

Commentary to the consolidated balance sheet of the Eurosystem as at 31 December 2019

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 2019



€31 billion
Decrease in total assets
in 2019

In 2019 the **Eurosystem's total assets** decreased by €31.3 billion to €4,671.4 billion, mainly owing to a decline in Eurosystem refinancing operations, which was largely due to voluntary early repayments under the second series of targeted longer-term refinancing operations (TLTRO II) and redemptions of securities under terminated programmes (the first covered bond purchase programme (CBPP1), the second covered bond purchase programme (CBPP2) and the Securities Markets Programme (SMP)). This decrease was only partially offset by an increase in the market value of the Eurosystem's foreign reserve assets, mainly owing to the rise in the price of gold and the appreciation of the US dollar and the Japanese yen vis-à-vis the euro during the year.

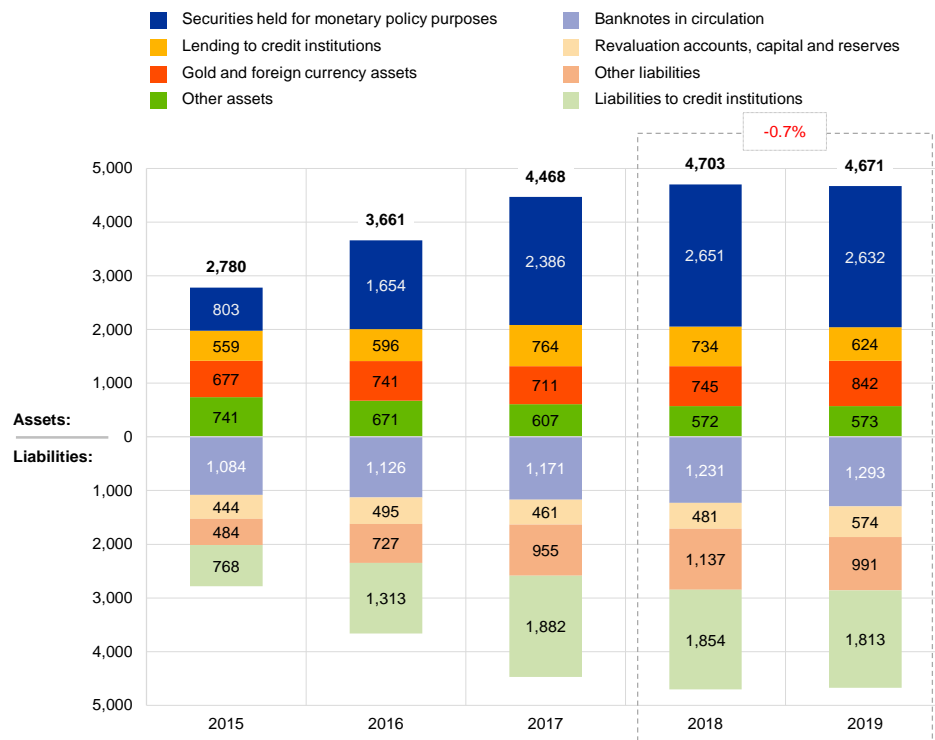
Chart 1 presents the main components of the Eurosystem's balance sheet from 2015 to 2019. The balance sheet expanded significantly in the period 2015-2018 owing to the acquisition of securities under the asset purchase programme (APP)¹. Starting from January 2019 the Governing Council decided to end net purchases under the APP and to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP. In addition to the reinvestments, in September 2019 the Governing Council decided to restart net asset purchases under the APP from November 2019 at a monthly pace of €20 billion on average.

¹ The APP consists of 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). Further details can be found on the ECB's website under "[Asset purchase programmes](#)".

Chart 1

Eurosystem balance sheet by component, 2015-2019

(EUR billions)



Source: Eurosystem.



