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## PRESS RELEASE

### ANNUAL ACCOUNTS OF THE EUROPEAN CENTRAL BANK FOR THE YEAR ENDING 31 DECEMBER 2012

The Governing Council of the European Central Bank (ECB) today approved the audited Annual Accounts of the ECB for the year ending 31 December 2012.

The ECB earned a **surplus of €2,164 million** in 2012, compared with a surplus of €1,894 million in 2011. The Governing Council decided to transfer as at 31 December 2012 an amount of €1,166 million to the risk provision, which increased it to the level of its present ceiling of €7,529 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 ongoing 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 2012 was €998 million** (2011: €728 million). Following a decision by the Governing Council, an interim profit distribution, amounting to €575 million, was made to the euro area national central banks (NCBs) on 31 January 2013. The Governing Council decided at today's meeting to distribute the remainder, amounting to €423 million, to the euro area NCBs on 25 February 2013.

The ECB's regular income derives mainly from investment earnings on its foreign reserve portfolio and 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 Securities Markets Programme (SMP) and the two covered bond purchase programmes.

**Net interest income totalled €2,289 million** in 2012 (2011: €1,999 million). It included interest income of €633 million earned on the ECB's share of the total euro banknotes in circulation (2011: €856 million) and net interest income of €1,108 million (2011: €1,003 million) arising from securities purchased under the SMP, of which €555 million (2011: €654 million) arose from the ECB's SMP holdings of Greek government bonds. It also included net interest income of €209 million (2011: €166 million) arising from securities purchased under the two covered bond purchase programmes. The ECB paid remuneration of €307 million (2011: €434 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 €229 million (2011: €290 million).

**Realised gains arising from financial operations amounted to €319 million** (2011: €472 million). Unlike in 2011, when Japanese yen were sold in the context of the ECB's participation in the concerted international intervention in the foreign exchange markets, realised exchange rate gains in 2012 were insignificant.

**Write-downs amounted to €4 million** in 2012 (2011: €157 million). The reduction in write-downs in 2012 was mainly due to the overall increase in the market values of securities held in the ECB's own funds portfolio.

The ECB's **administrative expenses** consist of staff costs and all other administrative expenses. **Staff costs rose marginally to €219 million** in 2012 (2011: €216 million). **Other administrative expenses**, comprising rental of premises, professional fees and other goods and services, **amounted to €242 million** in 2012 (2011: €226 million) and included depreciation charges on fixed assets amounting to €13 million. The vast majority of the costs incurred in connection with the construction of the ECB's new premises are excluded from this item and were capitalised under the heading "Assets under construction", which is part of "Tangible and Intangible Fixed Assets". "Assets under construction" increased by €191 million to €530 million in 2012.

The Annual Accounts, together with a management report for the year ending 31 December 2012, will be included in the ECB's Annual Report on 24 April 2013.

**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.<sup>1</sup> 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. Unrealised losses, other than impairment losses, exceeding the related revaluation account balances are treated as expenses at the end of the year. Unrealised impairment losses are taken to the Profit and Loss Account in their entirety. 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 Programme:* The Governing Council has decided that this income is due to the euro area NCBs in the financial year in which it accrues. Unless otherwise decided by the Governing

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<sup>1</sup> Decision ECB/2010/21 of 11 November 2010, OJ L 35, 9.2.2011, p. 1, as amended, contains the detailed accounting policies of the ECB.

Council, the ECB distributes this income on the last working day in January of the following year.<sup>2</sup> It is 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.

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<sup>2</sup> 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, as amended.