



EUROPEAN CENTRAL BANK
EUROSYSTEM

Annual Report

2025



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The year at a glance



In 2025 the ECB succeeded in bringing inflation back in line with its medium-term target of 2%, after a succession of crises – the pandemic, the economic fallout of Russia’s unjustified invasion of Ukraine – had driven it to record highs in late 2022.

In response to the largest inflation shock in a generation, the ECB implemented the sharpest tightening of monetary policy in its history, increasing policy rates by a record 450 basis points between July 2022 and September 2023 and pledging to keep rates at sufficiently restrictive levels for as long as necessary.

That tightening worked. Inflation in the euro area fell sharply, and from mid-2024 the ECB began gradually dialling back its monetary policy restriction. At the start of 2025, the disinflation process was well on track and the ECB’s projections foresaw inflation returning to target.

But the year brought a major geopolitical shock. The United States, Europe’s largest export market, surrounded itself with a tariff wall – a move that threatened to weigh on euro area growth and one that made the inflation outlook considerably more uncertain.

As it happened, the inflationary effects were contained. Europe refrained from large-scale retaliation, and the appreciation of the euro exchange rate dampened imported price pressures.

With inflation continuing on its projected path, the Governing Council was able to continue reducing policy rates, cutting a total of 100 basis points in four consecutive steps to bring the main policy rate to 2.00% by June.

Each decision was guided by the Governing Council’s reaction function, based on three elements: the assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission. In making its decisions, the Governing Council pursued a data-dependent and meeting-by-meeting approach, without pre-committing to a particular rate path.

The euro area economy, meanwhile, showed surprising resilience to a challenging global environment.

This was partly due to frontloading, as firms rushed to get ahead of the new trade barriers in the early months of the year, giving European manufacturing a temporary lift. That boost faded as tariffs took hold and as manufacturing weakened in the face of competitiveness challenges.

But more fundamentally, the euro area economy was sustained by a genuine strengthening of domestic demand, which more than offset the external shock. Domestic demand fully accounted for growth in 2025.

Perhaps the most encouraging development was in investment.

Business investment expanded at a robust pace, driven by intangible areas – artificial intelligence, software and digitalisation – as Europe’s firms embraced digital technology with new urgency. And towards the end of the year, higher German defence spending began to take effect, itself a response to the new geopolitical environment.

Euro area growth reached 1.4% in 2025 – almost one-third stronger than projected at the start of the year, and a testament to the economy’s resilience.

Altogether, this allowed the Governing Council to put rates on hold from July onwards. With inflation around our medium-term target, longer-term inflation expectations well anchored and a broadly neutral monetary policy stance, the Governing Council was in a good place and well positioned to respond to future shocks in either direction.

In 2025 the Governing Council also formalised how it would interpret and react to future shocks, through its monetary policy strategy assessment – a collaborative Eurosystem effort completed in June. Narrower in scope than the 2021 review, it incorporated lessons from the shift in the inflation environment and the policy response that followed.

The assessment reaffirmed the symmetric 2% inflation target over the medium term as the cornerstone of the ECB’s strategy. And it extended that symmetry to the reaction function: large, sustained deviations from the target in either direction would be tackled with appropriately forceful or persistent action. The Governing Council also underlined the importance of taking into account not only the most likely path for inflation and growth, but also the surrounding risks and uncertainty, including through scenario and sensitivity analyses.

Beyond monetary policy, the ECB made progress across a range of other areas in 2025.

As the debate about reducing regulatory complexity gained momentum in Europe, the Governing Council created the High-Level Task Force on Simplification to develop proposals for streamlining the regulatory, supervisory and reporting frameworks. The task force published its recommendations towards the end of the year, to serve as an input for the European Commission as it prepares a report on the overall situation of Europe’s banking system.

There were notable developments in market infrastructure and payments, too.

The Eurosystem Collateral Management System was launched in June, replacing fragmented national platforms with a single system for managing collateral. Euro-denominated instant payments settled through TIPS surged by 132%, following the Instant Payments Regulation’s 2025 requirements, which obliged payment service providers in the euro area to be able to receive and send instant payments.

The Governing Council also advanced to the next phase of the digital euro project, focusing on technical readiness, market engagement and the legislative process,

with the aim of being ready for a possible pilot exercise in 2027 and a potential rollout in 2029.

Work on the redesign of euro banknotes continued in parallel, reflecting the ECB's commitment to maintaining cash alongside digital money. The Governing Council selected motifs illustrating two possible themes for the next series of banknotes – “European culture: shared cultural spaces” and “Rivers and birds: resilience in diversity” – and launched a design contest for the new banknotes in July.

The quality of the ECB's research continued to earn wide international recognition, a reflection of the excellence of our researchers. The ECB now ranks first in the world in the field of monetary economics according to Research Papers in Economics – a widely used index of economics research.

At the end of the year, the euro area stood ready to welcome Bulgaria as its 21st member, reaffirming the euro's attractiveness at a time of growing geopolitical uncertainty. And support for the euro among euro area citizens reached a record 83% in the spring and remained strong throughout the year.

None of the above would have been possible without the dedication and expertise of ECB staff. This Annual Report provides a detailed account of their work in 2025.

Frankfurt am Main, May 2026

Christine Lagarde

President

Year in figures

1.4%



Economic activity held up despite global challenges

Euro area real GDP grew by 1.4% in 2025, after 0.9% in 2024. Services remained more resilient than industry, amid high uncertainty in the global environment.

2.1%



Headline inflation moved towards the target

Headline inflation fell to 2.1% in 2025 from 2.4% in 2024, moving closer to the medium-term target of 2%.

-100 basis points



The ECB lowered its key interest rates further

The ECB lowered its key interest rates by 100 basis points in the first half of 2025, bringing the deposit facility rate to 2.00% by June, amid continuing signs that inflation was moving sustainably towards the 2% target.

1st



The ECB remained among the world's top research institutions

Throughout 2025 Research Papers in Economics (RePEc) ranked the ECB first in the research fields of monetary economics and banking, and second in the field of macroeconomics.

16.1%



Euro area bank resilience increased

In the third quarter of 2025, the aggregate Common Equity Tier 1 ratio stood at 16.1%. This demonstrates the strong resilience of the euro area banking sector, which was also bolstered by robust profitability and a non-performing loans ratio that stood close to historical lows.

132%



Euro instant payments settled through TIPS surged

The Instant Payments Regulation, which requires payment service providers in the euro area to be able to receive and send instant payments, led to a substantial rise in euro-denominated activity in TARGET Instant Payment Settlement (TIPS). The daily average number of transactions grew from 1,657,421 payments in December 2024 to 3,845,376 in December 2025.

83%



Support for the euro was at its highest ever level

In the European Commission's [spring 2025 Standard Eurobarometer survey](#), 83% of people in the euro area came out in favour of the statement "A European economic and monetary union with one single currency, the euro". This showed that support for our single currency, the euro, is at an all-time high.

33%



The share of green bonds in the ECB's own funds portfolio rose

As part of its strategy to support the green transition, the ECB continued to increase the share of green investments in its own funds, from 1% in 2019 to 33% at the end of 2025.

1 The ECB's monetary policy curbed inflationary pressures

Global economic activity remained resilient in 2025 despite heightened trade-related headwinds. The effects of a marked shift in US trade policy on global growth were mitigated by supportive policies, strong investment related to artificial intelligence (AI) and frontloading of imports. Global trade expanded as imports were brought forward in anticipation of higher tariffs, but momentum weakened later in the year as these effects unwound and the impact of higher tariffs materialised. Global inflation continued to ease, albeit at a slower pace and with a less synchronised pattern than in previous years. The euro appreciated in nominal effective terms and, more markedly, against the US dollar. The euro area economy displayed a moderate but broad-based recovery in 2025, during which labour productivity growth turned positive while employment growth weakened somewhat. Growth dynamics were supported by less restrictive monetary policy, but the economy faced challenges relating to uncertainty about trade tariffs and the geopolitical situation. While industry showed some volatility, services remained more stable, keeping a floor under growth. Headline inflation in the euro area continued to move towards the ECB's 2% medium-term target in 2025, driven by the past monetary policy tightening, receding pipeline pressures from energy and non-energy commodity prices as well as low import price pressures more generally. Most indicators of underlying inflation showed a gradual further moderation in the course of 2025, supporting the development of headline inflation towards rates close to the target. In this economic environment, and on the back of the less restrictive monetary policy and an increase in real long-term interest rates, euro area yield curves steepened and stock prices increased significantly. Financing conditions for euro area firms and households continued to ease early in the year before broadly stabilising. However, the recovery in bank lending remained weak and broad money growth was sluggish.

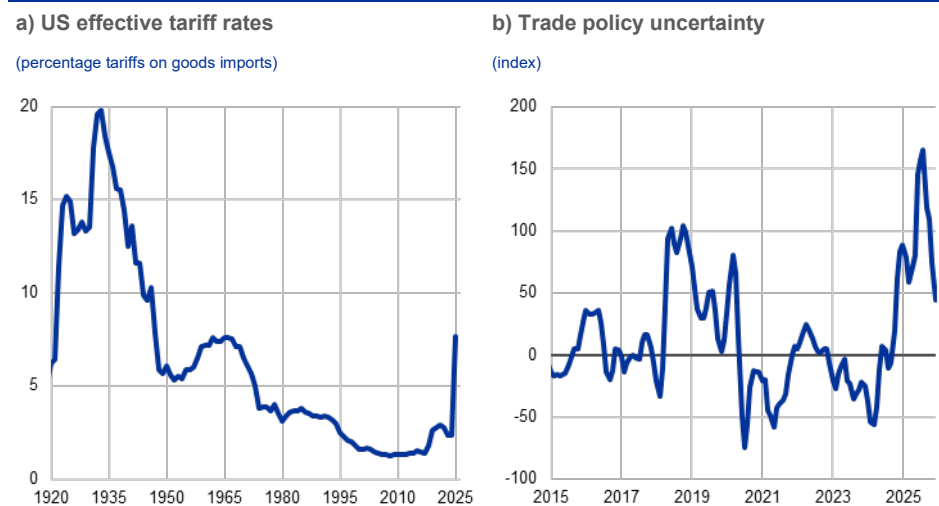
1.1 Global growth remained resilient despite a shift in US trade policy

The global economy proved resilient in 2025 and continued to expand at a moderate pace, broadly unchanged from 2024 at 3.4%. The year was marked by a major shift in economic policy priorities in the United States that saw US tariffs increase to their highest level in nearly a century. While the overall impact on the global economy was cushioned by the limited response from trading partners, uncertainty surrounding future trade arrangements remained high (Chart 1.1), clouding trade prospects. Despite these headwinds, several countervailing factors supported global activity. Strong investment linked to advances in AI boosted trade in technology-related products and contributed to equity market gains in some economies, particularly the United States. Furthermore, firms and households accelerated purchases of foreign goods in anticipation of possible tariff increases, supporting – at least temporarily –

manufacturing output and exports, including in China. A generally supportive policy mix in major economies – especially on the fiscal side – further softened the drag from trade tensions. Nevertheless, global growth momentum weakened towards the end of the year as the temporary positive factors faded, while trade barriers and uncertainty continued to weigh on confidence and investment, albeit to a lesser extent than in the first half of the year.

Chart 1.1

US effective tariff rates and trade policy uncertainty



Sources: Panel a): US International Trade Commission, US Census Bureau and ECB staff calculations; panel b): ECB staff calculations and Caldara et al. (2020)¹.

Notes: Panel a): Effective tariff rates are calculated using the revenue approach, i.e. by dividing the duties collected by the value of goods imported. The data are annual averages. The latest observation is for 2025. Panel b): The index is an adjusted version of the index proposed by Caldara et al. (2020) which measures the monthly share of articles discussing trade policy uncertainty in seven international newspapers. The adjusted series removes influences from broader sources of uncertainty (such as general economic policy uncertainty, geopolitical tensions and market stress) to better isolate uncertainty specific to trade policy.² The index is a three-month moving average. The latest observation is for December 2025.

Global trade expanded as imports were brought forward, but momentum faded later in the year

Global trade grew robustly in 2025, increasing by 4.7%. This reflected strong import growth in the first half of the year, when households and firms advanced both consumption and investment decisions in anticipation of higher tariffs. Moreover, trade patterns adjusted to the new tariff landscape, with some flows redirected to other countries. Trade, especially exports from Asian countries, was also supported by high demand for goods that enable the deployment of AI, amid strong investment in information and communication technology equipment in the United States and other advanced economies. In the second half of the year, trade growth slowed markedly, as the earlier frontloading dissipated and the effects of higher tariffs materialised.

Global inflation continued to ease, with differences between major economies

Global inflation continued to ease in 2025, though with a less synchronised pattern than in the previous year. Headline consumer price inflation (CPI) fell to 2.2% in December 2025, from 3.0% in December 2024 (Chart 1.2). The deceleration was moderated by a renewed increase in goods inflation, while services inflation

¹ Caldara, D., Iacoviello, M., Molligo, P., Prestipino, A. and Raffo, A., “The economic effects of trade policy uncertainty”, *Journal of Monetary Economics*, Vol. 109, January 2020, pp. 38-59.

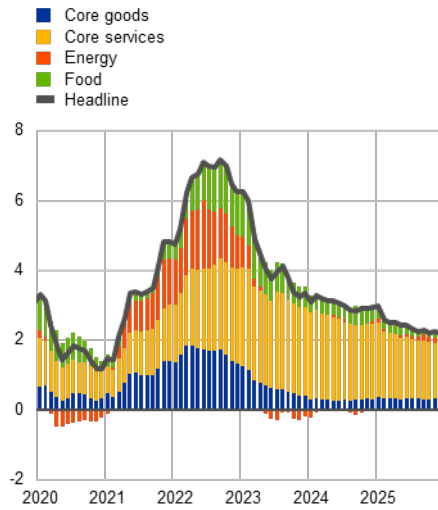
² See Schröder, M., “From text to trouble: understanding the limits of text-derived trade policy uncertainty measures”, *Economic Bulletin*, Issue 8, ECB, 2025.

remained persistent in many economies. Inflation developments varied across countries. In the United States, headline inflation remained above target, with tariff increases leading to a significant acceleration in goods inflation. In the United Kingdom, inflation was higher at the end of 2025 than at the end of the previous year amid higher administered and food prices as well as the fading impact of past declines in energy prices. In China, by contrast, inflation remained subdued, reflecting weak domestic demand linked to the prolonged downturn in the real-estate sector and persistent industrial overcapacity.

Chart 1.2
Headline and core inflation rates

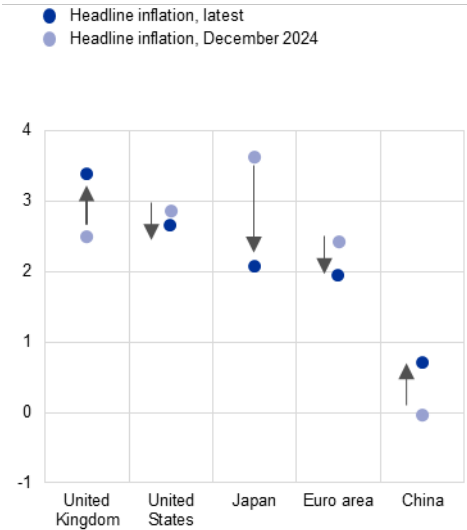
a) Global headline inflation and its components

(annual percentage changes, monthly data)



b) Inflation in major economies

(annual percentage changes, monthly data)



Sources: National sources and OECD via Haver Analytics, and ECB staff calculations.

Notes: Panel a) Global inflation is computed on the basis of national CPIs and annual GDP weights expressed in purchasing power parity (PPP) terms. The aggregate is calculated on the basis of 22 countries and the euro area, covering 81% of global GDP in PPP. The contributions of components to headline inflation are computed using OECD CPI weights. Core goods inflation and core services inflation exclude energy and food. The latest observations are for December 2025. Panel b): the latest observations are for December 2025.

Chart 1.3

Oil and European gas prices

(left-hand scale: USD/barrel; right-hand scale: EUR/MWh)



Sources: LSEG, HWWI and ECB staff calculations.
Note: The latest observation is for 31 December 2025.

Energy commodity prices showed a downward trend due to a combination of demand and supply factors

Energy prices were lower at the end of 2025 than a year earlier, reflecting declines in both oil and European gas prices (Chart 1.3). Brent oil prices dropped by 19%, driven by a combination of demand and supply factors. On the demand side, global economic activity weakened following the tariff disputes that began in April. On the supply side, successive OPEC+ production increases pushed the market into a significant surplus by year-end. Prices nonetheless experienced some volatility in June amid heightened tensions in the Middle East, particularly following the Israeli and US strikes on Iran, but the brief upward spike subsided after the announcement of the US-brokered ceasefire in Gaza. European gas prices declined by 42% in the year-end comparison, remaining far below their 2022 peak. Gas prices initially rose early in the year owing to the expiry of the transit agreement between Russia and Ukraine and concerns about European gas storage adequacy for the 2025-26 winter. They subsequently moved downward, driven by relatively weak European consumption, subdued Asian liquified natural gas demand, and, later in the year, renewed prospects of an end to Russia's war against Ukraine.

