



EUROPEAN CENTRAL BANK

EUROSYSTEM

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PRESS RELEASE

FINANCIAL STATEMENTS OF THE ECB FOR 2015

- ECB's net profit for 2015: €1,082 million (2014: €989 million)
- Net interest income from the Securities Markets Programme: €609 million (2014: €728 million)
- Net interest income from the expanded asset purchase programme: €161 million (2014: €2 million)
- Expenditure recovered for supervisory tasks via fees: €277 million (2014: €30 million)
- Interest income on banknotes: €42 million (2014: €126 million)
- Size of the ECB's Balance Sheet: €257 billion (2014: €185 billion)

The Governing Council of the European Central Bank (ECB) has approved the audited Annual Accounts of the ECB for the year ending 31 December 2015.

The ECB's **net profit for 2015 was €1,082 million** (2014: €989 million). Higher realised gains from the sale of securities in 2015 contributed to this increase. Furthermore, in 2014 the ECB recovered expenditure incurred in relation to its supervisory tasks for November and December only, while in 2015 the costs for the entire year were recovered.

The Governing Council decided to make an interim profit distribution, amounting to €812 million, to the euro area national central banks (NCBs) on 29 January 2016. At its meeting yesterday the Governing Council decided to distribute the remainder of the profit, amounting to €270 million, to the euro area NCBs on 19 February 2016.

The ECB's income derives mainly from investment earnings on its foreign reserves portfolio and own funds portfolio, from interest income on its 8% share of the total euro banknotes in circulation and, in recent years, from net interest income arising from securities purchased for monetary policy purposes.

Net interest income totalled €1,475 million in 2015 (2014: €1,536 million). It included interest income of €42 million earned on the ECB's share of the total euro banknotes in circulation (2014: €126 million) and net interest income of €609 million (2014: €728 million) arising from securities purchased under the Securities Markets Programme (SMP), of which €224 million (2014: €298 million) arose from the ECB's SMP holdings of Greek government bonds. It also included net interest income of €120 million (2014: €173 million) arising from securities

purchased under the first two covered bond purchase programmes and €161 million arising from securities purchased under the expanded asset purchase programme (APP) (2014: €2 million). The ECB paid remuneration of €18 million (2014: €57 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 €283 million (2014: €217 million).

Realised gains arising from financial operations amounted to €214 million (2014: €57 million).

Write-downs amounted to €64 million in 2015 (2014: €8 million). The higher write-downs in 2015 were mainly due to the overall decrease in the market value of the securities held in the US dollar portfolio.

The ECB's **administrative expenses** consist of staff costs and all other administrative expenses. The ECB's assumption of its supervisory tasks has led to a gradual increase in staff numbers and consequently **staff costs rose to €441 million** in 2015 (2014: €301 million).

Other administrative expenses, comprising depreciation charges, rental of premises, professional fees and other goods and services, **amounted to €423 million** in 2015 (2014: €376 million). The increase in these expenses reflects mainly the commencement of the depreciation of the ECB's new premises.

The expenditure incurred by the ECB in relation to its supervisory tasks was recovered via fees charged on supervised entities for the whole of 2015, while for 2014 only costs incurred in the last two months of the year were recovered. This resulted in an increase in **net income/expense from fees and commissions**. The SSM-related fees for 2015 amounted to €277 million (Nov-Dec 2014: €30 million).

The total size of the ECB's Balance Sheet increased by €72 billion to €257 billion in 2015 (2014: €185 billion). This increase was mainly due to the securities purchased under the APP, the appreciation of foreign reserve assets held by the ECB and the increase in banknotes in circulation.

The **consolidated balance sheet of the Eurosystem**¹ amounted to €2,781 billion at end-2015, compared with €2,208 billion at end-2014. The increase was mainly due to the continuing purchases of securities under the APP.

The Eurosystem's holdings of securities held for monetary policy purposes increased by €586 billion to €803 billion (2014: €217 billion). Securities held under the SMP declined by €21 billion owing to redemptions. This reduction was more than offset by securities purchased under the APP. On 31 December 2015 the APP holdings amounted to €650 billion (2014: €31 billion).

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¹ The consolidated balance sheet of the Eurosystem is based on provisional, unaudited data. The annual accounts of all the NCBs will be finalised by the end of May 2016 and the final consolidated annual balance sheet of the Eurosystem will be published thereafter.

Notes

- (1) *Accounting policies of the ECB and the Eurosystem:* 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 are designed with special regard to the unique circumstances of the central banks of the Eurosystem. Particular prominence is given to the principle 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 on netting unrealised losses on one asset against unrealised gains on another. Unrealised gains are transferred directly to revaluation accounts. Unrealised losses exceeding the related revaluation account balances are treated as expenses at the end of the year. 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 and the consolidated annual balance sheet. Moreover, they voluntarily apply broadly the same policies as the ECB in preparing their own annual financial statements.
- (2) *The securities currently held for monetary policy purposes* are accounted for at amortised cost (subject to impairment). In 2015 the asset purchases under the third covered bond purchase programme (CBPP3) and the asset-backed securities purchase programme (ABSPP) were expanded to include a public sector asset purchase programme (PSPP). The CBPP3, ABSPP and PSPP together constitute the expanded asset purchase programme (APP). Combined monthly APP purchases by the NCBs and the ECB amount to €60 billion on average and are intended to be carried out until the end of March 2017, and in any case until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term.
- (3) *Marketable securities, other than securities held for monetary policy purposes,* are revalued at market prices.
- (4) *Gold and all other on-balance-sheet and off-balance-sheet assets and liabilities denominated in foreign currency* are converted into euro at the exchange rate prevailing on the balance sheet date.

² 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.

- (5) *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.
- (6) *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 (a) the ECB's general risk provision and the general reserve fund; and (b) the monetary income for the relevant financial year, following a decision by the Governing Council. Finally, any remaining net loss may be recorded on the Balance Sheet as losses carried forward and be offset against any net income earned in subsequent year(s).
- (7) *Eurosystem SMP holdings:* The table below presents the breakdown by issuer of the outstanding amounts of the Eurosystem's SMP holdings as at 31 December 2015.

Eurosystem's SMP holdings as at 31 December 2015

Issuer country	Nominal amount (EUR billions)	Book value * (EUR billions)	Average remaining maturity (years)
Ireland	9.7	9.4	3.3
Greece	14.6	13.4	3.5
Spain	26.4	26.2	3.1
Italy	63.5	61.8	3.4
Portugal	12.4	12.1	2.8
Total**	126.7	123.0	3.3

* SMP holdings are valued at amortised cost.

** Totals may not add up due to rounding.