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PRESS RELEASE

ANNUAL ACCOUNTS OF THE EUROPEAN CENTRAL BANK FOR THE YEAR ENDING 31 DECEMBER 2011

The Governing Council of the European Central Bank (ECB) today approved the audited Annual Accounts of the ECB for the year ending 31 December 2011.

The ECB earned a **surplus of €1,894 million** in 2011, compared with a surplus of €1,334 million in 2010. The Governing Council decided to transfer, as at 31 December 2011 an amount of €1,166 million to the risk provision, which – together with the amount of €13 million contributed by Eesti Pank in accordance with Article 48.2 of the Statute of the ESCB – increased the risk provision to the level of its present ceiling of €6,363 million. The purpose of the risk provision is to cover foreign exchange rate, interest rate, credit and gold price risks, which are monitored on an on-going basis. The size of and the continuing requirement for this provision are reviewed annually.

As a result of the transfer to the risk provision, the ECB's **net profit for 2011 was €728 million** (2010: €171 million). Following a decision by the Governing Council, part of the income earned on the ECB's share of total euro banknotes in circulation, amounting to €652 million, was distributed to the euro area national central banks (NCBs) on 3 January 2012. The Governing Council decided at today's meeting to distribute the remaining €76 million to the euro area NCBs on 12 March 2012.

The ECB's regular income derives mainly from investment earnings on its foreign reserve assets and its own funds portfolio, from interest income on its 8% share of the total euro banknotes in circulation, and from net interest income arising from securities purchased for monetary policy purposes under the first and second covered bond purchase programmes (the first programme operated from July 2009 to June 2010 and the second started in November 2011) and the Securities Markets Programme (which started in May 2010).

Net interest income totalled €1,999 million in 2011 (2010: €1,422 million). It included interest income of €856 million earned on the ECB's share of the total euro banknotes in circulation (2010: €654 million), net interest income of €166 million (2010: €140 million) arising from securities purchased under the covered bond purchase programmes and net interest income of €1,003 million (2010: €438 million) arising from securities purchased

under the Securities Markets Programme. The ECB paid remuneration of €434 million (2010: €346 million) to the NCBs on their claims in respect of the foreign reserve assets transferred by them to the ECB, while interest income on foreign reserve assets amounted to €290 million (2010: €366 million).

Realised gains arising from financial operations amounted to €472 million (2010: €474 million). Higher net exchange rate gains on foreign currency outflows were offset by lower net realised price gains on sales of securities.

Write-downs, arising mainly from unrealised losses on marketable securities other than those held for monetary policy purposes, amounted to **€157 million** in 2011 (2010: €195 million).

The ECB's **administrative expenses** for staff, rental of premises, professional fees, and other goods and services amounted to **€442 million** in 2011 (2010: €415 million), including depreciation charges on fixed assets amounting to €11 million. The vast majority of the costs incurred in connection with the construction of the ECB's new premises have been capitalised and are excluded from this item.

The Annual Accounts, together with a management report for the year ending 31 December 2011, will be published in the ECB's Annual Report on 25 April 2012.

European Central Bank

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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.¹ 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 include the market valuation of marketable securities other than those classified as held-to-maturity, of gold and of all other on-balance-sheet and off-balance-sheet assets and liabilities denominated in foreign currency. Marketable securities classified as held-to-maturity are valued at cost subject to impairment. Particular attention is given to the issue of prudence, owing to the large foreign exchange exposures of most of the Eurosystem 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 of netting unrealised losses on one asset against unrealised gains on another. Unrealised gains are transferred directly to revaluation accounts, whereas unrealised losses at the end of the year that exceed the related revaluation account balances are treated as expenses. All euro area 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. Moreover, they 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 are denominated in euro, and are remunerated on a daily basis at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations, adjusted to take account of the zero rate of return on the gold component.
- (3) *Distribution of the ECB's income on euro banknotes in circulation and the ECB's net income arising from securities purchased under the Securities Markets*

¹ Decision ECB/2006/17 of 10 November 2006, OJ L 348, 11.12.2006, p. 38, as amended, containing the detailed accounting policies of the ECB, was repealed and replaced by Decision ECB/2010/21 of 11 November 2010, OJ L 35, 9.2.2011, p. 1, with effect from 31 December 2010.

Programme: The Governing Council has decided that this income is due to the euro area NCBs in the financial year in which it accrues. The income on euro banknotes in circulation is to be distributed on the second working day of the following year, while the income arising from securities purchased under the Securities Markets Programme is to be distributed on the last working day in January of the following year.² Both amounts are to be distributed in full unless the Governing Council expects, on the basis of a reasoned estimate, the ECB's net profit for the year to be less than its income earned on euro banknotes in circulation and the net income arising from securities purchased under the Securities Markets Programme, and unless the Governing Council decides 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.

- (4) *Profit distribution/allocation of losses*: Pursuant to Article 33 of the Statute of the ESCB, up to 20% of the net profit for any year may be transferred to the general reserve fund, subject to a limit equal to 100% of the ECB's capital. The remaining net profit is to be distributed to the euro area NCBs in proportion to their paid-up shares. In the event of a loss incurred by the ECB, the shortfall may be offset against the general reserve fund of the ECB and, if necessary, following a decision by the Governing Council, against the monetary income for the relevant financial year in proportion and up to the amounts allocated to the euro area NCBs in accordance with Article 32.5 of the Statute of the ESCB.

² Decision ECB/2010/24 of 25 November 2010 on the interim distribution of the income of the European Central Bank on euro banknotes in circulation and arising from securities purchased under the Securities Markets Programme (recast), OJ L 6, 11.1.2011, p. 35.