The euro appreciated in nominal effective terms and, more markedly, against the US dollar compared with end-2024

The euro appreciated in nominal effective terms by 6.8% and against the US dollar by 13.1% compared with end-2024. Most of the appreciation against the dollar occurred in the first half of the year. This shift was driven by heightened uncertainty over US tariff policies, which weighed on the dollar and triggered an acceleration of capital flows into euro area assets, as well as by adjustments in hedging behaviour and more resilience than expected in the euro area economy. In subsequent months, the euro traded within a relatively narrow range, as downward and upward pressures broadly offset each other. Market expectations about how much the Federal Reserve System would cut its policy rate fluctuated repeatedly as new economic data came out. Tariff-related upward pressure on inflation tended to support the US dollar by reducing expectations of interest rate cuts, while signs of a slowing labour market had the opposite effect. In addition, regulatory and institutional uncertainty, along with concerns surrounding the US federal government shutdown likely weighed on the dollar. Beyond its substantial appreciation against the US dollar, the euro also

strengthened in trade-weighted terms. It made notable gains against some Asian currencies, including the Japanese yen (+12.9%) amid uncertainty surrounding Japan’s fiscal and monetary policy stance. The euro likewise appreciated against other major reserve currencies, such as the British pound (+5.2%) and the Canadian dollar (+7.6%). By contrast, it depreciated slightly against the Swiss franc (-1.0%), which continued to serve as a safe haven during periods of elevated uncertainty.

1.2 Economic activity held up despite high global uncertainty

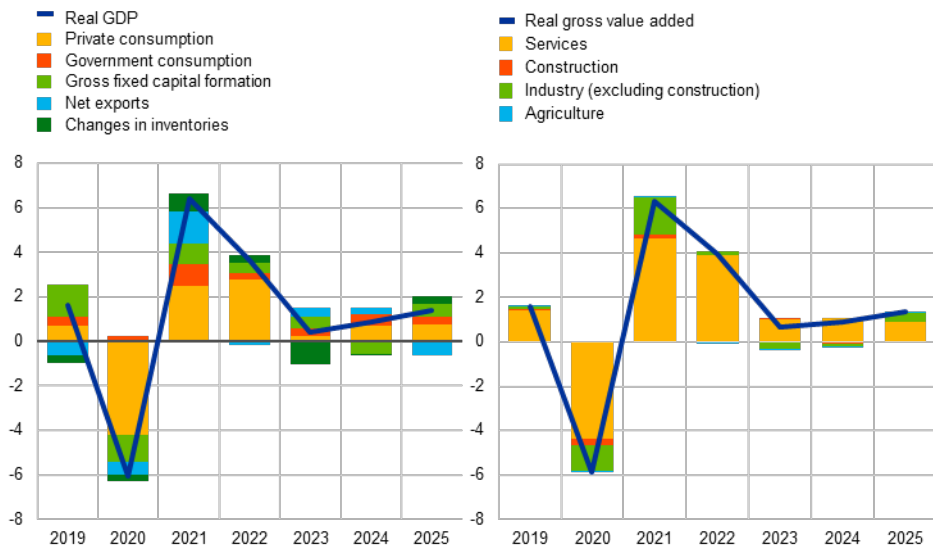
Economic activity remained resilient in the face of global challenges, especially in international trade

Euro area real GDP growth rose to 1.4% in 2025 from 0.9% in 2024 (Chart 1.4). The ECB’s gradual shift from a restrictive to a more neutral monetary policy stance, the anticipation of a looser fiscal stance and easing inflation played an important role in supporting the moderate but broad-based recovery. The economic landscape was also strongly influenced by geopolitical tensions and high uncertainty relating to trade tariffs – especially those of the United States – as well as the volatile geopolitical situation in parts of the world affecting confidence and production chains. The slight recovery in the manufacturing sector and a steadier services sector were key to understanding why the euro area economy remained relatively resilient in 2025 despite the challenging environment.

Chart 1.4

Euro area real GDP and gross value added

(annual percentage changes; percentage point contributions)



Source: Eurostat.

Note: The latest observations are for 2025.

A strong first quarter, reflecting frontloading of exports, was followed by softening growth

Real gross value added in industry expanded by 2.2% in 2025, after contracting by 0.5% in 2024. The rebound originated mainly from the first quarter, reflecting the temporary boost in production to accommodate the frontloading of exports in anticipation of the higher tariffs subsequently imposed by the new US Administration. However, growth dynamics softened considerably for the remainder of the year, reflecting higher tariffs, increasing global competition, persistently elevated energy

costs and high, albeit gradually declining, economic policy uncertainty. While the key ECB interest rates had remained high through most of 2024, clearer signals of forthcoming easing in early 2025 reduced uncertainty and improved credit conditions for firms. This helped investment to recover, especially in manufacturing sectors that had been constrained by high financing costs. Real gross value added in services grew by 1.2% in 2025, slowing from 1.5% in 2024 but nonetheless keeping a floor under euro area growth. The deceleration in services growth stemmed partly from caution on the part of households, reflected in high household savings, amid persistent geopolitical risks and high economic uncertainty. At the same time, digital and IT services remained relatively resilient – benefiting from continued corporate investment in automation, cybersecurity and AI integration.

Private consumption accelerated,
driven by goods

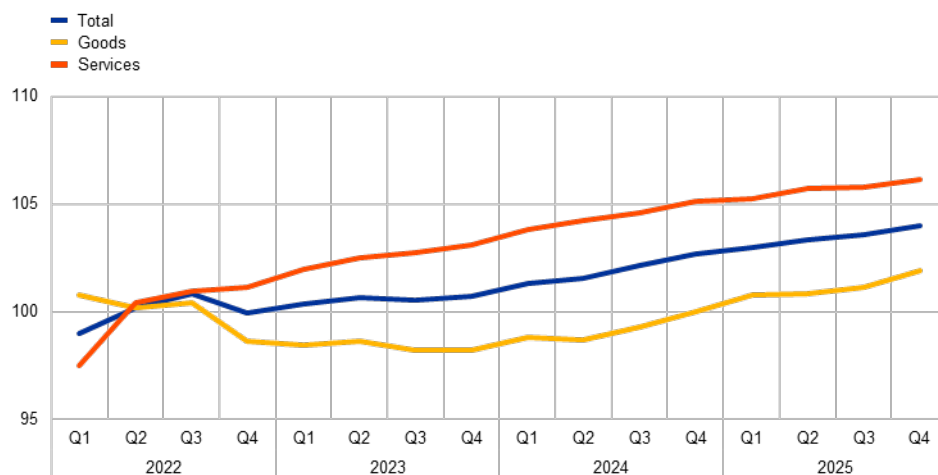
Private consumption accelerated slightly in 2025, rising by 1.5% compared with the previous year. Consumption of goods grew more strongly at the start of the year, while spending on services gained more momentum starting with the second quarter, although it slowed in the third quarter. Overall, consumption of goods expanded by more than that of services (Chart 1.5). The growth of real disposable income supported household expenditure, as nominal wage growth remained robust, inflation continued to decline and employment growth was resilient, albeit somewhat weaker than in the previous year. However, private consumption continued to lag behind the developments in real disposable income, as the saving rate remained elevated amid heightened geopolitical risks and economic uncertainty.

Chart 1.5

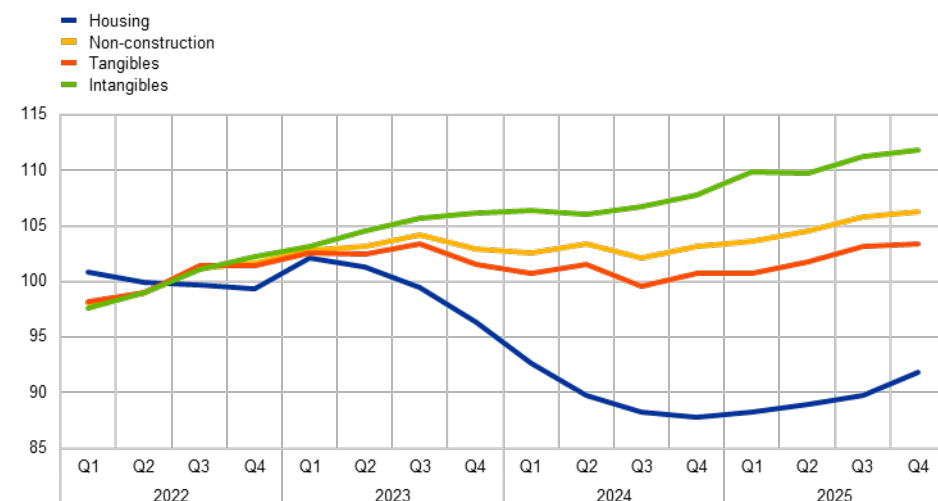
Euro area consumption, non-construction investment and housing investment

(indices: 2022 = 100)

a) Private consumption



b) Investment



Sources: Eurostat and ECB calculations.

Notes: In panel a), private consumption refers to the national concept of consumption, and its components refer to the domestic concept of consumption. In panel b) non-construction investment is the weighted sum of intangibles and tangibles. Both non-construction investment and intangibles exclude Irish intangibles. The latest observations are for the fourth quarter of 2025.

Housing investment began to recover

After falling sharply in 2024, reflecting weak demand and the lagged impact of tighter financing conditions, housing investment began to recover in 2025. This largely reflected improvements in financing conditions and the continued increase in household real incomes, both of which improved affordability and helped stabilise housing demand over the course of the year. Even so, housing investment remained weaker than private consumption and non-construction investment, underscoring the early stage of its recovery.

Business investment was supported by rising demand and easing financing conditions, despite headwinds

Non-construction investment (a standard national accounts proxy for business investment which excludes construction from total investment, in the absence of available statistics on private and public investment) grew robustly in 2025, driven by rising demand and by easing financing conditions as the ECB continued to lower its

key interest rates in the first half of the year. It increased by 4.4% overall in 2025 compared with 2024, amid considerable quarterly volatility throughout the year. Excluding volatile intangibles in Ireland – which are influenced to a considerable extent by the activities of multinational firms – business investment rose by 2.2% in 2025 (see Chart 1.5). This outcome reflects the continued divergence between tangible and intangible investment dynamics observed in recent years. Investment in tangibles, such as machinery, equipment and transport, was dampened by higher tariffs and elevated uncertainty. Conversely, intangible investment grew strongly, driven by advancements in digitalisation, particularly in the areas of AI and software development. Additionally, a recovery in profit growth and spillover effects from the Next Generation EU (NGEU) programme supported investment in 2025, helping to offset the adverse effects of competitiveness losses. Burdensome regulation is also reported by firms to have held back investment last year.

Euro area exports remained subdued amid rising tariffs, high tariff level uncertainty and a stronger euro

Trade developments in 2025 were marked by pronounced volatility and structural challenges for the euro area. Euro area exports surged in the first quarter, driven by frontloading ahead of anticipated higher US tariffs and largely reflecting a spike in pharmaceutical shipments, particularly from Ireland. However, this momentum was temporary. In the second quarter, exports contracted amid higher US tariffs, a strong euro and subdued global demand, with pharmaceutical exports showing sharp fluctuations. Exports picked up in the third quarter as a result of higher pharmaceutical sales to the United States, but underlying momentum remained weak. The US-EU trade agreement in July, which capped US tariffs on EU goods at 15%, helped to alleviate the still elevated policy uncertainty (Chart 1.1). However, forward-looking indicators suggested continued weakness in manufacturing export orders. Imports showed moderate growth in 2025, buoyed by rising volumes from China, partly reflecting trade diversion as a result of tensions between China and the United States, and the stronger euro, which lowered the cost of imports. Euro area import prices also remained under downward pressure as energy commodity price pressures continued to recede. The influx of competitively priced Chinese goods in the context of persistent Chinese manufacturing overcapacity intensified competition for domestic producers, while Chinese export restrictions on critical inputs, such as rare earths, highlighted vulnerabilities in euro area supply chains.

Labour market

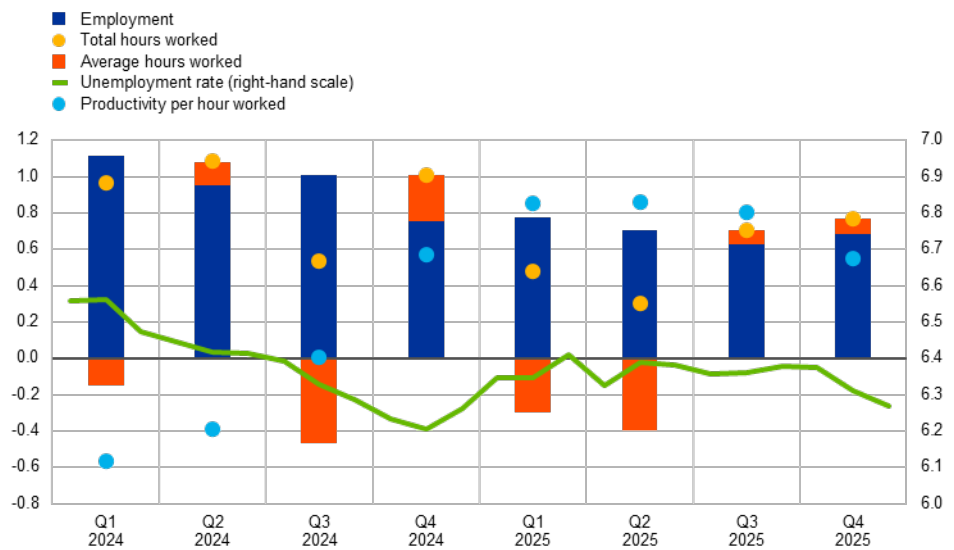
The euro area labour market weakened, while labour productivity recovered

After a period of labour hoarding, employment growth slowed in 2025 relative to recent years and survey indicators suggested that the euro area labour market continued to cool over the course of the year (Chart 1.6). The unemployment rate moved between 6.3% and 6.4%, and was 6.3% in December – one of the lowest points recorded since the introduction of the euro and 1.2 percentage points below the pre-pandemic level in January 2020. Total employment and total hours worked increased in 2025 by about 0.7% and 0.6% respectively, i.e. at a lower rate than real GDP, which grew by 1.5%. These developments led to a recovery in labour productivity growth. Stronger labour productivity growth underlined a reduction in labour hoarding, i.e. companies holding on to more workers than demanded by short-term needs of production. This is also indicated by the job vacancy rate

receding further from its peak in the second quarter of 2022 to a level of 2.2% in the fourth quarter of 2025, below its pre-pandemic level of 2.3%. Average hours worked moved downwards in 2025, amid significant volatility and differences between countries.³ The labour force participation rate in the age group 15-74 years increased to 66.2% in the fourth quarter of 2025, which is 1.6 percentage points above its pre-pandemic level. Women, older workers, persons with higher education and foreign workers contributed most to this increase in the labour force.

Chart 1.6
Labour market

(left-hand scale: year-on-year percentage changes; right-hand scale: percentages)



Sources: Eurostat and ECB calculations.

Note: The latest observations are for December 2025 for the unemployment rate, and for the fourth quarter of 2025 for employment, total and average hours worked, and productivity per hour worked.

1.3 Need for prioritisation in public spending at times of limited fiscal space

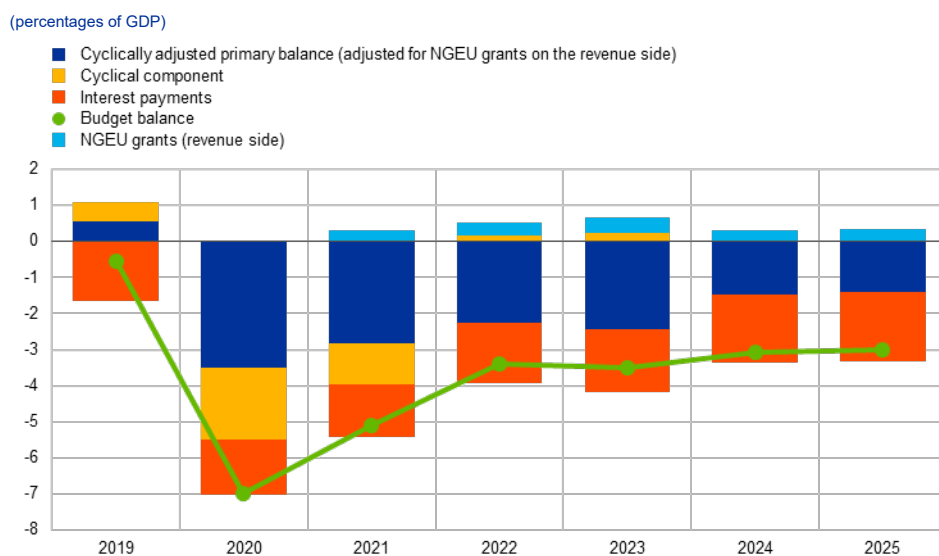
Only a moderate fiscal tightening projected for 2025

The euro area general government deficit is expected to have decreased marginally to 3.0% of GDP in 2025 (Chart 1.7), from 3.1% in 2024 and 3.5% in 2023. The significant fiscal tightening in 2024 resulted from the phasing-out of the remaining government measures that had been introduced to compensate households and firms for high energy prices and inflation. By contrast, the only moderate fiscal tightening projected for 2025 results from higher taxes and social security contributions which are not fully matched by higher growth in primary public spending (including items funded by the NGEU programme) and rising interest payments.

³ For more information on developments in average hours worked in the euro area since the pandemic, see Berson, C. and Weißler, M., "Who wants to work more? Revisiting the decline in average hours worked", *Economic Bulletin*, Issue 3, ECB, 2025.

