	1,012	15,210	3,652		1,354	325	221	23		(143)	10,572	
July	(9,359)		3,432	815	15,422	3,664		1,437	341	221	5		2	11,175	
August	(9,289)		3,281	770	15,674	3,678		1,355	318	216	(3)		(69)	11,153	
September	(9,635)		3,258	748	16,115	3,700		1,362	313	213	14		(135)	11,236	
October	(12,222)		2,099	490	15,889	3,712		1,356	317	207	23		(17)	7,409	
November	(10,579)		1,889	446	15,409	3,640		439	104	207	3		(96)	7,281	
December	(14,951)		2,394	542	16,101	3,646		389	88	201	23		25	4,259	
2002															
January	(9,114)		2,400	522	16,808	3,652		372	81	201	35		(26)	10,803	
February	(3,880)		4,833	1,045	16,812	3,637		403	87	201	99		(51)	18,773	
March	(5,401)		4,776	1,023	17,060	3,655		1,855	397	201	73		(66)	18,766	
April	(2,164)		4,966	1,015	17,916	3,661		329	67	201	160		21	22,053	
May	(4,054)		3,580	728	18,604	3,784		310	63	201	89		0	19,079	
June	(6,132)		3,342	701	18,076	3,790		338	71	196	22		(33)	15,891	
July	(3,206)		3,079	657	17,807	3,798		313	67	196	17		(20)	18,251	
August	(6,382)		2,850	611	17,735	3,806		262	56	191	18		(65)	14,676	
September	(4,709)		2,866	588	18,655	3,830		250	51	186	28		(127)	17,258	
October	(3,719)		1,571	330	18,245	3,829		254	53	185	41		(10)	16,723	
November	(5,407)		1,388	299	17,590	3,788		356	77	180	33		(59)	14,200	
December	(12,400)		1,973	417	17,967	3,793		376	79	180	8		18	8,152	

^a In accordance with the 1997 definition.

^b Since 1995 accrued interest on government deposits is shown in the balance of government deposits.

Appendix Table 5

Composition of Change in the Monetary Base and Foreign Reserves, 1989–2002

	Changes in monetary base and their sources													(at current prices)		
	Government and National Institutions		Foreign-currency conversions at Bank of Israel		Injection (+)/absorption (-)		Banks' foreign-currency activity with the Bank of Israel		Transfers to (-)/from (+) rest of world		Contribution to reserves		Change in reserves ^f			
	(1) = (2)+(3)+(4)+(5)	(2)	(3)	(4)	(5)	(6) = (8)-(9)-(7)	(7)	(8)	(9)	(10)	(11) = (9)+(10)	(12)		(13) = (11)+(12)		
	NIS million															
1989	565	-2,388	569	2,383		-2,388	277	-464	1,644	-927	717	526	1,239			
1990	541	3,578	-2,754	-282		-780	158	-345	276	-828	-552	1,538	985			
1991	744	4,552	323	-2,118	-2,013	737	99	-730	-1,566	-682	-2,248	2,231	-17			
1992	860	5,156	2,979	-5,290	-1,985	2,040	37	-1,079	-3,156	-754	-3,911	2,744	-1,167			
1993	1,837	2,628	3,956	-3,161	-1,586	1,095	347	892	-550	-114	-664	1,916	1,252			
1994	1,903	4,940	-3,856	1,927	-1,108	-646	589	-1,759	-1,702	294	-1,408	1,819	411			
1995	1,324	-720	-20,230	19,160	-973	-6,383	2,201	-2,547	1,634	336	1,970	-557	1,413			
1996	3,801	5,926	-7,607	6,451	-970	-2,044	129	-835	1,079	-221	859	2,408	3,266			
1997	3,670	1,234	-20,204	23,324	-684	-6,948	-614	-320	7,242	-261	6,981	1,776	8,757			
1998	242	1,901	-2,664	1,746	741	-492	-163	-369	286	-343	-57	2,399	2,342			
1999	3,927	-4,067	-364	224	224	-	-259	585	844	-197	647	-806	-159			
2000	311	-2,729	2,729	311	311	-	-20	-462	-117	-345	-392	1,041	649			
2001	4,364	-2,611	7,675	-	-700	-	91	111	111	-216	-105	122	17			
2002	1,437	-6,065	9,265	-	-1,763	-	184	-982	-1,165	-186	-1,351	1,840	489			
2001																
January	2,173	-5,326	7,784	-	-285	-	-1	208	209	-72	137	-107	565			
February	-284	4,574	-4,802	-	-56	-	-29	93	-64	-41	-105	-109	-214			
March	362	-3,212	3,211	-	363	-	-14	353	367	71	438	-114	324			
April	-997	-1,010	171	-	-158	-	18	-311	-328	-17	-345	-75	-421			
May	-450	-929	403	-	76	-	-19	-118	-99	1	-98	-214	-312			
June	2,729	755	1,818	-	155	-	7	3	-3	43	40	-74	-34			
July	393	-334	637	-	89	-	-31	-82	-50	-12	-62	416	354			
August	-3,124	300	-3,340	-	-84	-	24	24	29	-26	3	435	438			
September	833	711	192	-	-71	-	-4	267	270	-19	251	361	612			
October	2,507	2,343	727	-	-563	-	27	-290	-317	-104	-421	-26	-447			
November	-60	-3,038	2,986	-	-8	-	32	-13	-45	28	-18	-895	-912			
December	283	2,555	-2,113	-	-158	-	-	142	142	-69	74	-10	64			
2002^s																
January	26	-6,000	6,151	-	-125	-	4	-150	-154	-23	-177	-115	-292			
February	-109	-3,128	3,191	-	-172	-	-1	139	140	-35	105	1,035	1,140			
March	1,507	-142	1,805	-	-156	-	24	-48	140	-11	-83	-1	-83			
April	611	-3,556	4,329	-	-162	-	29	57	28	-2	26	93	119			
May	-141	2,303	-2,309	-	-135	-	36	-47	-83	7	-76	160	84			
June	-479	1,628	-2,022	-	-86	-	76	400	324	60	385	257	642			
July	1,011	-2,032	3,159	-	-116	-	7	-314	-321	-19	-339	304	-35			
August	155	2,300	-2,004	-	-141	-	-13	-398	-385	-41	-426	-49	-475			
September	-1,462	-1,737	413	-	-138	-	-14	-236	-222	-42	-264	213	-51			
October	-1,901	-1,153	-696	-	-53	-	37	-182	-219	20	-199	-194	-393			
November	1,976	204	1,936	-	-164	-	-27	-165	-139	-59	-197	-371	-568			
December	243	5,247	-4,688	-	-316	-	26	-38	-63	-41	-104	506	402			

