EUROPEAN CENTRAL BANK

EUROSYSTEM

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PRESS RELEASE

ANNUAL ACCOUNTS OF THE ECB FOR 2013

- Net profit for 2013 of €1,440 million (2012: €995 million), after a transfer to the risk provision of €0.4 million (2012: €1,166 million)
- A total of €1,430 million (2012: €998 million) distributed to the national central banks
- €962 million (2012: €1,108 million) net interest income arising from securities purchased under the Securities Markets Programme
- €406 million (2012: €633 million) interest income earned on the ECB's share of the total euro banknotes in circulation
- Total size of the ECB's Balance Sheet amounted to €174 billion (2012: €207 billion)

The Governing Council of the European Central Bank (ECB) yesterday approved the audited Annual Accounts of the ECB for the year ending 31 December 2013.

Mario Draghi, President of the ECB, said "the financial result for 2013 reflects the monetary policy stance as well as our commitment to an efficient use of resources and prudent financial management, at a time of increasing responsibilities and tasks entrusted to the ECB".

The Governing Council decided to transfer as at 31 December 2013 an amount of €0.4 million (2012: €1,166 million) to the risk provision, which increased it to the level of its ceiling of €7,530 million as at that date. 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 2013 was €1,440 million** (2012: €995 million).

The Governing Council decided to make an interim profit distribution, amounting to €1,370 million, to the euro area national central banks (NCBs) on 31 January 2014. At yesterday's meeting the Governing Council decided to retain an amount of €10 million, owing to adjustments to profits earned in previous years, and to distribute the remainder of the profit, amounting to €61 million, to the euro area NCBs on 21 February 2014.[1]

[1] Individual amounts are shown rounded to the nearest EUR million.

The ECB's regular 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 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 €2,005 million in 2013 (2012: €2,289 million). It included interest income of €406 million earned on the ECB's share of the total euro banknotes in circulation (2012: €633 million) and net interest income of €962 million (2012: €1,108 million) arising from securities purchased under the SMP, of which €437 million (2012: €555 million) arose from the ECB's SMP holdings of Greek government bonds. It also included net interest income of €204 million (2012: €209 million) arising from securities purchased under the two covered bond purchase programmes. The ECB paid remuneration of €192 million (2012: €307 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 €187 million (2012: €229 million).

Realised gains arising from financial operations amounted to €52 million (2012: €319 million). The decrease in realised gains arising from financial operations in 2013 was due mainly to lower realised price gains generated on the US dollar portfolio.

Write-downs amounted to €115 million in 2013 (2012: €4 million). The significantly higher write-downs in 2013 were mainly due to the overall decrease in the market values of the securities held in the ECB's US dollar portfolio.

The ECB's **administrative expenses** consist of staff costs and all other administrative expenses. **Staff costs rose to €241 million** in 2013 (2012: €222 million) on account of higher staff numbers and amounts recognised in connection with the ECB's pension plans.

Other administrative expenses, comprising rental of premises, professional fees and other goods and services, **amounted to €287 million** in 2013 (2012: €242 million) and included depreciation charges on fixed assets amounting to €19 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 in the Balance Sheet under the heading "Tangible and Intangible Fixed Assets". Within this heading, the item "Assets under construction" increased by €318 million to €847 million in 2013, almost entirely as a result of construction costs, while site costs amounting to €76 million were included under the item "Land and buildings".

The total size of the ECB's Balance Sheet amounted to €174 billion in 2013. The decline of €33 billion from €207 billion in 2012 is in line with the decline in the size of the consolidated balance sheet of the Eurosystem.

The **consolidated balance sheet of the Eurosystem** includes the securities purchased by the ECB and the NCBs under the SMP, which was terminated on 6 September 2012. On the same date the ECB announced the technical features of Outright Monetary Transactions, including the transparency policy. In line with that transparency policy, the table below shows the breakdown of the outstanding amounts of the Eurosystem's SMP holdings as at 31 December 2013.

Eurosystem's SMP holdings as at 31.12.2013

Issuer country	**Nominal amount** (EUR billions)	**Book value** [1] (EUR billions)	**Average remaining maturity** (years)
Ireland	9.7	9.2	5.3
Greece	27.7	25.4	3.4
Spain	38.8	38.4	3.6
Italy	89.7	86.8	4.1
Portugal	19.8	19.0	3.4
Total	**185.7**	**178.8**	**3.9**

[1]The SMP holdings are classified as held-to-maturity and consequently valued at amortised cost.

The Annual Accounts of the ECB, together with a management report and the consolidated balance sheet of the Eurosystem for the year ending 31 December 2013, will be included in the ECB's Annual Report that will be published in April 2014.

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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.[2] 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 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. Moreover, they voluntarily apply broadly the same policies as the ECB in preparing their own annual financial statements.

In 2013 the ECB changed its accounting policy for pensions. The requirements of International Accounting Standard (IAS) 19, which forms the basis of the ECB's accounting policy for pensions, were revised in 2011 and apply to annual periods beginning on or after 1 January 2013. The revised IAS 19 ceased to allow the so-called "10% corridor" approach as an option for the recognition of actuarial results in financial statements. Consequently, the ECB has amended its policy, which is disclosed in the notes on accounting policies, and has also restated the 2012 comparative figures in the 2013 Annual Accounts.

(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

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[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.

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 Council, the ECB distributes this income on the last working day in January of the following year.[3] 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.

[3] 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.

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