Chart 1.7

Euro area budget balance and its components

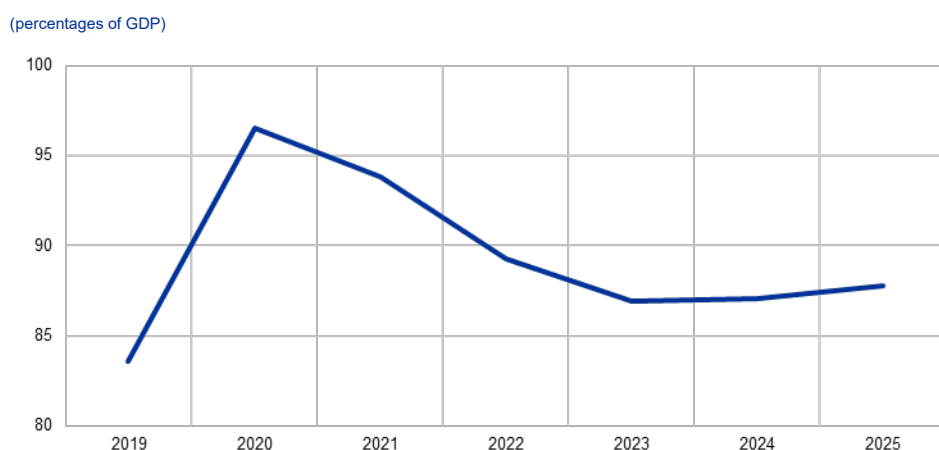


Sources: ECB calculations and Eurosystem staff macroeconomic projections for the euro area, December 2025.
 Notes: The data refer to the aggregate general government sector of the euro area countries (excluding Bulgaria).

The euro area debt-to-GDP ratio is expected to have increased to 87.3% of GDP in 2025, from its already elevated level of 86.6% of GDP in 2024. It remains well above its pre-pandemic level of 83.6% in 2019 (Chart 1.8). The projected rise in the debt ratio in 2025 is the result of the aggregate primary deficit and positive deficit-debt adjustments, which are only partly offset by a favourable, but shrinking, interest rate-growth differential.

Chart 1.8

Euro area government debt



Sources: ECB calculations and Eurosystem staff macroeconomic projections for the euro area, December 2025.
 Notes: The data refer to the aggregate general government sector of the euro area countries (excluding Bulgaria).

Strategic spending needs are putting upward pressure on public debt

Strategic spending needs, including for defence, infrastructure, and the digital and green transitions – together with population ageing – are putting upward pressure on

public debt.⁴ For defence spending in particular, some of the euro area countries with lower levels of debt have made use of their fiscal space, leading to higher debt ratios than before Russia invaded Ukraine in 2022. More generally, the revised EU fiscal governance framework, adopted in April 2024, provides some budgetary flexibility to accommodate part of the spending pressures. In fact, several countries have made use, under their medium-term fiscal-structural plans, of the opportunity to extend the consolidation period from four to seven years in exchange for structural reforms and investment, thereby reducing their annual fiscal adjustment burden. Moreover, the national escape clause, activated for 11 euro area countries, offers temporary flexibility to deviate from the country's net expenditure path as a result of higher defence spending, provided that such deviation does not endanger fiscal sustainability over the medium term.⁵ As the budgetary flexibility will not cover the additional spending in full, complementary routes need to be followed, including spending efficiency and reprioritisation of national budgets.

On 25 November 2025 the European Commission adopted the 2026 European Semester Autumn Package, setting out economic policy priorities.⁶ The package contains the Commission's assessment of Member States' compliance with the EU fiscal governance framework and provides guidance for their fiscal policies in 2026. Implementing the revised governance framework fully, transparently and without delay will help governments bring down budget deficits and debt ratios on a sustained basis. Of the 17 euro area countries that had submitted their draft budgetary plans for 2026, the European Commission assessed 12 countries to be compliant with the EU fiscal framework.⁷ For five countries, the plans were assessed to be at risk of non-compliance, with two countries showing risks of material non-compliance. Moreover, for the six euro area countries in excessive deficit procedure, i.e. Belgium, France, Italy, Malta, Austria and Slovakia, the European Commission will assess the situation in spring 2026 on the basis of fiscal outturn data for 2025. The European Commission also suggested in November that an excessive deficit procedure be opened for Finland.

1.4 Inflation moved towards the 2% medium-term target over the course of the year

Headline inflation declined to 2.1% on average in 2025, moving towards the medium-term target

Headline inflation in the euro area, as measured by the Harmonised Index of Consumer Prices (HICP), moved further towards the medium-term target of 2% over the course of 2025 (Chart 1.9). Annual inflation averaged 2.1% in the fourth quarter and for the year as a whole, following a rate of 2.4% in 2024. The impact from the

⁴ See Bouabdallah, O. et al., "Time to be strategic: how public money could power Europe's green, digital and defence transitions", *The ECB Blog*, ECB, 25 July 2025.

⁵ The multi-annual net expenditure path is the single operational indicator for assessing compliance with the reformed EU economic governance framework.

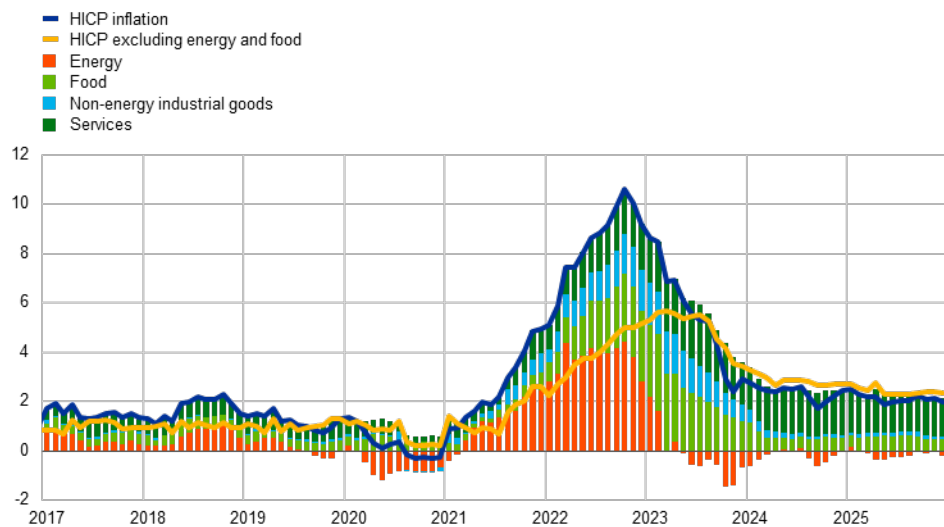
⁶ See "Commission outlines priorities to boost EU competitiveness in its 2026 European Semester Autumn Package", *press release*, European Commission, 25 November 2025.

⁷ Not all euro area countries have submitted their budgetary plans to the European Commission, mainly owing to their electoral cycles. Spain has yet to submit a plan. Belgium submitted a plan at the beginning of 2026 only. Austria submitted a plan covering 2025 and 2026 in May 2025, and the Commission assessed that it was in line with the provisions of the Stability and Growth Pact.

ECB's past monetary policy tightening, easing wage pressures, receding pipeline pressures from energy and non-energy commodity prices, as well as low import price pressures more generally – in part due to the appreciation of the euro – supported continued disinflation. HICP inflation excluding energy and food (HICPX) made the largest contribution to the decline in headline inflation in 2025. It decreased gradually throughout the year, stabilising between 2.3% and 2.4% in the later months. This was largely due to easing, yet still elevated, services inflation, reflecting in particular decreasing wage pressures. Non-energy industrial goods inflation, by contrast, remained broadly stable around its longer-term pre-pandemic average throughout most of 2025 and declined more visibly only in the last months of the year given low import price pressures. Headline inflation was also dampened by subdued energy inflation, due to declines in energy commodity prices and the appreciation of the euro. Food inflation, by contrast, was on an upward path in the first part of 2025 and peaked in July, driven mainly by unprocessed food price increases stemming from adverse weather and supply-side shortages. It moderated to 2.5% at year-end. Processed food inflation also contributed to the pressures, reflecting the continued pass-through of earlier commodity price increases, particularly for cocoa and coffee.⁸

Chart 1.9
Headline inflation and its main components

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.
Notes: The latest observations are for December 2025.

Energy inflation was negative for most of the year, while food inflation showed a hump-shaped development

Energy inflation decreased in the beginning of 2025 and was negative from March onwards, driven primarily by declines in oil and wholesale gas prices in US dollars as well as the appreciation of the euro. However, the annual rate of change in consumer energy prices also displayed some volatility, largely driven by upward base effects, particularly in the transport fuel component. Food inflation showed a hump-shaped development over 2025, driven primarily by unprocessed food prices.

⁸ For more information on food inflation, see Bobeica, E., Koester, G. and Nickel, C., “When groceries bite: the role of food prices for inflation in the euro area”, *The ECB Blog*, ECB, 25 September 2025, and Bates, C., Kuik, F. and Wieland, E., “Inside the food basket: what is behind recent food inflation?”, *Economic Bulletin*, Issue 8, ECB, 2025.

In the first eight months of the year, unprocessed food inflation followed an upward trend, pushed up by increases in fruit and vegetable prices related to adverse weather conditions, as well as by steadily increasing meat prices amid supply shortages linked partly to animal diseases. From September onwards it began to ease as the weather effect on fruit and vegetable prices faded, but rebounded somewhat at the end of the year. Processed food inflation remained relatively stable for most of 2025, declining clearly only in the last quarter as pipeline pressures from food commodity prices such as coffee and cocoa receded. Overall, food inflation remained elevated during the year. This reflected the continued, albeit weakening, pass-through of earlier increases in food commodity prices, supply-demand imbalances in some segments, and still elevated price pressures from factors including wages.

Underlying inflation indicators continued to gradually moderate or remained broadly unchanged

Underlying inflation indicators, which are aimed at capturing the persistent or common component of inflation, supported the development of headline inflation towards rates close to the target. For instance, core inflation, as measured by the HICPX, displayed little volatility and edged down from 2.7% in December 2024 to rates between 2.3% and 2.4% in most months from March onwards. The disinflation in core inflation was driven mainly by services items. Services inflation declined from 4.0% in December 2024 to 3.4% in December 2025, reflecting the gradual easing of earlier drivers, notably wage pressures and annual repricing effects.⁹ Services inflation displayed some short-term volatility in April, when the timing of Easter temporarily lifted prices for some items, but fluctuated within a relatively narrow range for the remainder of the year.¹⁰ Non-energy industrial goods inflation remained relatively unchanged throughout 2025, hovering quite closely around its pre-pandemic average of 0.6% (measured over 1999 to 2019). It edged up somewhat in the third quarter, yet by October had returned to its pre-pandemic average. Towards the end of the year it fell somewhat below that average, given low import price pressures and the appreciation of the euro. Other underlying inflation indicators also declined gradually in the course of 2025, or remained broadly stable.¹¹

Domestic cost pressures fell further, reflecting easing labour cost pressures, partly offset by gradually strengthening unit profits

Domestic cost pressures in the euro area, as measured by growth of the GDP deflator, fell to 2.4% in 2025 from 3.0% in 2024 (Chart 1.10). The decline stemmed from a decrease in the contributions of unit taxes and unit labour costs, the latter related to moderating compensation per employee growth and strengthening labour productivity growth. These declines were in part offset by a gradual strengthening in the contribution of unit profits in line with cyclical developments. Within compensation per employee growth, which was broadly stable throughout the year

⁹ For more information on annual repricing effects, see Bodnár, K., Fabbri, A., Rubene, I. and Zekaite, Z., “Where do we stand with inflationary pressures arising from price resetting?”, *Economic Bulletin*, Issue 4, ECB, 2025.

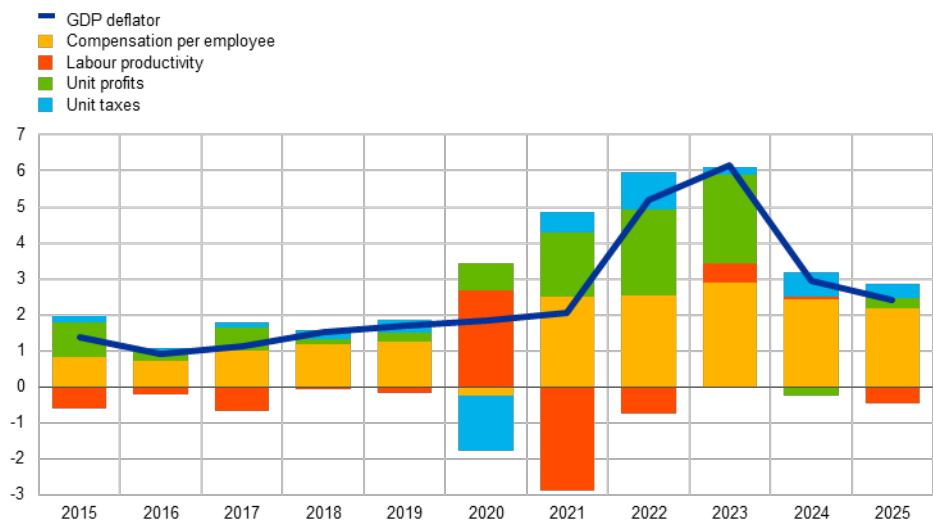
¹⁰ For more information on services inflation, see Eiglsperger, M., Porqueddu, M. and Wieland, E., “Uncertainty in seasonally adjusted services inflation: the role of Easter and travel”, *Economic Bulletin*, Issue 5, ECB, 2025.

¹¹ For more information on underlying inflation, see Bańbura, M., Bobeica, E., Bodnár, K. and Fagandini, B., “Underlying inflation measures: an analytical guide for the euro area”, *Economic Bulletin*, Issue 5, ECB, 2023.

and averaged 3.9%, negotiated wage growth and the wage drift were volatile.¹² Negotiated wage growth eased substantially over the course of the year, averaging 2.8% after 4.5% in 2024. This reflected the normalisation of wage demands following a period where workers had gradually recuperated purchasing power lost during the surge in inflation in 2022.¹³ Developments in the wage drift, partly related to statistical effects stemming from one-off payments in 2024, pushed up overall wage growth. Unit profits recovered somewhat in the course of 2025 and realigned more closely with the business cycle, but continued to buffer labour costs, albeit to a lesser degree than in 2024.

Chart 1.10
GDP deflator and components

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.

Notes: The latest observations are for the fourth quarter of 2025.

Developments in labour productivity are shown inverted in the chart, as a rise (fall) in labour productivity growth lowers (increases) domestic cost pressures.

Longer-term inflation expectations remained well anchored at around the ECB's 2% target

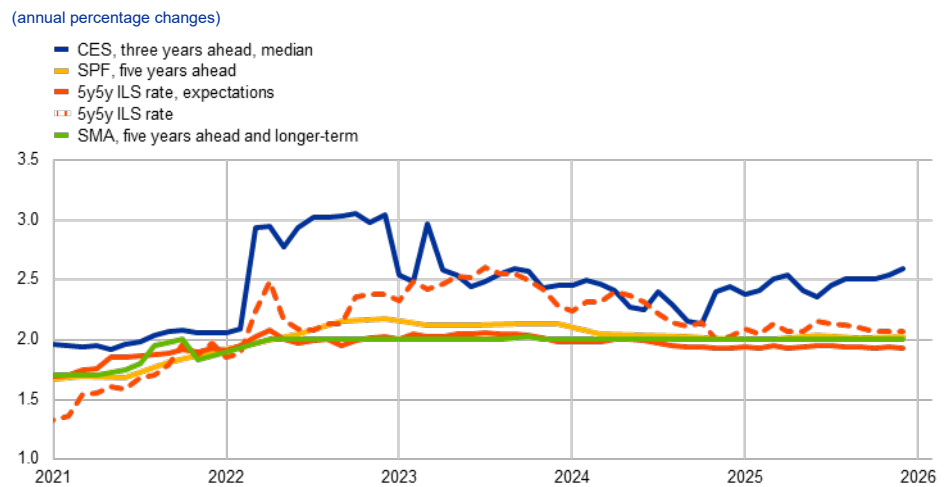
Longer-term inflation expectations remained broadly aligned with the ECB's 2% medium-term target throughout 2025, supporting a sustainable return of inflation to target. In the ECB Survey of Professional Forecasters, as well as in the ECB Survey of Monetary Analysts, longer-term inflation expectations were firmly anchored at 2% in 2025 (Chart 1.11). Other survey indicators, such as Consensus Economics, also reported stable longer-term inflation expectations at around 2%. Market-based measures of longer-term inflation compensation, such as the five-year forward inflation-linked swap (ILS) rate five years ahead, stayed close to 2%, with limited variation during the year. A slight increase in the ILS rate was observed in March, driven by fiscal expansion plans in Europe, though this was partially offset by the repercussions of trade tensions shortly after. Further temporary increases were seen in June, reflecting developments in energy prices, but the ILS rate ultimately stabilised at 2.1% after the summer for the remainder of the year. These movements

¹² Wage drift captures all elements of actually paid wages and salaries per employee which are not covered by collectively negotiated wages, such as individual bonus payments and overtime.

¹³ For more information on real wage catch-up in the euro area, see Bates, C., Bodnár, K., Botelho, V. and Rousseau, F., "Real wage catch-up in the euro area", *Economic Bulletin*, Issue 5, ECB, 2025.

mainly reflected higher inflation risk premia, while model-based estimates of genuine longer-term inflation expectations – excluding risk premia – remained steady between 1.9% and 2%. On the consumer side, median inflation expectations for three years ahead hovered between 2.4% and 2.5% throughout the year, ticking up to 2.6% in December. This persistence at a slightly heightened level likely reflected still elevated uncertainty. Evidence from the ECB Consumer Expectations Survey shows that food prices strongly influenced inflation perceptions and one-year expectations, while their impact on longer-term expectations was more limited.

Chart 1.11
Survey and market-based indicators of inflation expectations



Sources: LSEG, ECB (Consumer Expectations Survey (CES), Survey of Professional Forecasters (SPF), Survey of Monetary Analysts (SMA)) and ECB calculations.
Notes: The five-year forward inflation-linked swap rate five years ahead (5y5y ILS rate) reports observed data at monthly frequency. The expectation component of the 5y5y ILS rate is obtained as the average estimate from two affine term structure models as in Joslin, Singleton and Zhu (2011)¹⁴ applied to ILS rates which are not adjusted for the indexation lag; see Burban, V. et al., “Decomposing market-based measures of inflation compensation into inflation expectations and risk premia”, *Economic Bulletin*, Issue 8, 2021. The SPF for the fourth quarter of 2025 was conducted between 1 and 7 October 2025. In the SPF rounds for the third and fourth quarters of 2025, longer-term expectations referred to 2030; in the rounds for the first and second quarters, they referred to 2029. The latest observation for the CES and for the SMA is for December 2025.

