Financial statements of the ECB for 2017

PRESS RELEASE

22 February 2018

- ECB profit increased by €0.1 billion to €1.3 billion in 2017 (2016: €1.2 billion) and is distributed in full to national central banks
- Net interest income on securities held for monetary policy purposes: €1.1 billion (2016: €1.0 billion)
- ECB’s Balance Sheet grew to €414 billion (2016: €349 billion)

The European Central Bank’s (ECB’s) audited financial statements for 2017 show that the **net profit increased by €82 million, to €1,275 million**, mainly as a result of higher net interest income earned on the US dollar portfolio and the asset purchase programme (APP) portfolio.

Net interest income totalled €1,812 million in 2017 (2016: €1,648 million). Net interest income on foreign reserve assets increased to €534 million (2016: €370 million) owing to higher interest income earned on the US dollar portfolio. Net interest income arising from the APP increased by €140 million, to €575 million, as a result of the continuing securities purchases under this programme. Conversely, as a result of redemptions, net interest income earned under the Securities Markets Programme (SMP) decreased to €447 million (2016: €520 million). The ECB’s interest income from its SMP holdings of Greek government bonds amounted to €154 million (2016: €185 million).

Realised gains arising from financial operations decreased to €161 million (2016: €225 million). The decrease in net realised gains was mainly due to lower price gains on US dollar securities.

Write-downs amounted to €105 million (2016: €148 million), primarily as a result of a decrease in the market value of a number of securities held in the US dollar portfolio alongside an increase in the relevant yields.

Impairment tests are conducted on the securities held by the ECB in its monetary policy portfolios, which are valued at amortised cost (subject to impairment). Based on the results of these tests, no impairment losses have been recorded for these portfolios.

The **fees charged to supervised entities amounted to €437 million** (2016: €382 million). These fees are charged in order to recover expenses incurred by the ECB in the performance of its supervisory tasks. The increase in 2017 relates predominantly to work associated with the targeted review of internal models (TRIM) and an increase in the number of ECB staff working in banking supervision.

Total staff costs and **other administrative expenses** increased to **€535 million** (2016: €467 million) **and €539 million** (2016: €487 million) respectively, mainly owing to the increase in expenses 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 €988 million, to the euro area NCBs on 31 January 2018**. At yesterday's meeting, the Governing Council decided to **distribute the remainder of the profit, amounting to €287 million, on 23 February 2018.**

The total size of the ECB's Balance Sheet increased by 19% to €414 billion (2016: €349 billion). This increase was almost exclusively due to the securities purchased under the APP.

The continuing purchases of securities under the APP led to an increase in the **consolidated balance sheet of the Eurosystem**, which rose by 22% to €4,472 billion (2016: €3,661 billion). The Eurosystem's holdings of securities held for monetary policy purposes increased by €732 billion to €2,386 billion (2016: €1,654 billion). The APP holdings increased by €754 billion to €2,286 billion, while securities held under the first two covered bond purchase programmes and the SMP declined by €9 billion and €13 billion respectively owing to redemptions.

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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. 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 at the year-end.
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.
6. 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 2017.

Total Eurosystem SMP holdings by issuer country as at 31 December 2017

Issuer country	**Nominal amount** (EUR billions)	**Book value**[1] (EUR billions)	**Average remaining maturity** (years)
Ireland	7.3	7.2	2.3
Greece	9.5	8.9	2.8
Spain	17.3	17.3	2.3
Italy	49.5	48.7	2.2
Portugal	7.3	7.1	2.0
Total[2]	**91.0**	**89.1**	**2.3**

[1] SMP holdings are valued at amortised cost.

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