

Commentary to the consolidated balance sheet of the Eurosystem as at 31 December 2018

Eurosystem balance sheet

The annual consolidated balance sheet of the Eurosystem comprises the assets and liabilities of the euro area national central banks (NCBs) and the ECB held at year-end vis-à-vis third parties.

Claims and liabilities between Eurosystem central banks (intra-Eurosystem claims and liabilities) are netted and are therefore not shown.

The content and format of the consolidated annual balance sheet of the Eurosystem are set out in Annexes IV and VII to Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks ([ECB/2016/34](#)).

Financial developments in 2018



€235 billion
Increase in total assets
in 2018

In 2018 the **Eurosystem's total assets** increased by €235.1 billion to €4,702.7 billion, mainly owing to purchases of securities under the asset purchase programme (APP)¹. These purchases resulted in an increase in **securities held for monetary policy purposes** (asset item 7.1).

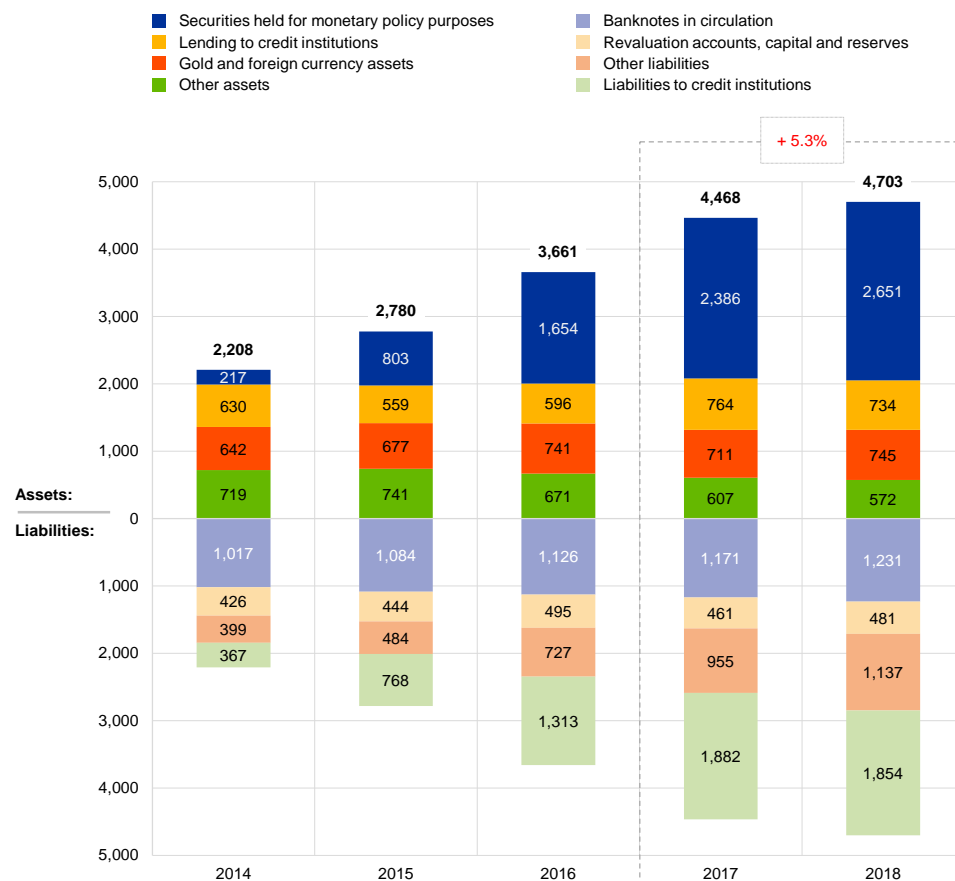
Chart 1 presents the main components of the Eurosystem's balance sheet from 2014 to 2018. The expansion of the Eurosystem's balance sheet started in the fourth quarter of 2014, triggered by the acquisition of securities under the third covered bond purchase programme (CBPP3) and the asset-backed securities purchase programme (ABSPP). This expansion has continued in subsequent years, owing mainly to the acquisition of securities under the public sector purchase programme (PSPP) and the corporate sector purchase programme (CSPP).

¹ The APP consists of the CBPP3, the ABSPP, the PSPP and the CSPP. Further details can be found on the [ECB's website – Asset purchase programmes](#).

Chart 1

The Eurosystem's balance sheet

(EUR billions)



Source: Eurosystem.



56%

Share in total assets of securities held for monetary policy purposes

Euro-denominated securities held for monetary policy purposes (asset item 7.1) constituted 56.4% of the Eurosystem's total assets as at the end of 2018. Under this balance sheet position the Eurosystem holds securities acquired in the context of the APP and the terminated purchase programmes, i.e. the Securities Markets Programme (SMP) and the first two covered bond purchase programmes (CBPP1 and CBPP2). In 2018 purchases of securities under the APP continued on the basis of the Governing Council's decisions on the overall monthly Eurosystem purchases and subject to predetermined eligibility criteria. In addition, the Governing Council decided to end net asset purchases under the APP in December 2018 and announced that it intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP.