1.5 Credit recovery remained weak, despite a further easing in financing conditions

Euro area yield curves steepened, largely driven by higher long-term real rates

A decline in short-term interest rates, combined with a significant increase in long-term rates, led to a steepening of the euro area risk-free yield curve in 2025. The reduction in short-term rates, which occurred predominantly during the first half of the year, reflected the policy rate cuts implemented by the ECB up to June as inflation was on track to move sustainably towards the 2% medium-term target (see Section 2.1). At longer maturities, the ten-year overnight index swap (OIS) rate averaged 2.8% in December 2025 (Chart 1.12), marking an increase of approximately 60 basis points compared with the average recorded in December 2024. Long-term rates experienced some sharp and volatile movements during the first four months of the year, on the back of defence and infrastructure spending

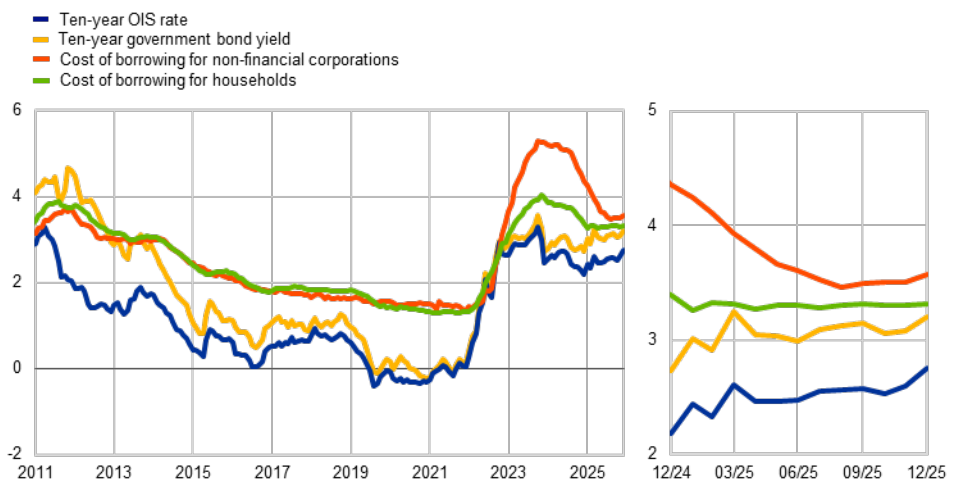
¹⁴ Joslin, S., Singleton, K.J. and Zhu, H., “A New Perspective on Gaussian Dynamic Term Structure Models”, *The Review of Financial Studies*, Vol. 24, Issue 3, 2011, pp. 926-970.

plans in European countries as well as heightened uncertainty surrounding US tariffs and trade policies. From the end of April the ten-year OIS rate gradually increased by around 30 basis points in the remaining part of the year, primarily reflecting an increase in the real rate component on the back of a more resilient economy. Importantly, the steepening of the euro area risk-free curve reflects a strong global component, as similar repricing occurred across other major advanced economies. Mirroring developments in the OIS rate, the ten-year GDP-weighted euro area sovereign bond yield rose over the course of the year. It reached 3.2% in December, approximately 50 basis points higher than its level a year earlier. Ten-year government bond yields across euro area countries ended 2025 at higher levels than at the start of the year, with a narrowing of spreads relative to the OIS rate. The announcement of defence spending plans in some euro area countries (see Section 1.3) was a pivotal moment in the market reappraisal, triggering a sharp increase of approximately 40 basis points in the ten-year German Bund yield, with other euro area sovereign yields experiencing similar upward pressure. Euro area sovereign yields subsequently fell somewhat, although most ended the year at higher levels. The exception was the ten-year sovereign yield for Italy, which was broadly unchanged from its level at the end of 2024, supported by ongoing consolidation of Italy’s fiscal position. Conversely, political uncertainty in France raised concerns among market participants about potential delays in fiscal consolidation, leading to upward pressures on French sovereign yields. These developments resulted in a convergence of Italian and French bond yields toward similar levels, while yield dispersion in the euro area reached historically low levels.

Chart 1.12

Long-term interest rates and the cost of borrowing for firms and for households for house purchase

(percentages per annum)



Sources: Bloomberg, LSEG and ECB calculations.
 Notes: Monthly observations. The euro area ten-year government bond yield is a GDP-weighted average. The indicators for the cost of borrowing are calculated by aggregating short-term and long-term bank lending rates using a 24-month moving average of new business volumes. The latest observations are for December 2025.

Equity markets were primarily supported by strong earnings expectations

In 2025 stock prices – as measured by the EURO STOXX index – rose by about 21%. Strong earnings expectations, higher dividends and lower equity risk premia drove the increase in equity prices despite the dampening impact of rising long-term

risk-free rates. Equity prices increased in both the non-financial and the financial sector, with the latter seeing more pronounced gains. Within the financial sector, banking stocks led the gains, supported by improved profitability stemming from banks' trading activity, the provision of credit and the steepening of the yield curve. By the end of 2025 the broad indices of euro area non-financial corporation and bank equity prices were around 12% and 80% higher, respectively, than their levels at the end of 2024. Corporate bond spreads generally narrowed, with the notable exception of bonds issued in the high-yield segment of the financial sector and despite the sell-off in the corporate bond market following the US tariff announcement on 2 April. After that, corporate bond spreads declined significantly, owing to renewed risk appetite and a more resilient economy.

Financing conditions generally continued to ease early in the year, before broadly stabilising

Financing conditions for firms in the euro area continued to ease in the first part of the year, before broadly stabilising, in line with bank funding cost dynamics. The decline in banks' composite cost of debt financing early in the year reflected the pass-through of policy rate cuts, while the subsequent stabilisation was driven by market interest rate dynamics and reduced expectations of further rate cuts. The reduction in the nominal cost of borrowing for firms from the peak levels in 2023 reflects in part banks' prudent lending behaviour since the start of the monetary policy easing cycle, which has been associated with a reallocation of lending towards lower-risk borrowers, which receive more favourable loan pricing. For households, the decline in borrowing costs in 2025 was more limited, the rates on new mortgages largely reflecting the increase in long-term market interest rates. The composite bank lending rate for non-financial corporations stood at 3.6% in December, about 80 basis points below its level at the end of 2024, while the corresponding rate for households for house purchase declined by about 10 basis points, to 3.3% (Chart 1.12). As a result, the spread between lending rates for firms and households, which had widened during the monetary policy tightening phase, narrowed significantly. Cross-country dispersion in corporate lending rates also moderated, while dispersion in household lending rates continued to be influenced by differences in loan maturity structures across countries.

Bank lending to firms and households recovered more gradually than in the past

Bank lending continued to recover alongside the monetary policy easing, albeit more gradually than suggested by historical patterns (Chart 1.13). Lending to firms stabilised in the second half of 2025, with growth rates remaining well below their historical average given that aggregate demand was subdued and banks risk-averse despite their strong capital positions, limited deterioration in asset quality and still strong profitability. According to the [euro area bank lending survey](#), banks' credit standards (i.e. internal guidelines or loan approval criteria) for firms tightened in the first and last two quarters of 2025. Smaller and riskier firms experienced a particularly marked deterioration in loan availability, as reported in the [survey on the access to finance of enterprises](#). The annual growth rate of bank loans to firms stood at 3.0% in December, compared with 4.3% on average between January 1999 and December 2025. Growth in total credit, including financing from non-bank financial intermediaries, remained contained, also as a result of high economic policy

uncertainty, as shown in an ECB Blog post published in October.¹⁵ Higher valuations of listed shares contributed to the net increase in external financing for firms (Chart 1.14). Lending to households continued to recover, with an annual growth rate of 3.0% in December (also well below its long-term average of 4.2%), mostly driven by mortgages. This development is in line with solid housing loan demand reported in the bank lending survey, as well as the sustained house purchase intentions reported in the [Consumer Expectations Survey](#). At the same time, the share of households reporting a deterioration in access to credit in the latter survey increased relative to those reporting improvements. The share was larger for lower-income households. Consumer credit, to which lower-income households had sustained recourse in 2025, was subject to tighter lending standards throughout the year, according to the bank lending survey.

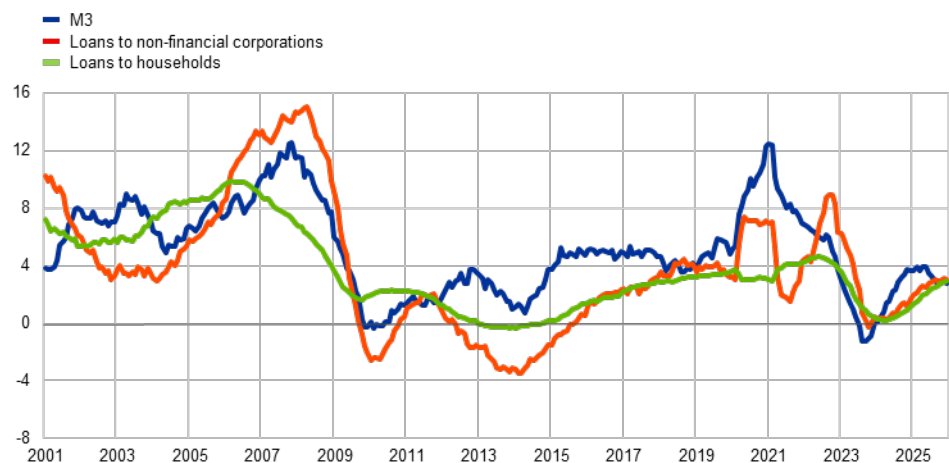
Annual broad money growth moderated over 2025

After plateauing at nearly 4% earlier in the year, annual broad money (M3) growth moderated towards the end of 2025, supported by stable dynamics in loans and deposits of households and firms (Chart 1.13). Annual M3 growth was 2.8% in December, compared with 3.4% in December 2024. The moderation largely reflected the continued liquidity drain resulting from the contraction in the Eurosystem asset portfolios and a reduction in net foreign inflows, which appear to have lost vigour and become more volatile compared with 2024, while banks' purchases of government bonds supported money growth in an environment of robust bond supply.

Chart 1.13

M3 growth and the growth of credit to firms and households

(annual percentage changes)



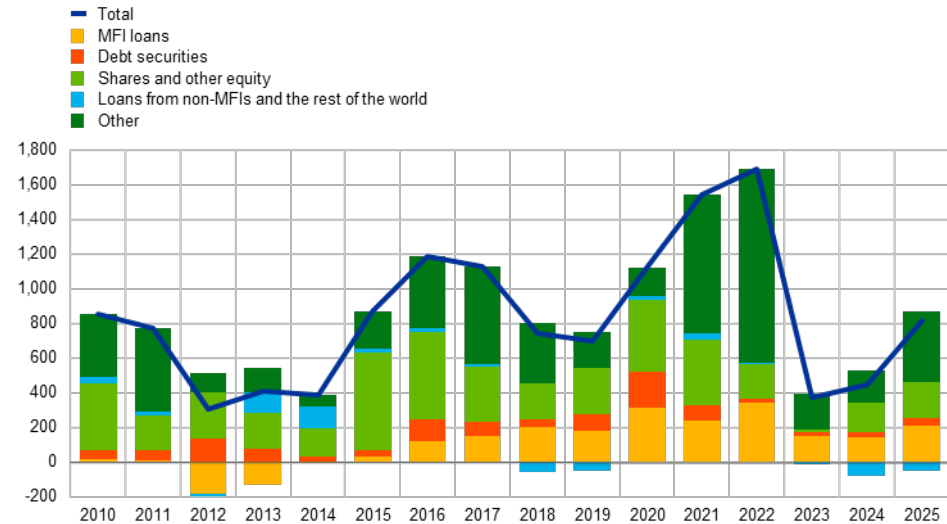
Source: ECB.

Notes: Firms are non-financial corporations. The latest observations are for December 2025.

¹⁵ See Allayioti, A., Bozzelli, G., Di Casola, P., Mendicino, C., Skoblar, A. and Velasco, S. "More uncertainty, less lending: how US policy affects firm financing in Europe", *The ECB Blog*, ECB, 2 October 2025.

Chart 1.14**Net flows of external financing to firms**

(annual flows in EUR billions)



Sources: ECB and Eurostat.

Notes: Firms are non-financial corporations. MFI: monetary financial institution. In "loans from non-MFIs and the rest of the world", non-monetary financial institutions consist of other financial intermediaries, pension funds and insurance corporations. "MFI loans" and "loans from non-MFIs and the rest of the world" are corrected for loan sales and securitisation. "Other" is the difference between the total and the instruments included in the chart and consists mostly of inter-company loans and trade credit. The latest observations are for the third quarter of 2025. The annual flow for 2025 is computed as a four-quarter sum of flows from the fourth quarter of 2024 to the third quarter of 2025. The quarterly euro area sector accounts are subject to major revisions every five years; the most recent one took place in 2024, which explains why the data in some years differ significantly from those used in the 2023 and previous Annual Reports.

Box 1**Bulgaria becomes the 21st euro area country****On 1 January 2026 Bulgaria adopted the euro and became the 21st member of the euro area.**

The positive assessments set out in the [European Commission Convergence Report](#) and the [ECB Convergence Report](#) paved the way for the country's adoption of the euro, which was approved by the Council of the European Union in July 2025. Bulgaria's accession marks a further enlargement of the euro area after Croatia joined in 2023 and highlights the fact that euro area membership continues to be an attractive and credible policy anchor, including in an environment of heightened uncertainty and geopolitical tensions.¹⁶

Bulgaria's adoption of the euro represents a major milestone in its broader process of European integration.

The country's journey towards membership of the euro area underscores its commitment to deepening economic and institutional ties with its fellow members of the European Union. From the time of its accession to the EU in 2007 Bulgaria made significant progress towards meeting the requirements for adopting the single currency, as set out in the Maastricht criteria. This path was supported by wide-ranging structural reforms and political commitment to aligning domestic policies with euro area economic and monetary standards. Macroeconomic imbalances that existed prior to the COVID-19 pandemic were gradually corrected through credible policy actions and prudent fiscal policies. In this time Bulgaria also achieved significant real convergence with the euro area economy, with GDP per capita increasing from around 35% of the euro area average in 2006 to just above 60% in 2025.

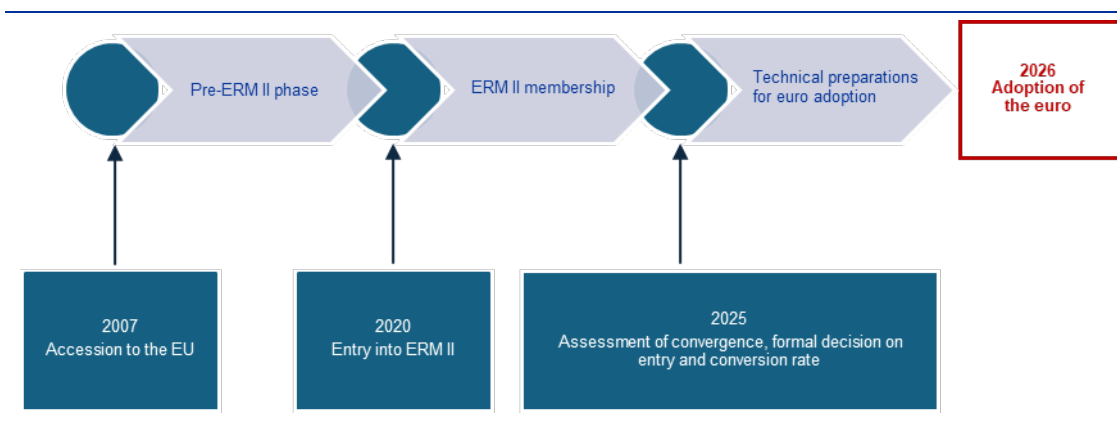
¹⁶ See Falagiarda, M. and Gartner, C., "Croatia adopts the euro", *Economic Bulletin*, Issue 8, ECB, 2022.

Bulgaria’s path to euro adoption was underpinned by a clearly defined and closely monitored set of preparatory steps (Figure A).

In 2018 Bulgaria expressed its firm intention to join the exchange rate mechanism (ERM II), an essential step in the process towards adopting the euro.¹⁷ A roadmap was agreed between the Bulgarian authorities and the ERM II parties, including a comprehensive set of policy measures to be completed prior to entry. These prior commitments were designed to address key structural challenges and to support compliance with the EU’s convergence criteria. In 2020 Bulgaria formally requested to join ERM II. The Bulgarian lev entered ERM II in July 2020 alongside Croatia’s kuna, and the Bulgarian government committed at the same time to a set of post-entry measures focusing on strengthening the country’s anti-money-laundering framework, enhancing supervision of its non-banking financial sector, improving governance of state-owned enterprises and reforming its insolvency framework. In parallel, Bulgaria joined the banking union through close cooperation between the ECB and Българска народна банка (Bulgarian National Bank) starting in October 2020, thereby aligning banking supervision with euro area standards and reinforcing financial stability.

The final phase of Bulgaria’s euro adoption process unfolded in 2025. In February 2025 the Bulgarian authorities formally requested an ad hoc convergence assessment by the European Commission and the ECB. The 2025 Convergence Reports, published on 4 June 2025, gave a positive assessment of Bulgaria’s degree of convergence. On this basis, the European Commission proposed that the Council of the EU allow Bulgaria to adopt the euro. On 8 July the Council formally approved Bulgaria’s accession to the euro area and set the irrevocable conversion rate of the Bulgarian lev at 1.95583 levs per euro. This rate corresponded to the central rate applied during Bulgaria’s participation in ERM II as well as to the fixed exchange rate applied during the long-standing currency board arrangement, ensuring continuity and stability in the transition to the single currency.

