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PRESS RELEASE

ANNUAL ACCOUNTS OF THE EUROPEAN CENTRAL BANK FOR THE YEAR ENDING 31 DECEMBER 2009

The Governing Council of the European Central Bank (ECB) today approved the audited Annual Accounts of the ECB for the year ending 31 December 2009.

The ECB earned a surplus of €2,218 million in 2009, compared with a surplus of €2,661 million in 2008. Following a technical adjustment to its risk provision, the ECB's declared net profit for 2009 amounted to €2,253 million.¹

The Governing Council also decided, following the establishment of the programme for the purchase of covered bonds, to extend, as a matter of prudence, the scope of the provision to cover credit risk, in addition to foreign exchange rate, interest rate and gold price risks. The size of the provision is reviewed annually.

Following a decision by the Governing Council, out of the net result for 2009 an amount of €787 million, comprising the ECB's entire income on euro banknotes in circulation, was distributed to the national central banks (NCBs) on 5 January 2010. The Governing Council decided on 4 March 2010 to distribute the remaining €1,466 million to the NCBs.

The ECB's regular income is derived primarily from investment earnings on its holding of foreign reserve assets and its paid-up capital, and from interest income on its 8% share of total euro banknotes in circulation. Interest income in 2009 was affected by lower average interest rates on US dollar-denominated assets as well as a lower marginal rate for the Eurosystem's main refinancing operations compared with 2008.

The ECB earned total net interest income of €1,547 million from all sources, compared with €2,381 million in 2008. Excluding the interest income of €787 million earned on the share of banknotes in circulation, net interest income amounted to €760 million, compared with €151 million in 2008. The ECB paid remuneration of €443 million to the NCBs on their claims in respect of the foreign reserve assets transferred by them to the ECB, which is €957 million less than in 2008, while interest income on foreign reserve

¹ The adjustment in the risk provision of €35 million results from fluctuations in central banks' shares of the ECB's capital and the fact that the risk provision cannot exceed its capital.

assets amounted to €700 million in 2009, compared with €1,036 million in the previous year.

Realised gains arising from financial operations rose by €440 million, to €1,103 million. This increase was due mainly to (a) higher gains generated from sales of securities, and (b) higher gains from the sale of gold, owing to the significant rise in the price of gold in 2009, combined with the larger volume of gold sold in that year.

The ECB's administrative expenses on staff, rental of premises, professional fees, and other goods and services amounted to €380 million (€364 million in 2008). Depreciation charges on fixed assets amounted to €21 million.

The Annual Accounts, together with a management report for the year ending 31 December 2009, will be published in the ECB's Annual Report on 19 April 2010.

Notes for editors

- (1) *Accounting policies of the ECB:* Common accounting policies have been established by the Governing Council for the Eurosystem, including the ECB, in accordance with Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB), and have been published in the Official Journal of the European Union.² Although generally based on internationally accepted accounting practice, these policies were designed with special regard to the unique circumstances of the central banks of the Eurosystem. They pay particular attention to the issue of prudence given the large foreign exchange exposures of most of these central banks. This prudent approach applies particularly to the differing treatment of unrealised gains and unrealised losses for the purpose of recognising income, and to the prohibition against netting unrealised losses on one asset against unrealised gains on another. Unrealised gains are transferred directly to revaluation accounts, whereas unrealised losses at year-end that exceed revaluation account balances are treated as expenses. All NCBs are required to follow these policies for the purpose of reporting their operations as part of the Eurosystem, which are included in the Eurosystem's weekly consolidated financial statements. All NCBs voluntarily apply broadly the same policies as the ECB in preparing their own annual financial statements.
- (2) *Remuneration of foreign reserve assets transferred to the ECB:* On transferring foreign reserve assets to the ECB upon joining the Eurosystem, each NCB acquires a remunerated claim on the ECB equivalent to the amount it transfers. The Governing Council has decided that these claims should be denominated in euro, and should be remunerated on a daily basis at the latest available marginal rate for the Eurosystem's main refinancing operations, adjusted to take account of the zero rate of return on the gold component. In 2009 this remuneration resulted in an interest expense of €443 million.
- (3) *Distribution of the ECB's income on euro banknotes in circulation:* The Governing Council decided that, from 2006, this income is due to the NCBs in the financial year in which it accrues, but is to be distributed on the second working day of the following year.³ It is distributed in full unless the ECB's net profit for the year is less than its income earned on euro banknotes in circulation and subject to a

² Decision ECB/2006/17 of 10 November 2006 on the annual accounts of the European Central Bank,, OJ L 348, 11.12.2006, p. 38, as amended.

³ Decision ECB/2005/11 of 17 November 2005 on the distribution of the income of the European Central Bank on euro banknotes in circulation to the national central banks of the participating Member States, OJ L 311, 26.11.2005, p. 41.

decision by the Governing Council before the end of the financial year to transfer part or all of this income to the provision for foreign exchange rate, interest rate, credit and gold price risks. The entire income on euro banknotes for 2009, amounting to €787 million, was distributed to the NCBs on 5 January 2010.

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