^a Adjustments include: transfers from abroad by the National Institutions through the banks, defined as public-sector injection (in row 2). Government and Bank of Israel domestic foreign-currency receipts from and payments to the private sector (e.g., income tax receipts in foreign currency) do not change the monetary base, as they are transferred directly from the private sector to the government; on the one hand they are defined as government absorption and on the other they are defined as the private sector's contribution to the foreign reserves (without going via the Bank of Israel's trading-room floor).

^b NIS/\$ swaps and other domestic foreign-currency payments.

^c Transfers from abroad by the public sector through the banks, e.g., by the National Institutions.

^d Including income tax payments by the private sector in foreign currency.

^e Transfers by the government and the National Institutions, and Bank of Israel income from the foreign reserves (interest income, capital gains and cross-rate differentials).

^f Including the change in accrued interest on the foreign reserves.

^g Data for 2002 is calculated at value dates. The rest of the data in the table are as at balance sheet dates.

Appendix Table 6
The Main Monetary Instruments,^a 1985–2002

(million, at current prices)

	Foreign exchange reserves		Monetary loans	Treasury bills	Time deposits	Swaps with banking corporations		
	NIS	\$				NIS	NIS	Receipt of \$ from banks
			\$	NIS				
1985	5,578	3,720	69	118				
1986	7,230	4,864	235	149				
1987	9,377	6,095	907	780				
1988	7,391	4,091	3,547	599				
1989	10,464	5,331	4,234	1,604				
1990	12,935	6,316	2,562	2,079				
1991	14,379	6,298	5,137	3,771				
1992	14,185	5,132	10,507	5,711				
1993	19,063	6,384	16,501	6,519				
1994	20,507	6,795	15,011	6,896				
1995	26,048	8,309	4,009	12,948		1,650	5,173	5,146
1996	37,631	11,575	957	17,183	5,000	1,850	6,014	6,062
1997	71,896	20,332	1,426	20,322	32,500	1,400	4,950	4,951
1998	94,325	22,674	796	23,355	40,000	1,400	5,824	5,843
1999	93,504	22,515	784	25,519	48,700	1,400	5,814	5,863
2000	93,606	23,164	781	30,249	50,500	1,400	5,657	5,718
2001	102,367	23,181	802	35,031	45,000	1,400	6,182	5,970
2002	112,123	23,699	871	43,762	34,500	1,400	6,632	6,542
2001								
January	98,166	23,729	1,372	30,175	44,000	1,400	5,792	5,747
February	96,693	23,515	2,421	30,315	50,300	1,400	5,757	5,779
March	99,934	23,839	799	30,481	46,000	1,400	5,869	5,814
April	96,930	23,419	689	30,734	46,000	1,400	5,795	5,863
May	95,498	23,106	759	30,602	46,500	1,400	5,786	5,799
June	96,096	23,072	759	30,842	45,000	1,400	5,831	5,833
July	98,602	23,426	759	31,774	44,000	1,400	5,893	5,873
August	101,711	23,865	781	32,707	47,000	1,400	5,967	5,927
September	106,596	24,477	781	32,938	47,000	1,400	6,097	6,049
October	102,871	24,030	1,631	33,127	47,500	1,400	5,993	6,049
November	97,855	23,117	797	33,989	43,500	1,400	5,926	5,930
December	102,367	23,181	802	35,031	45,000	1,400	6,182	5,970
2002								
January	105,333	22,889	802	35,449	38,500	1,400	6,443	6,367
February	111,084	24,029	825	35,967	35,000	1,400	6,472	6,566
March	111,768	23,943	825	36,592	33,000	1,400	6,535	6,525
April	117,737	24,062	842	37,541	28,000	1,400	6,850	6,685
May	118,693	24,144	773	38,586	29,500	1,400	6,882	6,841
June	118,199	24,785	799	39,545	31,000	1,400	6,677	6,923
July	116,059	24,751	1,475	40,207	28,700	1,400	6,565	6,615
August	113,117	24,274	773	40,284	31,500	1,400	6,524	6,531
September	117,981	24,221	964	41,141	31,500	1,400	6,819	6,642
October	113,533	23,826	1,279	41,997	32,500	1,400	6,671	6,726
November	107,975	23,255	781	42,854	30,000	1,400	6,500	6,583
December	112,123	23,699	871	43,762	34,500	1,400	6,632	6,542

^a Accrued interest is not included in the balance of an item (except for foreign exchange reserves and Treasury bills since 1995).