Figure A
Key milestones in Bulgaria’s path to euro adoption



Source: ECB.

Following the formal decision by the EU Council, technical preparations for the cash changeover took place, while the integration of the Bulgarian National Bank into the Eurosystem advanced in parallel. These preparations were supported by the ECB and covered a broad range of operational, logistical and institutional aspects. They included detailed planning for

¹⁷ See Dorrucchi, E., Fidora, M., Gartner, C. and Zumer, T., “The European exchange rate mechanism (ERM II) as a preparatory phase on the path towards euro adoption – the cases of Bulgaria and Croatia”, *Economic Bulletin*, Issue 8, ECB, 2020.

the production and distribution of euro banknotes and coins, extensive public information and awareness campaigns, and the onboarding of Bulgarian financial institutions for euro area payment and settlement systems. In parallel, the Bulgarian National Bank was integrated into the Eurosystem's monetary policy implementation and foreign exchange operations, as well as into common analytical frameworks, including macroeconomic projection exercises. Together, these steps ensured a smooth cash changeover and Bulgaria's effective participation in the euro area from the first day of membership.

Euro adoption is expected to deliver tangible economic benefits for Bulgaria. Key likely gains include increased trade and foreign direct investment, supported by the elimination of currency conversion costs, enhanced price transparency and comparability, and stronger investor confidence, as well as improved access to European capital markets. The economy is also expected to benefit from lower borrowing costs, reflecting a lower country risk premium and well-anchored inflation expectations. Beyond these effects, euro area membership provides an important dividend in terms of economic security and stability. For a small, highly integrated economy, participation in the euro area enhances institutional credibility, eliminates any remaining exchange rate risk vis-à-vis key non-euro area trading partners, and improves capacity to absorb external disturbances through deeper financial integration. Finally, adopting the euro enables Bulgaria to participate fully in euro area decision-making and to contribute directly to the shaping of common economic and monetary policies.

The costs and risks associated with adopting the euro are expected to be limited and largely one-off. The main costs stem from the practical preparations for the cash changeover and the possibility of unjustified price increases when prices are converted to euro. Public support for the euro in Bulgaria was relatively subdued prior to the changeover, reflecting concerns about possible price increases. This was also seen in earlier euro changeovers, when public support typically increased after adoption.¹⁸ To address these concerns, the Bulgarian authorities implemented a comprehensive set of measures, including enhanced price monitoring and inspections to deter abusive practices, as well as a mandatory dual display of prices over an extended period from 8 August 2025 to 8 August 2026. According to available estimates, the impact of the changeover on the overall price level seems to have been limited and one-off, broadly in line with the experience of previous euro changeovers.¹⁹ Moreover, Bulgaria's domestic monetary conditions were already closely aligned with those of the euro area before adoption of the euro, as the country had a long-standing currency board arrangement with a fixed exchange rate to the euro. Euro adoption therefore does not lessen, but strengthens the country's effective sovereignty by amplifying its voice in euro area decision-making.

While euro adoption offers important opportunities, further policy actions and reforms will be needed to fully reap its benefits. Prudent, growth-friendly fiscal policies, supported by a strong national fiscal framework, will be essential both to safeguard macroeconomic stability and to prevent the build-up of imbalances. Moreover, it will be necessary to sustain productivity growth through continued structural reforms to underpin real economic convergence within the euro area.

¹⁸ See Falagiarda, M., Gartner, C. and Osterloh, S, "Bulgaria adopts the euro", *Economic Bulletin*, Issue 8, ECB, 2025, and Dreher, F. and Hernborg, N., "Love at second sight: support for the euro before and after adoption", *The ECB Blog*, ECB, 4 November 2025.

¹⁹ See Aguiari, G., Falagiarda, M., Gartner, C. and Ivanova, E., "Euro adoption and price increases in Bulgaria: separating myths from facts", *The ECB Blog*, ECB, 9 April 2026. For more details on the estimated impact on prices of the changeover in Croatia and during earlier euro changeovers, see Falagiarda, M., Gartner, C., Mužić, I. and Pufnik, A., "Has the euro changeover really caused extra inflation in Croatia?", *The ECB Blog*, ECB, 7 March 2023.

In particular, recent strong wage dynamics amid tight labour market conditions could undermine competitiveness if not matched by lasting productivity gains. Moreover, strengthening institutions, modernising infrastructure and expanding the supply of skilled labour, supported by an efficient use of EU funds, alongside deeper financial development and enhanced financial integrity, will be key to sustaining long-term growth, enhancing resilience and preventing the build-up of macroeconomic imbalances.

2 A data-dependent and meeting-by-meeting approach to setting interest rates

The Governing Council cut the three key ECB interest rates four times in the first half of 2025, continuing a process that had begun in 2024. It decided these interest rate cuts in light of consistent evidence that inflation was on track to move sustainably towards the 2% medium-term target. The three key ECB interest rates were reduced by 100 basis points in total, bringing the deposit facility rate to 2.00% by June. The Governing Council followed a data-dependent and meeting-by-meeting approach, without pre-committing to a particular rate path. Less restrictive monetary policy, alongside a robust labour market, rising real incomes and solid private sector balance sheets bolstered the resilience of the euro area economy against global trade tensions and geopolitical uncertainties.

The Eurosystem balance sheet contracted by €0.1 trillion in 2025, reaching €6.3 trillion by year-end and continuing the normalisation process started in 2022 (see Section 2.2). This reduction was driven by declines in the monetary policy portfolios, as the Eurosystem no longer conducted reinvestments under its asset purchase programmes. Although excess liquidity fell, recourse to the Eurosystem refinancing operations remained small, reflecting still ample liquidity conditions and the relatively lower cost of market funding alternatives. The pool of assets eligible as collateral for Eurosystem refinancing operations grew to €20.3 trillion.

In 2025 the Eurosystem enhanced its risk management framework to ensure risk-efficient implementation of monetary policy. The changes mainly concerned collateral policies and were aimed at ensuring a continuing robust approach to assessing the credit quality of collateral assets, refining the calculation of haircuts for some asset classes and adapting the collateral framework to address climate change-related uncertainties. Several central banks of the Eurosystem, including the ECB, continued to incur low or negative income in 2025. The loss incurred by the ECB will be written off against future profits (see Section 2.3 and the ECB's Annual Accounts for 2025).

2.1 The Governing Council cut the three key ECB interest rates by 100 basis points

Monetary policy continued to be guided in 2025 by the Governing Council's determination to ensure that inflation stabilised sustainably at its 2% medium-term target. The Governing Council pursued a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. It did not pre-commit to a particular policy rate path and remained prepared to adjust its

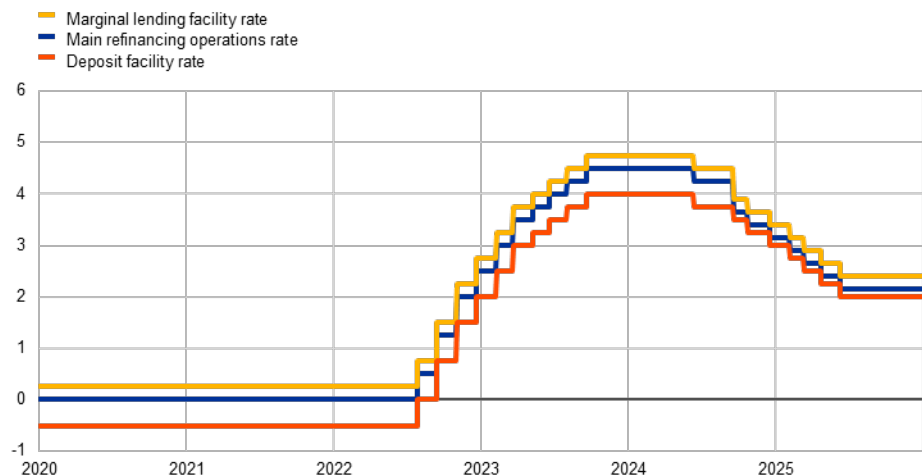
instruments as needed to achieve its mandate and to ensure the smooth functioning of monetary policy transmission.

The key ECB interest rates were cut in the first half of 2025 amid continuing signs that inflation was moving sustainably towards the 2% target

The Governing Council's interest rate decisions were based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. This comprehensive assessment led the Governing Council to expect that inflation would move towards the 2% target in the medium term in a sustained manner. The Governing Council therefore continued lowering interest rates, a process which it had started in 2024. Between January and June the three key ECB interest rates were cut at each monetary policy meeting, by 100 basis points in total (see Chart 2.1). After the Governing Council's meeting in June, the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility remained unchanged, at 2.00%, 2.15% and 2.40% respectively.

Chart 2.1
The key ECB interest rates

(percentages)



Source: ECB.

Note: The latest observation is for 31 December 2025.

In January the Governing Council decided to lower interest rates by 25 basis points

At its first monetary policy meeting of the year the Governing Council assessed that the disinflation process remained on track. Inflation was developing in line with the latest staff projections and was expected to return to the 2% medium-term target in the course of the year. Most measures of underlying inflation indicated that inflation would return to target on a sustained basis, although domestic inflation remained high owing to delayed adjustments in wages and some services prices following the past inflation surge. Signs of moderation in wage growth and the effects of profits buffering inflationary pressures further supported the Governing Council's view that disinflation was proceeding as intended, warranting a less restrictive monetary policy stance. It therefore decided to lower the three key ECB interest rates by 25 basis points.

The Governing Council noted that recent rate cuts were gradually making new borrowing less expensive for firms and households. However, financing conditions remained tight, in line with the still-restrictive monetary policy. While the euro area economy faced ongoing headwinds, rising real incomes and the fading impact of past monetary policy restriction were expected to support a gradual rebound in demand over time. Nevertheless, risks to growth remained tilted to the downside, with greater frictions in global trade and geopolitical uncertainties, including those related to Russia's unjustified war against Ukraine and the tragic conflict in the Middle East, which had the potential to disrupt energy supplies and further weigh on global trade.

To support lasting improvements in economic performance, the Governing Council emphasised the role of fiscal and structural policies in fostering a more productive, competitive and resilient euro area economy. It welcomed the European Commission's Competitiveness Compass and stressed the need to follow up, with further concrete and ambitious structural policies, on Mario Draghi's proposals for enhancing European competitiveness and on Enrico Letta's proposals for empowering the Single Market. Governments were urged to fully implement their commitments under the EU's economic governance framework, prioritising growth-enhancing reforms and investment.

Having discontinued reinvestments under the pandemic emergency purchase programme (PEPP) at the end of 2024, and under the asset purchase programme (APP) already as of July 2023, the Governing Council noted that the APP and PEPP portfolios were declining at a measured and predictable pace (see Section 2.2 on the evolution of the portfolios). Moreover, banks had repaid the remaining amounts borrowed under the targeted longer-term refinancing operations (TLTROs) in December 2024, thus concluding this part of the balance sheet normalisation process.

[The Governing Council cut interest rates by a further 25 basis points in March...](#)

The March ECB staff macroeconomic projections for the euro area entailed a slight upward revision in headline inflation, which was expected to average 2.3% in 2025, mainly on the back of stronger than expected energy price dynamics. Despite this revision, most indicators of underlying inflation continued to suggest that inflation would settle sustainably at around the 2% medium-term target. Wage growth showed signs of continued moderation, as expected, while profits continued to buffer inflationary pressures. In light of these developments, the Governing Council decided to cut the three key ECB interest rates by a further 25 basis points in March.

The Governing Council noted that monetary policy was becoming meaningfully less restrictive, as the interest rate cuts were lowering borrowing costs for firms and households, and supporting a pick-up in loan growth. However, lending still remained subdued overall. The staff economic growth projection for 2025 was revised down to 0.9%, driven by weaker exports and subdued investment amid heightened trade and policy uncertainty. Rising real incomes and lower borrowing costs remained the key factors expected to underpin a gradual recovery in demand over time, alongside the diminishing drag from earlier monetary policy tightening.

...while reaffirming its commitment to a data-dependent, meeting-by-meeting approach amid high uncertainty

Against the backdrop of rising uncertainty, the Governing Council reaffirmed its commitment to a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. It reiterated that it was not pre-committing to a particular rate path and remained ready to adjust its instruments as needed to achieve its price stability mandate.

Interest rates were lowered again in April as confidence in a sustained return of inflation to target continued to strengthen

As confidence in a sustained return of inflation to target continued to strengthen, the Governing Council decided in April to again lower the three key ECB interest rates by 25 basis points. The disinflation process remained firmly on track, with both headline and core inflation declining in March. Services inflation had eased significantly, and most measures of underlying inflation indicated a sustained return of inflation to the ECB's 2% medium-term target. Wage growth continued to show further signs of moderation, and profits continued to partially absorb the impact of elevated wage growth on inflation, contributing to easing domestic price pressures.

The euro area economy showed resilience against global shocks

The Governing Council noted that the growth outlook for the euro area had deteriorated in response to rising trade tensions. These tensions increased uncertainty and posed a risk to household and business confidence. Moreover, the adverse and volatile market response to the trade tensions was likely to have a tightening impact on financing conditions, further challenging the euro area's growth prospects. At the same time, the euro area economy had been building up some resilience against global shocks. A strong labour market, rising real incomes and supportive monetary policy were expected to underpin spending, while national and EU-level initiatives in defence spending and infrastructure investment were set to bolster manufacturing activity. Against the background of high geopolitical risk, the Governing Council reiterated the importance of fiscal and structural policies to make the euro area more productive and competitive, calling for a swift adoption of proposals aimed at simplifying regulatory frameworks and completing the savings and investments union. In light of such exceptional uncertainty, the Governing Council also reiterated its intention to adhere to a data-dependent and meeting-by-meeting approach to setting interest rates.

With inflation hovering around the ECB's 2% medium-term target, interest rates were cut by a further 25 basis points in June

As the year progressed, the Governing Council grew increasingly confident that inflation dynamics were aligning with the target, while the economy was gradually recovering. In June, it decided to lower the three key ECB interest rates by an additional 25 basis points. Inflation was now hovering around the target. The latest Eurosystem staff projections revised headline inflation down for both 2025 and 2026, primarily owing to lower energy prices and a stronger euro. The projections for inflation excluding energy and food remained broadly unchanged, with wage growth moderating visibly and contributing to a sustained return of inflation to target. Economic growth in the first quarter of the year had been boosted by firms frontloading exports ahead of expected tariff hikes. But growth was also bolstered by strong domestic demand.

The Governing Council noted that concerns about the tightening impact of financial market volatility, observed in April in response to trade tensions, had eased. More positive news about global trade policies and improving global risk sentiment had contributed to this stabilisation. Corporate borrowing conditions continued to improve, with lending rates declining and corporate bond spreads narrowing, while

equity prices had risen. Moreover, bank lending had strengthened for both firms and households.

Despite these favourable developments, the Governing Council assessed that risks to growth remained tilted to the downside, driven by global trade tensions and geopolitical uncertainty. However, it emphasised that favourable financing conditions and increased government investment were expected to support resilience over the medium term. The outlook for inflation was more uncertain than usual, reflecting the volatile global trade environment, which created two-sided risks. In particular, the Governing Council cautioned that inflation could turn out to be lower if higher tariffs led to lower demand for euro area exports and induced countries with overcapacity to reroute their exports to the euro area. It was considered that trade tensions could lead to greater volatility and risk aversion in financial markets, which would weigh on domestic demand and would thereby also lower inflation. By contrast, inflation could turn out to be higher if a fragmentation of global supply chains pushed up import prices and added to capacity constraints in the domestic economy.

In July the Governing Council decided to keep interest rates unchanged

As the second half of the year began, the Governing Council decided in July to keep interest rates unchanged. Inflation stood at the ECB's 2% medium-term target, with incoming data broadly consistent with the Governing Council's previous assessment of the inflation outlook. Domestic price pressures continued to ease as wage growth moderated. Despite challenging global conditions, the euro area economy remained resilient overall, supported by robust labour market conditions, rising real incomes and favourable financing conditions. The decision to hold rates steady reflected the Governing Council's growing confidence that interest rates had reached an appropriate level to ensure that the convergence of inflation to the target proved sustainable.

The Governing Council also kept interest rates unchanged in September...

Presented with a situation similar to that in July, the Governing Council decided again in September to keep interest rates unchanged. The updated ECB staff projections indicated headline inflation averaging 2.1% in 2025, slightly higher than previously projected, then dropping to 1.7% in 2026 and 1.9% in 2027. The growth projection for 2025 was revised up to 1.2%, reflecting stronger than expected domestic demand, while the projection for 2026 was lowered slightly, as ongoing global uncertainties were expected to weigh on economic activity. The decision in September underlined the Governing Council's data-dependent, meeting-by-meeting approach to setting interest rates amid persistent global uncertainties.

...as the economy had remained stronger than expected in the first half of 2025

Economic activity had grown by 0.7% in cumulative terms in the first half of 2025, supported by robust consumer spending and investment. Headwinds from higher tariffs, global competition and a stronger euro were expected to dampen growth for the remainder of the year. However, these effects were projected to fade in 2026, with consumer spending and business investment benefiting from easing financing conditions and continued labour market strength. Inflation remained steady and close to the ECB's target. Domestic price pressures continued to ease, supported by moderating wage growth and productivity improvements, which contributed to slower labour cost growth.

