



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

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Financial statements of the ECB for 2016

- ECB's net profit for 2016: €1.19 billion (2015: €1.08 billion)
- Net interest income on securities held for monetary policy purposes: €1.04 billion (2015: €0.89 billion)
- Interest income on foreign reserve assets: €370 million (2015: €283 million)
- Expenditure for supervisory tasks recovered via fees: €382 million (2015: €277 million)
- Size of the ECB's Balance Sheet: €349 billion (2015: €257 billion)
- Interim profit distribution to NCBs of €966 million carried out on 31 January 2017; the remainder of the profit (€227 million) will be distributed on 17 February 2017

The Governing Council of the European Central Bank (ECB) has approved the audited financial statements of the ECB for the year ending 31 December 2016.

The ECB's **net profit increased in 2016 by €111 million, to €1,193 million**, mainly owing to higher net interest income earned on the asset purchase programme (APP)¹ portfolio and the US dollar portfolio.

Net interest income totalled €1,648 million in 2016 (2015: €1,475 million). Net interest income arising from the APP increased by €275 million, to €435 million, as a result of the continuing securities purchases under this programme. Net interest income earned under the first two covered bond purchase programmes and the Securities Markets Programme (SMP) decreased, as a result of redemptions, to €88 million (2015: €120 million) and €520 million (2015: €609 million) respectively. Interest income on foreign reserve assets increased to €370 million (2015: €283 million) owing to higher interest income earned on the US dollar portfolio.

Realised gains arising from financial operations amounted to €225 million (2015: €214 million).

Write-downs amounted to €148 million (2015: €64 million). The increase in write-downs in 2016 was mainly due to the higher market yields of the securities held in the US dollar portfolio alongside the overall

¹ The APP comprises the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP) and the corporate sector purchase programme (CSPP). The ECB does not purchase securities under the CSPP.

decrease in the market value of these securities. Based on the results of the impairment tests conducted for the securities held in the monetary policy portfolios, no impairment losses have been recorded.

The **fees charged to supervised entities amounted to €382 million** (2015: €277 million). These fees are charged in order to recover the ECB's expenditure incurred in relation to its supervisory tasks. The SSM-related expenditure increased in 2016 owing to the increase in the total number of staff working in ECB Banking Supervision, the relocation to new premises and the provision of statistical and IT infrastructure.

Total staff costs and other administrative expenses increased to **€467 million** (2015: €441 million) and **€487 million** (2015: €423 million) respectively owing to the increase in expenditure related to the ECB's supervisory tasks.

The ECB's net profit is distributed to the euro area national central banks (NCBs). **The Governing Council decided to make an interim profit distribution, amounting to €966 million, to the euro area NCBs on 31 January 2017.** At yesterday's meeting the Governing Council decided to **distribute the remainder of the profit, amounting to €227 million, on 17 February 2017.**

The total size of the ECB's Balance Sheet increased by 36% to €349 billion (2015: €257 billion). This increase was mainly due to the securities purchased under the APP. The appreciation of the foreign reserve assets held by the ECB also contributed to the increase.

These factors led to an increase in the **consolidated balance sheet of the Eurosystem**,² which rose by 32% to €3,663 billion (2015: €2,781 billion). The Eurosystem's holdings of securities held for monetary policy purposes increased by €851 billion to €1,654 billion (2015: €803 billion) owing to securities purchased under the APP. On 31 December 2016 the APP holdings amounted to €1,532 billion (2015: €650 billion). Securities held under the SMP declined by €21 billion owing to redemptions.

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² 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 2017 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.³ 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 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 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).
- (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.
- (5) *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).
- (6) *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 2016.

³ Decision (EU) 2016/2247 of the ECB of 3 November 2016 on the annual accounts of the ECB (ECB/2016/35), OJ L 347, 20.12.2016, p. 1, contains the detailed accounting policies of the ECB.

Eurosystem's SMP holdings as at 31 December 2016

Issuer country	Nominal amount (EUR billions)	Book value ^[1] (EUR billions)	Average remaining maturity (years)
Ireland	7.3	7.1	3.3
Greece	13.2	12.3	2.9
Spain	20.1	20.0	2.9
Italy	54.9	53.6	2.9
Portugal	9.5	9.2	2.5
Total^[2]	105.0	102.3	2.9

^[1]SMP holdings are valued at amortised cost.

^[2]Totals may not add up due to rounding.



Consolidated balance sheet of the Eurosystem as at 31 December 2016¹

(EUR millions)²

ASSETS	31 December 2016	31 December 2015
1 Gold and gold receivables	382,061	338,713
2 Claims on non-euro area residents denominated in foreign currency	327,854	307,243
2.1 Receivables from the IMF	78,752	80,384
2.2 Balances with banks and security investments, external loans and other external assets	249,102	226,860
3 Claims on euro area residents denominated in foreign currency	30,719	31,110
4 Claims on non-euro area residents denominated in euro	19,082	20,242
4.1 Balances with banks, security investments and loans	19,082	20,242
4.2 Claims arising from the credit facility under ERM II	0	0
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	595,873	558,989
5.1 Main refinancing operations	39,131	88,978
5.2 Longer-term refinancing operations	556,570	469,543
5.3 Fine-tuning reverse operations	0	0
5.4 Structural reverse operations	0	0
5.5 Marginal lending facility	172	468
5.6 Credits related to margin calls	0	0
6 Other claims on euro area credit institutions denominated in euro	69,104	107,864
7 Securities of euro area residents denominated in euro	1,974,899	1,161,004
7.1 Securities held for monetary policy purposes	1,654,026	803,135
7.2 Other securities	320,873	357,869
8 General government debt denominated in euro	26,460	25,145
9 Other assets	236,847	230,236
Total assets	3,662,901	2,780,546

¹ Based on provisional unaudited data. The annual accounts of all the NCBs will be finalised by the end of May 2017 and the final consolidated annual balance sheet of the Eurosystem will be published thereafter.

² Totals/subtotals may not add up due to rounding.

LIABILITIES	31 December 2016	31 December 2015
1 Banknotes in circulation	1,126,216	1,083,539
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	1,313,264	768,419
2.1 Current accounts (covering the minimum reserve system)	888,988	555,864
2.2 Deposit facility	424,208	212,415
2.3 Fixed-term deposits	0	0
2.4 Fine-tuning reverse operations	0	0
2.5 Deposits related to margin calls	69	140
3 Other liabilities to euro area credit institutions denominated in euro	9,427	5,200
4 Debt certificates issued	0	0
5 Liabilities to other euro area residents denominated in euro	220,760	141,805
5.1 General government	114,880	59,295
5.2 Other liabilities	105,880	82,510
6 Liabilities to non-euro area residents denominated in euro	205,678	54,529
7 Liabilities to euro area residents denominated in foreign currency	3,644	2,803
8 Liabilities to non-euro area residents denominated in foreign currency	9,301	3,677
8.1 Deposits, balances and other liabilities	9,301	3,677
8.2 Liabilities arising from the credit facility under ERM II	0	0
9 Counterpart of special drawing rights allocated by the IMF	59,263	59,179
10 Other liabilities	221,402	217,492
11 Revaluation accounts	394,418	345,703
12 Capital and reserves	99,527	98,199
Total liabilities	3,662,901	2,780,546

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