56%

Share in total assets of securities held for monetary policy purposes



€19 billion

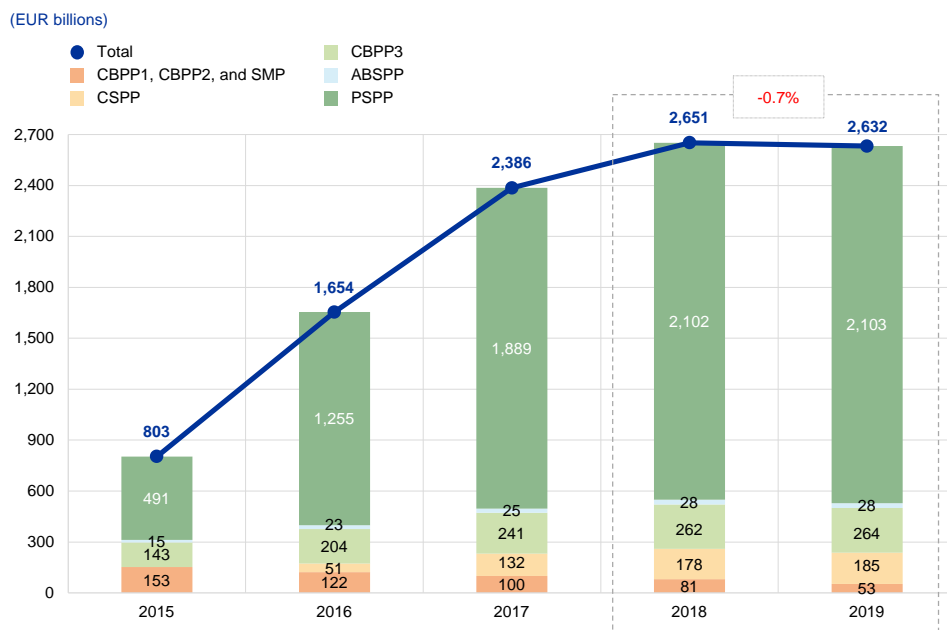
Decrease in securities held for monetary policy purposes

Euro-denominated securities held for monetary policy purposes (asset item 7.1) constituted 56.3% of the Eurosystem's total assets as at the end of 2019. Under this balance sheet item the Eurosystem holds securities acquired under the APP and the terminated purchase programmes, i.e. CBPP1, CBPP2 and the SMP.

In 2019 the portfolio of securities held by the Eurosystem for monetary policy purposes decreased by €19.3 billion to €2,632 billion (see Chart 2). Redemptions under the terminated programmes (CBPP1, CBPP2 and the SMP) account for the majority of this decrease. Securities holdings under the APP increased by €9.7 billion to €2,579.4 billion. Net purchases conducted in the last two months of 2019 were partially offset by the amortisation of premiums and discounts. Securities held under the first two covered bond purchase programmes (CBPP1 and CBPP2) and the SMP declined by €3.7 billion and €25.2 billion, respectively, owing to redemptions.

Chart 2

Securities held for monetary policy purposes, 2015-2019



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 2019, the Governing Council deemed it appropriate to reduce the provision established last year for losses on monetary policy operations to €89.4 million.

 **€110 billion**
Decrease in Eurosystem
refinancing operations

Lending to credit institutions (asset item 5)² decreased by €110.1 billion to €624.2 billion. The decrease is mainly attributable to early repayments under TLTRO II, which more than offset allotments under the third series of targeted longer-term refinancing operations (TLTRO III). Chart 3 shows the residual maturity breakdown of **longer-term refinancing operations** (asset item 5.2) as at 31 December 2019. The outstanding amounts are lower than the allotted amounts due to early repayments.

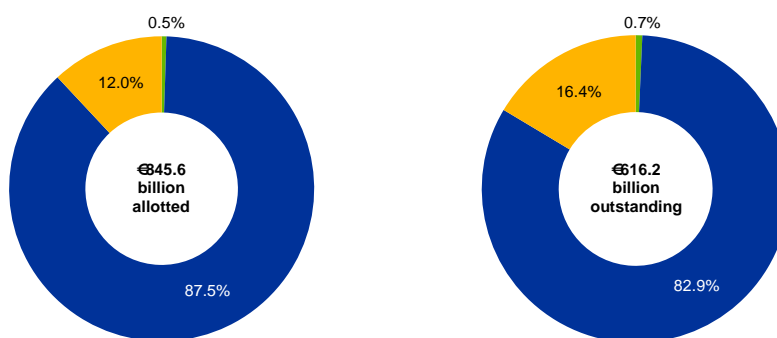
² More information about lending can be found on the ECB's website under "[Open market operations](#)".

Chart 3

Residual maturity breakdown of longer-term refinancing operations, 31 December 2019

(left: allotted amounts; right: outstanding amounts; percentages)

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



Source: Eurosystem.