The Governing Council assessed risks to growth as more balanced than earlier in the year. While trade tensions and geopolitical uncertainties persisted, recent trade agreements had reduced some of the risks weighing on global demand and confidence. Higher than expected defence and infrastructure spending, along with productivity-enhancing reforms, would provide additional support for growth over the medium term. At the same time, the Governing Council continued to see the outlook for inflation as more uncertain than usual, for the same reasons as at the previous meetings.

In October the Governing Council kept interest rates unchanged

In October the Governing Council held its annual external meeting outside Frankfurt, hosted by Banca d'Italia in Florence. Again it decided to keep interest rates unchanged, as inflation remained close to the 2% medium-term target and the assessment of the inflation outlook was broadly unchanged.

Economic activity had grown modestly in the third quarter, driven by strength in the services sector, particularly tourism and digital services offsetting weakness in manufacturing, which continued to face headwinds from higher tariffs and global competition. Domestic demand was expected to remain resilient, with consumer spending supported by rising real incomes, government infrastructure and defence investment, and favourable financing conditions. External demand, however, faced challenges, with declining goods exports and ongoing trade uncertainties. Annual inflation had increased slightly to 2.2% in September, largely driven by energy price volatility. At the same time, wage moderation and productivity improvements were expected to continue to ease domestic price pressures, and longer-term inflation expectations remained firmly anchored.

The Governing Council decided to move to the next stage of the digital euro project

The Governing Council reiterated its commitment to making retail and wholesale central bank money fit for the digital age. In this vein, it decided to move to the next stage of the digital euro project, to ensure technical readiness for potential issuance once the legislation had been adopted and support Europe's digital sovereignty (see Box 4).

The Governing Council also decided to keep interest rates unchanged at its final meeting of 2025

The Governing Council concluded the year with another decision to keep rates unchanged. The December Eurosystem staff projections saw inflation averaging 2.1% in 2025, 1.9% in 2026, 1.8% in 2027 and 2.0% in 2028. Inflation was revised up for 2026, mainly because staff expected services inflation to decline more slowly than had been foreseen in previous projections. The moderately higher expected inflation profile compared with the September projections and the projected return to target by 2028 further bolstered the case for keeping policy rates unchanged. Moreover, the euro area economy remained resilient, supported by robust labour markets, rising real incomes and government spending, despite challenges from global trade and geopolitical tensions.

Credit conditions in the economy were broadly stable, while euro area banks remained resilient, supported by strong capital and liquidity ratios, solid asset quality and robust profitability. Geopolitical uncertainty and the possibility of a sudden repricing in global financial markets were seen as posing risks to financial stability in the euro area, and the Governing Council reiterated that macroprudential policy

remained the first line of defence against the build-up of financial vulnerabilities, enhancing resilience and preserving macroprudential space.

The Governing Council once again reaffirmed its commitment to a data-driven and meeting-by-meeting approach to determining the appropriate monetary policy stance.

2.2 Normalisation of the Eurosystem balance sheet progressed further

The Eurosystem balance sheet gradually decreased as holdings in the monetary policy portfolios declined

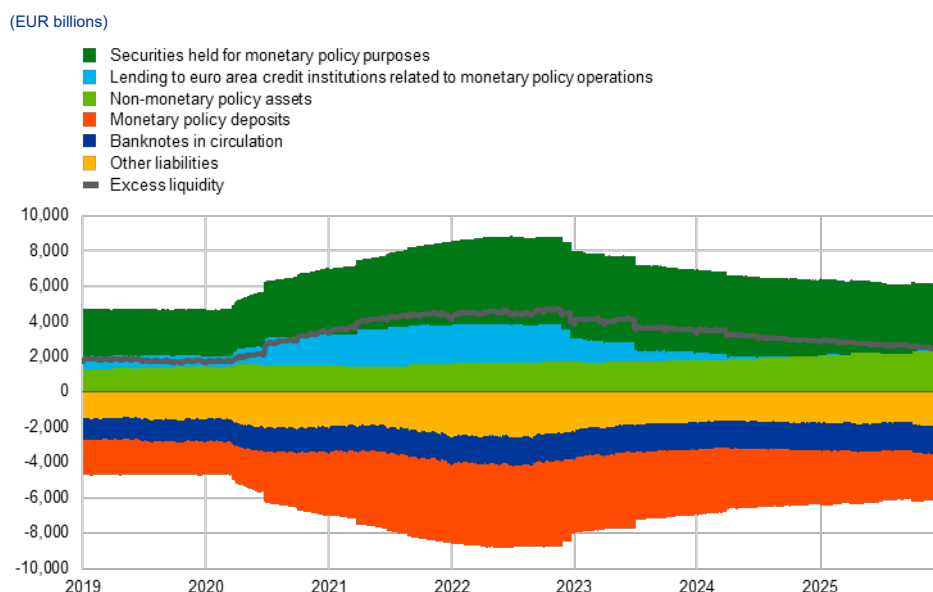
In 2025 the gradual normalisation of the Eurosystem balance sheet, which began in 2022, continued steadily. By the end of the year the balance sheet had decreased to €6.3 trillion, from €6.4 trillion at the end of 2024. This reduction was primarily driven by the continued decline in securities holdings in the APP and PEPP portfolios.

At the end of 2025 securities held for monetary policy purposes amounted to €3.7 trillion, a decline of €0.5 trillion compared with the end of 2024. These securities represented 60% of total assets, down from 67% a year earlier. Loans to euro area credit institutions in the context of Eurosystem refinancing operations remained limited, standing at around €37 billion after €34 billion at the end of 2024. Meanwhile, other financial assets on the balance sheet (foreign currency-denominated assets, gold and euro-denominated securities in non-monetary policy portfolios) increased by €0.4 trillion. This increase was mainly attributable to the rise in gold prices.

On the liabilities side, the overall amount of credit institutions' reserve holdings (including their recourse to the deposit facility) decreased to €2.6 trillion at the end of 2025, from €3.0 trillion at the end of 2024. This represented 41% of total liabilities, compared with 47% the previous year. Banknotes in circulation remained virtually unchanged at €1.6 trillion, accounting for 26% of total liabilities, up from 25% a year earlier. Other liabilities, including government deposits, other non-monetary policy deposits, revaluation accounts, and capital and reserves, increased by €0.2 trillion.

Chart 2.2

Evolution of the Eurosystem’s consolidated balance sheet



Source: ECB.

Notes: Positive figures refer to assets and negative figures to liabilities. The line for excess liquidity is presented as a positive figure, although it refers to the sum of the following liability items: current account holdings in excess of reserve requirements and recourse to the deposit facility.

APP and PEPP portfolio developments

The passive reduction of holdings ensured a smooth and predictable decline in excess reserves without adverse effects on market functioning

In line with the Governing Council’s decisions, the Eurosystem’s monetary policy portfolios continued to decline in 2025. Following the end of reinvestments under the APP as of July 2023, and under the PEPP at the end of 2024, 2025 marked the first year since the start of the programmes in which the Eurosystem did not conduct any monetary policy-related asset purchases.

Redemptions under the APP amounted to €351.4 billion, reducing the portfolio holdings to €2.3 trillion (at amortised cost) by year-end. The public sector purchase programme (PSPP) accounted for the largest amount of maturing securities, bringing PSPP holdings down to €1.9 trillion, 80% of the APP portfolio. The weighted average maturity of the PSPP holdings remained broadly unchanged at 6.8 years at the end of 2025. Asset-backed securities accounted for less than 1% (€3 billion) of the APP portfolio, while covered bonds represented 9% (€210 billion) and corporate sector securities 11% (€249 billion).

Under the PEPP, principal redemptions amounted to €185.9 billion in 2025, bringing the portfolio holdings down to €1.4 trillion (at amortised cost) by year-end. Public sector securities accounted for 97% of the PEPP portfolio (€1.4 trillion) at year-end, with a weighted average maturity of 7.0 years. Corporate sector securities accounted for 3% (€41 billion), while covered bonds represented less than 1% (€5 billion). The transparent publication schedule introduced in January 2025 for PEPP redemptions supported the orderly unwinding of the holdings. The schedule aligned PEPP data

releases, including backward and forward-looking redemption profiles, with those of the APP, ensuring consistency and predictability across the two portfolios.

Combined APP and PEPP holdings declined by €537.3 billion in 2025, bringing the total monetary policy securities portfolio to €3.7 trillion at year-end. The Eurosystem's full transition to passive balance sheet reduction proceeded smoothly throughout the year, with no signs of adverse effects on market functioning. Liquidity conditions remained orderly, repo markets operated efficiently and private sector investors continued to demonstrate steady demand for euro area debt securities.

Overall, developments in 2025 confirm that the unwinding of monetary policy portfolio holdings is progressing as expected. The passive reduction regime has provided a stable foundation for the continued normalisation of the Eurosystem's balance sheet. This approach has facilitated a smooth and transparent transition to a lower level of excess reserves while preserving stable market conditions.

Developments in Eurosystem refinancing operations

Participation in refinancing operations remained at historically low levels

At the end of 2025 the outstanding amount of Eurosystem refinancing operations stood at €36.7 billion, a marginal increase of €2.5 billion compared with the end of 2024. The recourse to these operations remained low, reflecting significant excess liquidity and the higher cost of Eurosystem funding compared with market-based alternatives. At year-end, the outstanding amounts of the main refinancing operations and of the three-month longer-term refinancing operations were €25.0 and €11.7 billion respectively. In December the ECB invited banks to test their access to the main refinancing operations and/or the three-month longer-term refinancing operations at least once a year, with a bid amount at their discretion and against collateral in accordance with the Eurosystem general collateral framework.²⁰

Developments in eligible marketable assets and mobilised collateral

Eligible and mobilised collateral continued to increase, with central government securities the main contributor

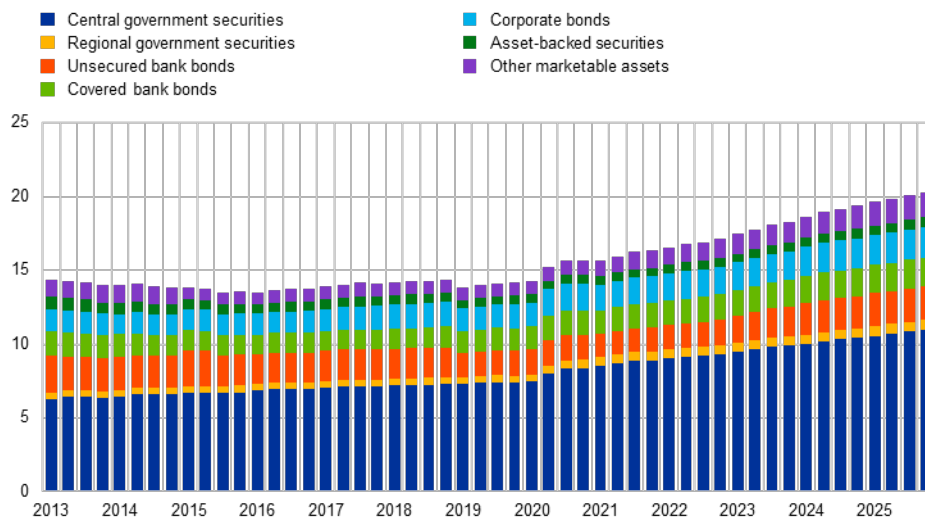
The nominal value of marketable assets eligible as collateral for Eurosystem refinancing operations increased by €939 billion in 2025, reaching €20.3 trillion by the end of the year (Chart 2.3). The increase in eligible collateral was driven primarily by higher government bond issuance. Central government securities remained the largest asset class (€10.9 trillion). Other significant asset classes included unsecured bank bonds (€2.3 trillion), corporate bonds (€2.1 trillion) and covered bank bonds (€2.0 trillion). Meanwhile, asset classes such as regional government securities (€688 billion), asset-backed securities (€669 billion) and other marketable assets (€1.7 trillion) accounted for a more limited share of the eligible asset universe.

²⁰ See "Counterparties invited to regularly test their operational readiness to access Eurosystem standard refinancing operations", *press release*, ECB, 19 December 2025.

Chart 2.3

Developments in eligible marketable assets

(EUR trillions)

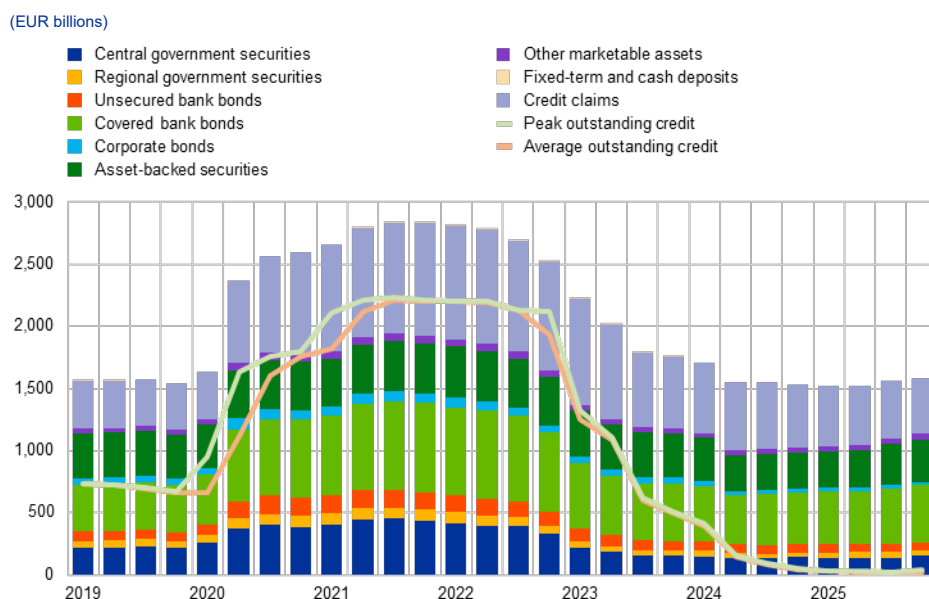


Source: ECB.

Notes: Asset values are nominal amounts. The chart shows averages of end-of-month data for each quarter.

Mobilised collateral increased by €53 billion in 2025, reaching €1.6 trillion by year-end (Chart 2.4). At the same time, the volume of Eurosystem refinancing operations remained low throughout the year, resulting in a historically low ratio of outstanding credit from the Eurosystem to the total amount of mobilised collateral, which stood at just 1.4% at year-end. Covered bank bonds, credit claims and asset-backed securities continued to be the most heavily mobilised asset classes. Asset-backed securities experienced a slight increase in mobilisation over 2025, while the largest decline in mobilisation was observed for credit claims. The Eurosystem monetary policy implementation framework underwent a number of changes in 2025 related to the credit assessment and risk control frameworks for assets eligible to be mobilised as collateral (see Section 2.3).

Chart 2.4
Developments in mobilised collateral



Source: ECB.
Notes: For collateral, the averages of end-of-month data for each quarter are shown, and values are after valuation and haircuts. For outstanding credit, daily data are used.

2.3 The Eurosystem continued to reinforce its financial risk management framework

The Eurosystem continuously manages the financial risks inherent in the implementation of its monetary policy operations. Its risk management function aims to attain risk efficiency, limiting risk taking to the level necessary to meet its monetary policy objectives.

The main changes to the Eurosystem’s risk management framework in 2025 were related to collateral policies, and consisted of: 1) changes in the use of external ratings for assessing the credit quality of certain collateral assets, 2) the introduction of targeted enhancements to the risk control framework for specific collateral assets, 3) the introduction of a “climate factor” in the valuation of certain mobilised collateral assets to reflect climate change-related uncertainties, 4) and the inclusion of climate change risks in ratings issued by national central banks’ in-house credit assessment systems (ICASs). Risks related to the APP and PEPP portfolios continued to be managed according to the established risk control frameworks.

Several central banks of the Eurosystem, including the ECB, continued to incur low or negative net income in 2025. While the key ECB interest rates have been lowered, the cost of liabilities on the balance sheets of most Eurosystem central banks exceeded the income generated on their APP and PEPP securities portfolios, which resulted in negative net interest income. In addition, the depreciation of foreign currencies against the euro negatively affected the foreign reserves portfolios of some central banks. Such losses do not affect the ability of the Eurosystem to

Several Eurosystem central banks continued to incur losses despite lower interest costs

pursue its price stability objective and operate effectively. When a central bank incurs negative income, it can use financial buffers built up in previous years to offset it or record it on its balance sheet to be offset with future profits. Furthermore, a significant increase in the Eurosystem's financial buffers, driven by higher revaluation accounts, in particular those linked to gold holdings, has added substantially to its financial resilience.

Changes to the Eurosystem's financial risk management framework

Under new rules, second-best ratings will determine collateral eligibility and haircuts for private sector and non-euro area public sector assets

The Eurosystem's financial risk management framework underwent several changes in 2025.

First, in February 2025 the [Governing Council decided to amend the rules on using external credit ratings for private sector assets](#), with implementation planned no earlier than 18 months from the announcement date. The change concerns ratings issued by external credit assessment institutions (ECAIs) for private sector assets such as unsecured bank bonds, covered bank bonds and assets issued by non-financial corporations, and also covers non-euro area public sector assets eligible for use as collateral in the Eurosystem's monetary policy operations. Once the change has been introduced, the second-best rating among the ratings issued by accepted ECAIs for such assets will be used to determine their eligibility, as well as the applicable valuation haircuts. The amended rules make better use of the available external credit rating information. For assets with only one credit rating available from accepted ECAIs, a one-notch downgrade will be applied to the available credit rating to determine the rating relevant for collateral purposes. Assets issued or guaranteed by the euro area public sector (e.g. euro area central, regional and local governments; international and supranational issuers located in the euro area whose shareholders are located in the EU; and agencies recognised by the ECB) will continue to be assessed on the basis of the current first-best rating rule. For these assets the Eurosystem makes regular use of all available credit quality information and applies enhanced due diligence procedures. For asset-backed securities, the second-best issue rating rule already in use will remain unchanged.