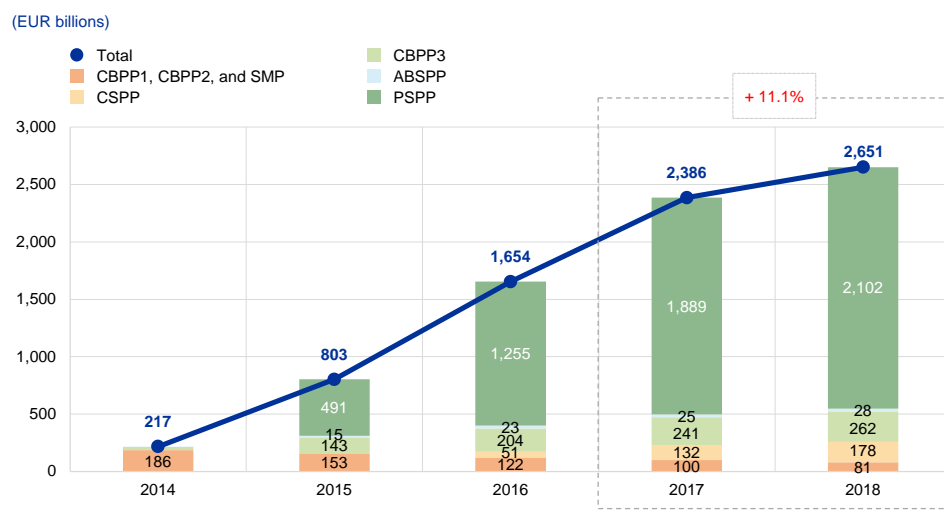
€265 billion

Increase in securities for monetary policy purposes

In 2018 the portfolio of securities held for monetary policy purposes by the Eurosystem increased by €265.3 billion to €2,651.3 billion (see Chart 2), with PSPP purchases accounting for the majority of this increase. The decrease of €18.5 billion in holdings under the terminated programmes (CBPP1, CBPP2 and SMP) was mainly due to redemptions.

Chart 2

Securities held for monetary policy purposes



Source: Eurosystem.

Impairment tests of securities held for monetary policy purposes are conducted on an annual basis and are approved by the Governing Council. As a result of the impairment test conducted at the end of 2018 on its CSPP portfolio, the Governing Council has deemed it appropriate to establish a provision totalling €161 million against losses on monetary policy operations.

€30 billion
Decrease in Eurosystem
refinancing operations

As a result of the Eurosystem's open market operations and standing facilities, **lending to credit institutions** (asset item 5)² decreased by €29.9 billion to €734.4 billion.

The majority of the decrease is attributable to repayments of targeted longer-term refinancing operations (TLTROs). Chart 3 shows a maturity breakdown of **longer-term refinancing operations** (asset item 5.2) outstanding as at 31 December 2018. The outstanding amounts are lower than the allotted amounts due to early repayments.

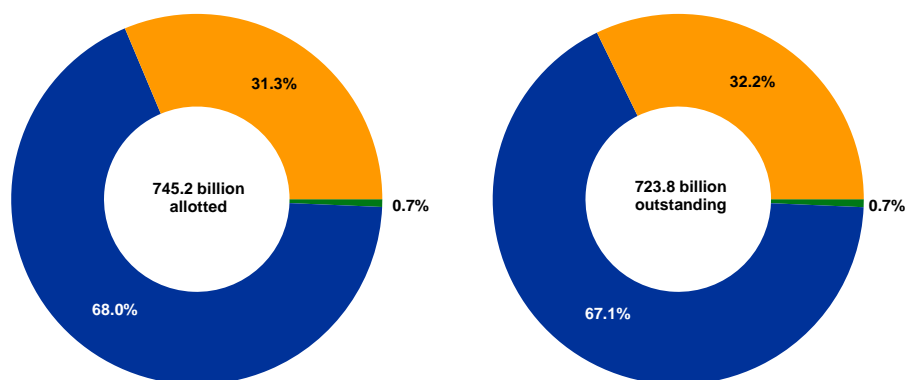
² More information about lending can be found on the [ECB's website - Open market operations](#).

Chart 3

Maturity breakdown of longer-term refinancing operations

(left: allotted amounts, right: outstanding amounts; EUR billions)

- Less than 3 months
- Between 3 months and 2 years
- More than 2 years



Source: Eurosystem.