€471 billion
Gold and gold receivables in 2019

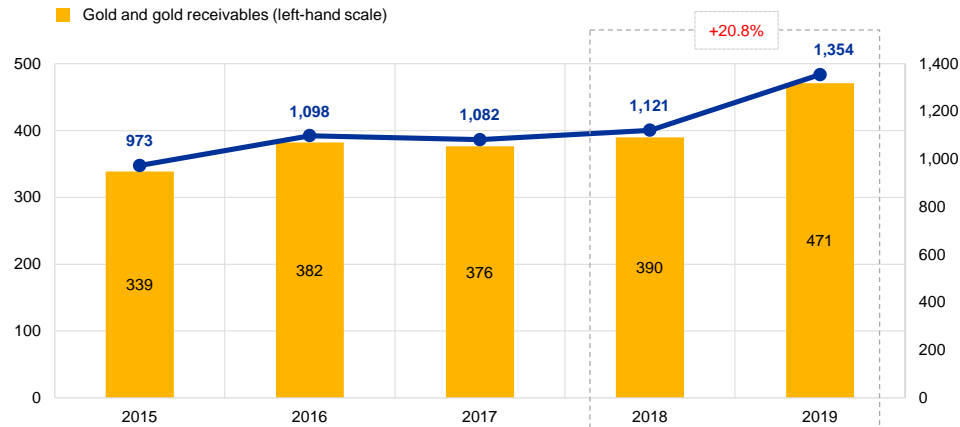
In 2019 the value of the **Eurosystem's gold and gold receivables** (asset item 1) increased by €81 billion to €470.7 billion (see Chart 4), primarily reflecting the increase in the price of gold in euro terms and hence the rise in the revaluation accounts.

Chart 4

Gold holdings and gold price, 2015-2019

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

- Gold price (right-hand scale)
- Gold and gold receivables (left-hand scale)



Source: Eurosystem.



The value of the Eurosystem's net foreign currency holdings increased on account of customer and portfolio transactions and the 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 €16 billion to €299 billion, of which €8.3 billion stemmed from the effects of the revaluation of assets and liabilities. The remainder of the increase was the result of customer and portfolio transactions. The Eurosystem's foreign currency holdings comprise mainly US dollars, special drawing rights and Japanese yen.

**2%**

Depreciation of the euro against the US dollar in 2019

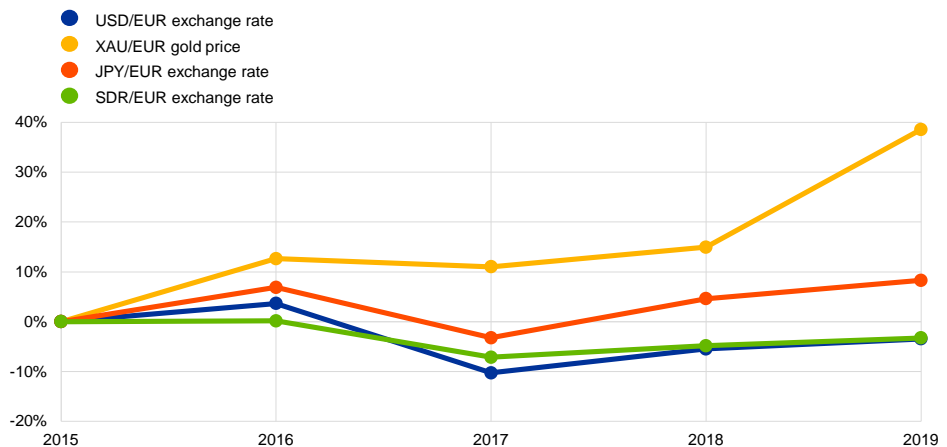
In line with the Eurosystem's harmonised accounting rules, gold, foreign exchange and financial instruments (other than securities classified as held-to-maturity, non-marketable securities, and securities held for monetary policy purposes) are revalued at market rates and prices. The gold price and the principal exchange rates used for the revaluation of year-end balances and those of the previous year-end were as follows:

| Exchange rates | 2019 | 2018 |
|-----------------------------|-----------|-----------|
| US dollars per euro | 1.1234 | 1.1450 |
| Japanese yen per euro | 121.94 | 125.85 |
| Euro per SDR | 1.2339 | 1.2154 |
| Euro per fine ounce of gold | 1,354.104 | 1,120.961 |

Chart 5 below shows the development of the price of gold and of the main foreign currencies against the euro during the period 2015-2019.

Chart 5**Main foreign exchange rates and gold price, 2015-2019**

(percentage changes vis-à-vis 2015, year-end data)



Source: Eurosystem.

Banknotes in circulation (liability item 1) increased by €61.6 billion to €1,292.7 billion, while **base money** (liability items 1, 2.1 and 2.2) increased by €21.3 billion to €3,106.1 billion in 2019. The decrease of €137.9 billion in **liabilities to non-euro area residents denominated in euro** (liability item 6) to €321.4 billion primarily reflects a change in 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).