A review of the risk control framework resulted in improvements to haircut methodology

Second, the Eurosystem in 2025 conducted a [review of the risk control framework for collateralised credit operations](#). The Eurosystem applies risk control measures to the assets underlying its credit operations to protect itself against the risk of financial loss if the assets have to be sold after the default of a counterparty. The aim of the review was to ensure that the framework remains protective, consistent and risk-equivalent across asset classes. One risk control measure takes the form of valuation haircuts, which reduces the amount that can be borrowed in monetary policy credit operations for a given collateral value. Following the review, the Eurosystem decided to introduce targeted improvements in the haircut methodology, with a particular focus on own-used covered bonds, retained asset-backed securities and individual credit claims. The implementation of these changes is planned for November 2026 at the earliest.

A “climate factor” applied to the valuation of collateral will help address climate change-related uncertainties

Third, as part of its efforts to address climate-related risks, the [Governing Council decided in July to introduce a “climate factor” in the collateral framework](#). The climate factor, which is scheduled for implementation as of 15 June 2026, may reduce the value assigned to certain marketable assets pledged as collateral, depending on the extent to which they are exposed to climate change-related uncertainties. The measure is designed to act as a buffer against the potential financial impact of climate-related transition shocks. It will complement the Eurosystem’s existing risk management framework by incorporating forward-looking climate scenario analyses and therefore improve the resilience of the Eurosystem’s monetary policy implementation. The climate factor will focus on marketable assets issued by non-financial corporations and their affiliated entities and will be calibrated to also preserve sufficient collateral availability. The climate factor, including its scope and calibration, will be regularly reviewed by the Governing Council. By addressing uncertainties linked to adverse events associated with the green transition, the Eurosystem will strengthen its ability to mitigate climate-related financial risks.

ICAS credit assessments incorporated climate change risks

In 2025 all ICAS credit assessments incorporated climate-related risks, in line with common Eurosystem standards implemented at the end of 2024. After the [ECB announced its climate action plan in July 2021](#), the Eurosystem agreed in 2022 on a set of [common minimum standards for how ICASs should include climate-related risks in their ratings](#). ICASs are an important source of credit risk assessment for credit claims. The common standards require that ICAS rating processes distinguish between transition and physical risks and also consider the various climate risk transmission channels. The assessment of climate-related risks is conducted by ICASs at firm level whenever sufficient and reliable data are available, with the aim of determining whether and to what degree climate change risk affects the creditworthiness of rated non-financial corporations.

Managing risks of asset holdings in the APP and PEPP portfolios

The risks from the APP and PEPP are managed with the previously established frameworks

The APP and PEPP portfolios declined at a gradual and predictable pace in 2025, the Eurosystem having discontinued reinvestments in these portfolios. The financial risks of these programmes continue to be managed with the previously established risk control frameworks. Both programmes are composed of different types of asset class, namely public sector and corporate sector debt securities as well as asset-backed securities and covered bonds. The risk frameworks take into account each programme’s policy objectives and the risk profiles of the different asset classes it contains. They consist of eligibility criteria, credit risk assessments and due diligence procedures, pricing frameworks, benchmarks and limits.

Box 2

The 2025 monetary policy strategy assessment

On 30 June 2025 the Governing Council announced the outcome of the ECB’s monetary policy strategy assessment, carried out to ensure that the strategy remains fit for purpose. The assessment followed the strategy review concluded in 2021, in line with the ECB’s pledge to undertake such reviews periodically. The 2025 assessment was narrower in scope than the

previous review, which had been a fully fledged re-evaluation of the ECB's monetary policy framework. In particular, the assessment aimed to incorporate lessons from the major change in the inflation environment that had taken place in the meantime and from monetary policy measures taken over this period.

The strategy assessment was a collaborative effort between the ECB and national central banks of the Eurosystem. The process was organised into two separate work streams, each focusing on specific aspects of the strategy and supported by significant analytical and technical resources provided by staff across the Eurosystem. The insights from each of these work streams were published as ECB Occasional Papers.

Main findings

The 2025 assessment reaffirmed the symmetric 2% inflation target over the medium term as the cornerstone of the ECB's monetary policy strategy. The Governing Council recognised that, to maintain symmetry, it is important to take appropriately forceful or persistent monetary policy action in response to large, sustained deviations of inflation from the target in either direction. This is necessary to avoid deviations becoming entrenched through de-anchored inflation expectations.

The assessment further highlighted the need to account for ongoing structural shifts, such as geopolitical and economic fragmentation, demographic change, digitalisation and the increasing use of artificial intelligence, the threat to environmental sustainability, and changes in the international financial system. These developments suggest that the inflation environment will remain uncertain and potentially more volatile, posing challenges for monetary policy. In this context, the Governing Council emphasised the importance of monetary policy decisions taking into account not only the most likely path for inflation and the economy but also surrounding risks and uncertainty, including through the appropriate use of scenario and sensitivity analyses. In line with the 2021 review, the Governing Council reaffirmed its commitment to taking financial stability considerations into account in its monetary policy deliberations. It also reaffirmed its commitment, within its mandate, to ensuring that the Eurosystem fully takes into account the implications of climate change for monetary policy, while expanding this to cover nature degradation. The Governing Council reiterated the importance of clear and transparent communication of monetary policy decisions to support public understanding of and trust in the actions of the ECB.

The assessment reconfirmed that the primary monetary policy instrument is the set of ECB policy rates. All other monetary policy instruments currently available to the ECB – such as longer-term refinancing operations, asset purchases, negative interest rates and forward guidance – also remain part of the toolkit. These may be employed, as appropriate, to steer the monetary policy stance when the policy rates are close to the effective lower bound or to preserve the smooth functioning of monetary policy transmission. The choice, design and implementation of instruments will enable an agile response to new shocks and will be subject to a comprehensive proportionality assessment. The Governing Council will continue to respond flexibly to new challenges as they arise and will consider, as needed, new policy instruments in the pursuit of its price stability objective.

The Governing Council concluded that the ECB's updated monetary policy strategy is well-equipped to ensure price stability in the face of evolving challenges. The strategy's medium-term orientation provides the flexibility needed to respond to deviations from the inflation target in a context-specific manner depending on the origin, magnitude and persistence of the deviation, while

maintaining anchored inflation expectations. This flexibility is particularly valuable in the current environment of heightened uncertainty, marked by geopolitical tensions, trade fragmentation and volatile energy prices.

The Governing Council intends to conduct periodic strategy assessments, with the next assessment expected in 2030. This will ensure that the Eurosystem remains agile and responsive to structural changes, enabling it to effectively deliver on its price stability mandate.

3 European financial sector: navigating heightened geopolitical and market risks amid structural challenges

In 2025 financial stability risks in the euro area remained elevated amid heightened geopolitical tensions, trade fragmentation and increased global policy uncertainty. Tariff shocks and weaker external demand weighed on corporate profitability and added to credit risk. Sovereign vulnerabilities were driven by high debt levels, the prospect of higher defence expenditures and investment needs, and spillovers due to concerns about global fiscal sustainability. Banks' strong capitalisation and profitability continued to underpin their resilience despite rising credit and market risk, and persistent vulnerabilities in the non-bank financial intermediation (NBFi) sector owing to leverage, liquidity mismatches and interconnectedness. Despite these underlying vulnerabilities, however, the NBFi sector also remained broadly resilient. Macroprudential policy focused on preserving resilience by maintaining and, in some cases, increasing capital buffers and borrower-based measures. Regarding microprudential supervision, advances were made in simplification, digital operational resilience and incorporating climate and nature-related risk into the supervisory agenda, while stress tests confirmed banks' robustness. During the year the ECB also worked on developing proposals for simplifying the European regulatory, supervisory and reporting frameworks. Important legislative initiatives progressed, including the implementation of the final Basel III reforms, the reform of the EU's crisis management and deposit insurance framework and steps towards the savings and investments union.

3.1 The financial stability environment in 2025

Elevated uncertainty and trade tensions weighed on euro area financial stability

Financial stability vulnerabilities in the euro area remained elevated in 2025, against a backdrop of heightened geopolitical tensions and rising concerns about geoeconomic fragmentation. Global economic policy uncertainty surged, driven largely by changes in the US trade landscape and regulatory and fiscal policies, as well as by concerns about a general retreat from multilateralism. The announcement of higher than expected US import tariffs in early April 2025 triggered a pronounced spike in market volatility across asset classes and a marked sell-off in riskier assets, reflecting investors' reassessment of global growth prospects and the risk of deeper geoeconomic fragmentation. Later in the year trade agreements between the United States and several of its main trading partners, including the EU, eased trade policy uncertainty and calmed markets. However, as a highly open economy that is deeply integrated into global value chains, the euro area remained particularly exposed to geoeconomic fragmentation risks.

Sovereign vulnerabilities remained contained overall, but higher issuance needs and fiscal risk weighed on some countries

Sovereign vulnerabilities in the euro area stemmed from still elevated debt levels in some countries, rising issuance needs and changing investor demand. The Eurosystem's reduced footprint in bond markets, combined with expectations of higher government financing needs, led to a steepening of euro area yield curves over the year, which also reflects global concerns over the sustainability of US long-term debt and the external financing required to fund the US twin deficits. While strong credit fundamentals and rating upgrades in several euro area countries helped to compress sovereign spreads, spreads widened in countries facing fiscal challenges and rating downgrades. At the same time, fiscal fragilities in major advanced economies, including the US budget impasse and a temporary US government shutdown, raised concerns about global sovereign debt sustainability and the risk of a broader reassessment of sovereign risk in the euro area. Furthermore, the need to respond to elevated geopolitical tensions and hybrid threats highlights the urgency for euro area NATO member countries to boost defence spending to meet the new NATO target of 5% of GDP by 2035. However, higher defence spending, together with planned large-scale infrastructure and climate-related investments, implies sizeable additional financing needs in the medium term. This could raise concerns about sovereign debt sustainability in some euro area countries, and the resulting increase in sovereign yields could spill over to corporate and financial sector funding conditions through higher risk premia and potential rating downgrades.

Corporate vulnerabilities remained elevated, with risks of spillovers to household balance sheets

Vulnerabilities in the euro area corporate sector remained elevated in 2025 as the impact of higher tariffs and persistent trade tensions fed through more strongly. While balance sheets had strengthened in previous years, and aggregate indebtedness had fallen below levels seen before the global financial crisis, profitability came under pressure from subdued external demand, elevated debt service costs and rising labour expenses. The appreciation of the euro and higher tariffs on euro area exports eroded the price competitiveness of euro area firms in global markets. This led to a loss of market share that was squeezed further by strong competition from Chinese exporters, partly reflecting weak domestic demand in China. Insolvencies rose across a broad range of sectors and countries, reflecting the still weak and uncertain business environment and increasing the risk of broader macro-financial spillovers, notably from tariff-sensitive and export-oriented sectors.

Household balance sheets strengthened over the year, supported by buoyant labour markets, rising real wages and a continued reduction in debt-to-GDP ratios, which bolstered debt servicing capacity and provided buffers against adverse shocks. This resilience was also underpinned by the large stock of savings accumulated during earlier periods of uncertainty and sustained by persistently high savings rates. However, this benign situation could reverse if trade-related corporate vulnerabilities were to unfold more forcefully. A rise in bankruptcies and lay-offs in tariff-sensitive sectors could weaken labour market conditions, weigh on wage growth and dent consumer confidence, thereby adversely affecting household consumption and borrowers' resilience.

Bank profitability and capital buffers remained strong, but credit risks from trade tensions increased

The resilience of the euro area banking sector remained a key stabilising factor for the financial system in 2025. Bank capital and liquidity ratios stayed well above

regulatory requirements. Strong net interest income, together with solid net fee and commission income, underpinned returns on equity above 9% in 2025. Furthermore, improved market sentiment towards the sector, alongside expectations of sustained profits and record profit distributions in the form of dividends and share buybacks, boosted bank stock prices and lifted price-to-book ratios to new post-global financial crisis highs, gradually narrowing the gap with those of US peers.

The aggregate non-performing loans (NPL) ratio of significant institutions remained close to historical lows in 2025. At the same time, credit risks in banks' loan portfolios increased somewhat for loans to small and medium sized-enterprises and for consumer loans. In addition, the combination of weak macro-financial conditions, the lagged impact of past interest rate increases, and escalating trade tensions tilted the credit risk outlook to the downside for exposures to both firms and households. Banks with concentrated exposures to sectors reliant on extra-EU trade or to regions more affected by trade frictions could face increased pressure on asset quality if trade fragmentation were to intensify or economic conditions were to weaken further. In such a scenario, higher provisioning needs could weigh on banks' profitability, even though their capital buffers provide a substantial cushion against losses.

Financial markets were still vulnerable to sharp repricing, amid stretched valuations and spillover risks from the United States

Euro area and global financial markets experienced bouts of heightened volatility in 2025, notably after the US tariff announcements in early April, which triggered a sharp repricing and sell-offs in riskier assets. While market functioning in the euro area was still orderly overall, and volatility subsided after the announcement of a temporary tariff pause and subsequent trade agreements, valuations in some asset classes remained elevated. This left markets vulnerable to renewed sharp, abrupt adjustments if liquidity conditions were to deteriorate. At the same time, concerns about US fiscal fundamentals and institutional credibility weakened the safe-haven status of US Treasuries and the US dollar, increasing the risk that sudden shifts in global capital flows and disorderly exchange rate fluctuations could spill over to euro area financial conditions.

The NBFIs sector continued to expand in 2025, although it remained exposed to vulnerabilities

The market footprint of the NBFIs sector in the euro area continued to expand in 2025, supporting deeper and more diversified capital markets for financing the real economy. Despite heightened policy uncertainty and recurring episodes of market volatility, the sector remained resilient overall. At the same time, liquidity mismatches persisted across several NBFIs segments and were compounded by pockets of high leverage, particularly in parts of the investment fund segment. These structural fragilities left the NBFIs sector exposed to adverse price movements, abrupt fund outflows and spikes in margin and collateral calls, potentially triggering procyclical asset sales and amplifying market stress. Interlinkages with euro area banks continued to expose both the NBFIs sector and the banking sector to spillover risk via credit and funding channels.

While the euro area financial system proved resilient, structural vulnerabilities could amplify cyclical risks

Overall, while the euro area financial system proved resilient in 2025, risks to financial stability remained elevated. In addition to cyclical pressures from weaker growth and trade tensions, several structural factors continued to weigh on the risk outlook. Cybersecurity weaknesses and hybrid threats became more salient in an increasingly complex geopolitical landscape. The rapid adoption of artificial

intelligence offered efficiency gains, but also created new channels for operational risk and market disruption.

At the global level, growing regulatory fragmentation and renewed calls for deregulation are likely to encourage cross-border arbitrage and a build-up of vulnerabilities outside the regulatory perimeter.

Looking ahead, demographic trends related to ageing populations, together with the ongoing transition to a low-carbon economy, are expected to affect growth prospects. While the transition entails costs, it also creates economic opportunities, and both factors could interact with existing cyclical and structural vulnerabilities in ways that challenge financial stability. If several of these risks were to materialise at the same time, they could become mutually reinforcing and significantly increase stress in the financial system.

3.2 Macprudential policy: preserving resilience in an uncertain environment

In 2025 the ECB did not identify a need to apply more stringent capital measures

The ECB has the task of assessing macroprudential capital measures proposed by national authorities for banks in countries participating in the Single Supervisory Mechanism (SSM). Importantly, it also has the power to apply more stringent capital measures if necessary. The ECB's close monitoring of national macroprudential policy stances in 2025 did not identify a need for this, as several countries had already implemented macroprudential measures to strengthen the resilience of their banking systems to accumulated vulnerabilities and downside risks.

Preserving the resilience of the financial system remained the main priority

The Governing Council called on national authorities to maintain existing capital buffers and borrower-based measures

In July 2025 the Governing Council issued a [statement calling on national macroprudential authorities to maintain existing capital buffer requirements](#) in order to preserve the resilience of the banking sector and ensure that buffers are available in case the banking sector or macro-financial conditions deteriorate. The statement referred to heightened risks to financial stability stemming from a sharp rise in global geopolitical uncertainty. In this context, the Governing Council expressed its full support for those national authorities that were planning to increase capital buffer requirements to address vulnerabilities while prevailing banking sector conditions were limiting the risk of procyclicality. It also called on national authorities to maintain existing borrower-based measures to preserve sound and sustainable lending standards. The statement indicated that a targeted recalibration or simplification of macroprudential measures could be considered where the sources of systemic risk had changed persistently and when such actions would not result in a reduction of the overall resilience of the banking sector. Lastly, the Governing Council noted that, considering the high level of uncertainty, macroprudential policy needed to remain agile and adapt to changing conditions.

By the end of 2025, all participating countries had some form of releasable capital buffer in place

Against this background, some national authorities continued to tighten macroprudential policy in 2025 to boost the resilience of banks. In particular, two participating countries announced an increase in the countercyclical capital buffer rate, while another announced the introduction of the systemic risk buffer (SyRB).²¹ By the end of the year, all participating countries had a releasable capital buffer in place. Nevertheless, some countries decided to either deactivate or reduce systemic risk buffers on account of lower systemic risk in sectors that had seen an accumulation of vulnerabilities in the past.²² Furthermore, some countries, for individual institutions, adjusted the levels of the buffer for global systemically important institutions (G-SIIs) and the buffer for other systemically important institutions (O-SIIs). For the latter, this was due to the phased introduction of the enhanced floor methodology for assessing O-SII buffers from January 2025.²³ Lastly, in addition to capital-based measures, one country implemented borrower-based measures, bringing the number of countries with such measures in place to 18.²⁴

The ECB supported the revision of the EU macroprudential framework, underlining financial stability as a policy priority

The ECB communicated its views on macroprudential policy topics in 2025. In the May issue of its Financial Stability Review, it stated its support for the revision of the EU macroprudential framework aimed at enhancing its effectiveness, streamlining processes and establishing consistency across jurisdictions.²⁵ In this respect, the ECB pointed out that ensuring the usability and releasability of macroprudential buffers was crucial given the complex interaction between prudential and resolution frameworks. In the November issue of the Financial Stability Review, the ECB stressed that macroprudential policy should remain firmly focused on safeguarding financial stability, thereby benefiting the economy without compromising the banking sector's competitiveness as measured by profit efficiency. While it had been argued that higher capital requirements restrict credit supply and weaken banks' competitiveness, the ECB indicated that recent empirical evidence did not align with this view.²⁶

²¹ Spain and Greece announced an increase in the countercyclical buffer rate from 0.5% to 1% and from 0.25% to 0.5% respectively, and Austria introduced a sectoral SyRB of 1.0% applicable to commercial real estate exposures.