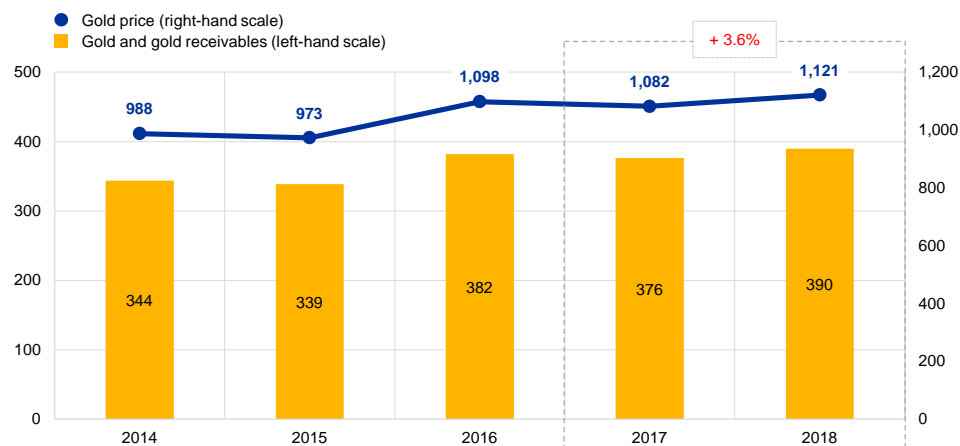
€376 billion
Gold and gold receivable holdings in 2017

In 2018 the value of the **Eurosystem's gold and gold receivables** (asset item 1) increased by €13.5 billion to €389.8 billion (see Chart 4), primarily reflecting revaluation adjustments following the increase in the price of gold.

Chart 4

Gold holdings and gold prices

(left-hand scale: EUR billions; right-hand scale: euro per fine ounce of gold)



Source: Eurosystem.



The value of the Eurosystem's net foreign currency holdings increased on account of customer and portfolio transactions and depreciation of the euro

The **net position of the Eurosystem in foreign currency** (asset items 2 and 3 minus liability items 7, 8 and 9) increased in euro terms by €19 billion to €283 billion, of which €9.7 billion was the result of customer and portfolio transactions. The remainder of the increase stemmed from the effects of the revaluation of assets and liabilities. The Eurosystem's foreign currency holdings comprise mainly US dollars, special drawing rights and Japanese yen.

**5%**

Depreciation of the euro against the US dollar in 2018

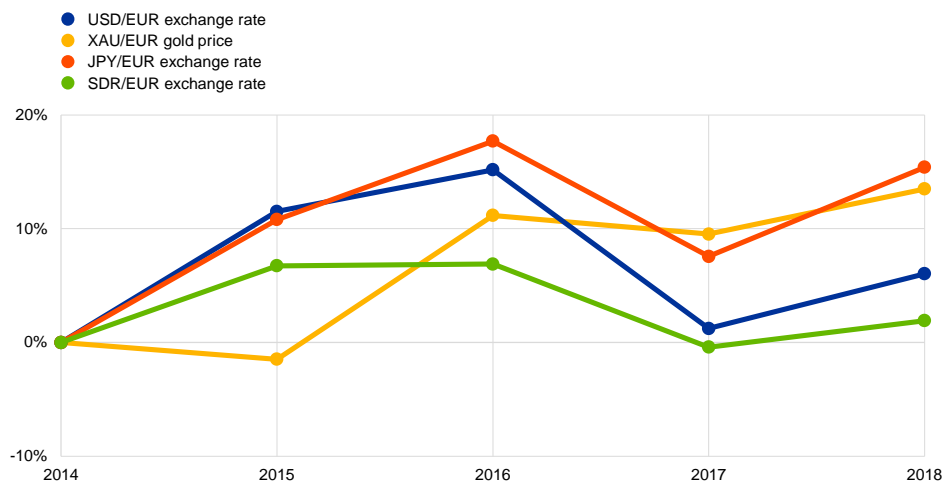
In line with the Eurosystem's harmonised accounting rules, gold, foreign exchange and financial instruments (including the part of the securities holdings not purchased for monetary policy purposes) are revalued at market rates and prices. The gold price and the principal exchange rates used for the revaluation of year-end balances and those of the previous year-end were as follows:

Exchange rates	2018	2017
US dollars per euro	1.1450	1.1993
Japanese yen per euro	125.85	135.01
Euro per SDR	1.2154	1.1876
Euro per fine ounce of gold	1,120.961	1,081.881

Chart 5 below shows the development of the price of gold and of the main foreign currencies against the euro during the period 2014-2018.

Chart 5**The main foreign exchange rates and gold price over the period 2014-2018**

(percentage changes vis-à-vis 2014, year-end data)



Source: Eurosystem.

Banknotes in circulation (liability item 1) increased by €60.4 billion to €1,231.1 billion, while **base money** (liability items 1, 2.1 and 2.2) increased by €32.5 billion to €3,084.8 billion over 2018. The increase of €103.4 billion in **liabilities to non-euro area residents denominated in euro** (liability item 6) to €459.3 billion primarily reflects a change in the liabilities to financial institutions outside the euro area.

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For specific terminology please refer to the [ECB glossary](#) (available in English only).