²² Germany reduced its sectoral SyRB (sSyRB) on residential real estate exposures to 1.0%. France deactivated its sSyRB for exposures to highly indebted non-financial corporations. Belgium announced the deactivation of its sSyRB on mortgage exposures and a simultaneous increase in its countercyclical capital buffer rate from 1.0% to 1.25%.

²³ See Grodzicki, M., van der Kraaij, A., Vogel, U. and Zsámboki, B., "Enhancing the ECB's O-SII framework", *Macroprudential Bulletin*, No 30, ECB, 5 August 2025.

²⁴ Croatia announced and started to implement borrower-based measures in 2025, while some countries also made some adjustments to their existing borrower-based measures.

²⁵ See "Financial Stability Review", ECB, May 2025.

²⁶ See "Financial Stability Review", ECB, November 2025.

Cooperation with the European Systemic Risk Board

The ECB supports the ESRB in identifying vulnerabilities in the financial system, including through stress testing

The ECB hosts the secretariat of the European Systemic Risk Board (ESRB) and provides it with analytical, statistical, logistical and administrative support.²⁷ The ECB President is chair of the ESRB General Board, which meets every quarter to discuss current threats to financial stability and possible responses. ECB staff members are heavily involved in the preparation of these discussions, through co-chairing various working groups, as well as conducting research and analytical work. In particular, the ECB provides crucial support for the ESRB's data analysis work, enabling it to use vast pools of data, notably on individual derivatives transactions. Another area of close cooperation is the development of adverse scenarios for stress tests, which are adopted by the ESRB and must be both severe and plausible. Developing such scenarios requires model-based input from the ECB. In 2025, in close cooperation with the relevant European Supervisory Authorities, the ESRB agreed [adverse scenarios for the EU-wide stress tests](#) for the banking sector, for pension funds and for money market funds.

ESRB reports examined risk management tools for banks and links between banks and non-bank financial intermediaries

In addition, ECB staff members provided important analytical input for several ESRB reports, two of which are highly relevant for banks' risk management: (i) a [report published in May that looked at the financial stability implications of the 2021 extension of the simple, transparent and standardised \(STS\) criteria to on-balance-sheet securitisations](#) under the amended [EU Securitisation Regulation](#)²⁸; and (ii) a [report published in November on credit default swaps](#). This report highlighted some market imperfections that could hinder effective price discovery for credit default swap spreads, which are a widely used metric of credit risk. ECB and ESRB staff members also worked jointly on two topical reports on (i) [geoeconomic risks and financial stability](#), and (ii) [linkages between banks and non-bank financial intermediaries in the EU](#). The latter report highlights both the important role of banks in managing liquidity and providing leverage to non-bank financial intermediaries, and the financial stability risks that may arise from such linkages.

The ESRB and the ECB expressed concerns about stablecoins and proposed ways to address them

In April 2025 the ECB submitted a [non-paper on EU and third country stablecoin multi-issuance](#) to the Council of the European Union, highlighting the risks to financial stability of authorising one stablecoin for issuance simultaneously by an entity authorised under the [Markets in Crypto-Assets Regulation \(MiCAR\)](#)²⁹ and another entity under a third-country jurisdiction. In the event of a crisis, the reserves held by the EU issuer could become quickly depleted if holders of the stablecoin are less well protected under the third-country's regulation. The ESRB devoted part of its

²⁷ The ESRB brings together central bank governors from all countries of the European Economic Area, as well as the heads of national and European supervisory authorities, to conduct quarterly assessments of systemic risk and, when necessary, to issue warnings and recommendations. For further information, see [Council Regulation \(EU\) No 1096/2010 of 17 November 2010 conferring specific tasks upon the European Central Bank concerning the functioning of the European Systemic Risk Board](#) (OJ L 331, 15.12.2010, p. 162).

²⁸ Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis (OJ L 116, 6.4.2021, p. 1).

²⁹ Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (OJ L 150, 9.6.2023, p. 40).

[report on systemic risks from crypto-assets](#) to an in-depth analysis of the risks of multi-issuance. Furthermore, it issued a [recommendation on third-country multi-issuer stablecoin schemes](#)³⁰, calling on the European Commission to clarify that multi-issuance with third-country issuers is not permissible under MiCAR and to develop appropriate safeguards to prevent multi-issuance from causing systemic risk.

3.3 Microprudential activities to ensure the soundness of individual banks

Banks showed strong resilience in a challenging environment

In 2025 banks under ECB supervision demonstrated strong resilience in a challenging economic and geopolitical environment. Overall, the euro area banking sector remained well capitalised. In the third quarter of 2025, the aggregate Common Equity Tier 1 ratio stood at 16.1%, while the aggregate NPL ratio of significant institutions remained roughly stable at 1.9%, significantly lower than over the past decade.³¹

Several simplification initiatives were advanced, while maintaining the resilience of banks

The ECB, together with the national competent authorities participating in the SSM, advanced several initiatives in 2025 aimed at strengthening the efficiency, effectiveness and risk focus of banking supervision.³² These included further progress on the reform of the Supervisory Review and Evaluation Process (SREP), notably the broader adoption and expanded use of the multi-year approach and a risk tolerance framework, which led to more focused and timely supervisory decisions. In parallel, the ECB launched the “Next level supervision” project, introducing a set of initiatives to simplify and streamline European banking supervision, reduce undue complexity and ensure that supervisors retain the capacity to tackle new and emerging risks. The focus areas include decision-making, internal model supervision, stress testing, capital-related decisions, reporting and on-site inspections. In addition, the ECB introduced a supervisory culture initiative, aimed at fostering a shared supervisory culture aligned with strategic objectives and at supporting the consistent and effective implementation of reforms across European banking supervision. It also developed a framework to assess the effectiveness of its supervisory activities. Looking ahead, in 2026 the ECB will start a review of its supervisory guides and other communications with a view to enhancing transparency regarding its expectations and supervisory approaches. The ECB will also review the application of proportionality in the supervision of less significant institutions. These initiatives complement the Governing Council’s recommendations to the European Commission based on the proposals of the [ECB High-Level Task Force on Simplification](#).

Digital operational resilience remained a key priority

During the year, the ECB strengthened its focus on digital operational resilience by setting out supervisory expectations for implementing the requirements laid down in

³⁰ Recommendation of the European Systemic Risk Board of 25 September 2025 on third-country multi-issuer stablecoin schemes (ESRB/2025/9).

³¹ Buch, C., “[Introductory statement](#)”, speech at the press conference on the 2025 SREP results and the supervisory priorities 2026-2028, Frankfurt am Main, 18 November 2025.

³² See “[Streamlining supervision, safeguarding resilience](#)”, ECB, 11 December 2025.

the [Digital Operational Resilience Act \(DORA\)](#)³³ in its [Guide on outsourcing cloud services to cloud service providers](#), which also presents a collection of observed good practices for managing the risks of cloud outsourcing. In addition, the ECB clarified the use of machine learning techniques in its [revised guide to internal models](#).

The 2025 stress test results revealed that the euro area banking sector is resilient to a severe but plausible economic downturn

In 2025 the ECB conducted a [system-wide stress test](#), which confirmed that the euro area banking sector remains resilient to a severe but plausible economic downturn.³⁴ Despite substantial projected losses, capital depletion remained lower than in previous stress tests, reflecting strong profitability and stable asset quality. Under the adverse scenario, the aggregate CET1 ratio would stand at 12.0%, confirming that current capital buffers are supportive of banks' ability to withstand adverse shocks.

Geopolitical risk and climate and nature-related risk were still high on the supervisory agenda

Geopolitical risk remained a key focus of the ECB's supervisory priorities given the heightened global uncertainties and the interconnected nature of the associated risks. Accordingly, the ECB continued to emphasise the importance of banks integrating geopolitical risk into their overall risk management frameworks and maintaining broad-based resilience. In addition, supervising banks' ability to adequately manage climate and nature-related risk remained high on the supervisory agenda. In this regard, the ECB completed a multi-year programme to advance banks' risk management capabilities and continued to move towards a business-as-usual approach by supervising climate and nature-related risks as part of its regular supervisory assessments and processes.

As part of its continued efforts to promote transparency, in 2025, following a public consultation, the ECB published a [Guideline on the supervisory approach by national competent authorities to coverage of non-performing exposures held by less significant supervised entities](#).³⁵ Additionally, following another public consultation, the ECB updated its policies on options and discretions available under EU law in order to ensure that they are applied consistently by the ECB and the national competent authorities. This will support transparency and effectiveness alongside fostering a level playing field for banks under European banking supervision.

The ECB and the [Authority for Anti-Money Laundering and Countering the Financing of Terrorism](#) signed a [Memorandum of Understanding](#), laying down the framework for their cooperation.

More detailed information can be found on the ECB's banking supervision website and in the [2025 ECB Annual Report on supervisory activities](#).

³³ Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (OJ L 333, 27.12.2022, p. 1).

³⁴ The 2025 stress test was coordinated by the European Banking Authority in cooperation with the ESRB, the ECB and national competent authorities.

³⁵ Guideline (EU) 2025/2595 of the European Central Bank of 10 December 2025 on the supervisory approach by national competent authorities to coverage of non-performing exposures held by less significant supervised entities (ECB/2025/40) (OJ L 2025/2595, 19.12.2025).

3.4 The ECB's contribution to European financial sector policy initiatives

Important policy initiatives to strengthen the resilience and competitiveness of the European financial sector advanced in 2025

In 2025 significant progress was made on strengthening the EU's financial regulatory and supervisory framework. The bulk of the Basel III reforms entered into force, with the remaining elements on track for implementation. The ECB supported key legislative initiatives, including targeted adjustments to prudential requirements, and contributed to developing the regulatory framework for crypto-assets. It also provided technical input to the co-legislators on policy discussions related to the review of the crisis management and deposit insurance framework. The agreement reached by the European Parliament and the Council of the European Union on that review marked a significant milestone on the path towards completing the banking union and strengthening the EU's bank resolution framework. The ECB continued to contribute to policy discussions on NBFIs and the savings and investments union, notably regarding legislative initiatives aimed at reducing fragmentation in EU financial markets, which will continue in 2026. In December 2025 the Governing Council put forward recommendations to the European Commission and co-legislators for simplifying the European prudential regulatory, supervisory and reporting framework for banks (see Box 3).

Developments in the regulatory framework for banks

Key elements of the Basel III reforms came into effect, with support from the ECB on their technical implementation

The revised [Capital Requirements Regulation \(CRR\)](#)³⁶ and revised [Capital Requirements Directive \(CRD\)](#)³⁷ came into effect in 2025, thereby implementing the final Basel III reforms in the EU, which are aimed at increasing the resilience of the EU banking system to various risks. During the year the ECB supported, and also continues to support, the European Banking Authority with many Regulatory or Implementing Technical Standards related to the CRR/CRD. The implementation of the Basel market risk rules in the EU, known as the Fundamental Review of the Trading Book (FRTB), had been postponed owing to level playing field concerns arising from delays in the Basel III implementation by some major global jurisdictions. In November 2025 the European Commission launched a targeted consultation on the FRTB, focusing on policy options to be adopted by a delegated act offering specific changes to mitigate the capital effects for EU banks.³⁸ The ECB published its response to the targeted consultation on 15 January 2026.³⁹

On 31 March 2025 the European Commission proposed making permanent the transitory prudential treatment of short-term securities financing transactions and

³⁶ Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (OJ L, 2024/1623, 19.6.2024).

³⁷ Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (OJ L, 2024/1619, 19.6.2024).

³⁸ For further details, see "[Commission seeks input on Basel III market risk rules for banks](#)", news article, Directorate-General for Financial Stability, Financial Services and Capital Markets Union, European Commission, 6 November 2025.

³⁹ See "[ECB staff contribution to the European Commission's targeted consultation on the application of the market risk prudential framework](#)", consultation response, ECB, 15 January 2026.

unsecured transactions undertaken with financial customers under the net stable funding ratio. Upon completion of the transitional period that was scheduled to end in June 2025, in the absence of any legislative amendments, this treatment would be aligned with that laid down in the Basel net stable funding ratio standard.⁴⁰ The ECB provided its opinion on the proposal on 2 May and the co-legislators adopted the Commission's proposal in June.^{41,42}

Strengthening the NBFi policy framework

Efforts to strengthen the NBFi policy framework from a macroprudential perspective continued in 2025

During 2025 the ECB continued to emphasise the importance of addressing structural vulnerabilities in the NBFi sector and strengthening the relevant policy framework from a macroprudential perspective. It contributed to discussions on enhancing the macroprudential toolkit for the asset management sector and improving policy coordination across EU Member States, while underlining the importance of the full and timely implementation of international recommendations to address liquidity risk in open-ended and money market funds.⁴³

In parallel, the ECB highlighted the need to address risk from leverage in the NBFi sector and to enhance cross-border information sharing, contributing to the development of international policy recommendations to mitigate related systemic risks.^{44,45} Furthermore, it actively contributed to promoting and monitoring the implementation of the regulatory response to crypto-asset activities in international fora, including through its involvement in the Thematic Review of the Global Regulatory Framework for Crypto-asset Activities conducted by the Financial Stability Board.⁴⁶

Supporting progress towards the savings and investments union

The ECB actively supported progress towards the savings and investments union through policy advice on key legislative initiatives

Accelerated progress towards the savings and investments union continued to be a key priority for the ECB in 2025. This is an essential step in strengthening Europe's competitiveness, strategic autonomy and financial stability, while supporting the efficient financing of the real economy.⁴⁷

⁴⁰ See "[Basel III: the net stable funding ratio](#)", Basel Committee on Banking Supervision, 31 October 2014.

⁴¹ See [Opinion of the European Central Bank of 2 May 2025 on a proposal for a regulation of the European Parliament and of the Council amending Regulation \(EU\) No 575/2013 on prudential requirements for credit institutions as regards requirements for securities financing transactions under the net stable funding ratio \(CON/2025/9\)](#).

⁴² [Regulation \(EU\) 2025/1215 of the European Parliament and of the Council of 17 June 2025 amending Regulation \(EU\) No 575/2013 as regards requirements for securities financing transactions under the net stable funding ratio \(OJ L, 2025/1215, 25.6.2025\)](#).

⁴³ See "[Financial Stability Review](#)", ECB, May 2025.

⁴⁴ See Grill, M., Molestina Vivar, L., O'Donnell, C., Wedow M. and Weistroffer, C., "[Strengthening risk monitoring and policy for non-bank leverage](#)", *Macroprudential Bulletin*, No 26, 15 January 2025.

⁴⁵ See "[Leverage in Nonbank Financial Intermediation – Final report](#)", Financial Stability Board, 9 July 2025.

⁴⁶ See "[Thematic Review on FSB Global Regulatory Framework for Crypto-asset Activities – Peer review report](#)", Financial Stability Board, 16 October 2025.

⁴⁷ See, for example, "[Financial Stability Review](#)", ECB, November 2025.

Specifically, the ECB contributed to advancing the savings and investments union in the area of financial market infrastructures (see Section 4.2). In addition, it actively engaged in policy discussions and provided technical advice on key legislative initiatives, such as the European Commission's proposed legislative package on market integration and supervision.⁴⁸ The package put forward concrete proposals to remove barriers that fragment the single market in trading, post-trading and asset management, while fostering innovation and strengthening supervision. In June 2025 the ECB contributed to the targeted consultation⁴⁹ leading up to those proposals. Following publication of the proposals, and as requested by the co-legislators, the Governing Council adopted an opinion on the package on 9 April 2026.⁵⁰

The ECB also provided its opinion on the European Commission's proposals to review the EU securitisation framework, which was the first legislative initiative by the Commission under the savings and investments union agenda.⁵¹

Box 3

Simplification of the European prudential regulatory framework

Amid the global debate about the complexity of financial rules and regulation, the Governing Council created the High-Level Task Force on Simplification to develop proposals for simplifying the European regulatory, supervisory and reporting framework.⁵² The recommendations of the Task Force were endorsed by the Governing Council and outlined in a report published on 11 December 2025.⁵³ The report served as input to the European Commission's report on the overall situation of the banking system and related legislative action, which is planned for 2026.

The recommendations follow the principles of:

- simplifying the framework, while maintaining the resilience of the European banking system and ensuring that microprudential, macroprudential and resolution authorities can continue to meet their objectives effectively;
- fostering European harmonisation and financial integration;

⁴⁸ See "[Market integration and supervision package](#)", *communication*, European Commission, 4 December 2025.

⁴⁹ See "[ESCB reply to the European Commission's targeted consultation on integration of EU capital markets](#)", *consultation response*, ECB, June 2025.

⁵⁰ See [Opinion of the European Central Bank of 9 April 2026 on proposals as regards the further development of capital market integration and supervision within the Union \(CON/2026/13\)](#).

⁵¹ See [Opinion of the European Central Bank of 11 November 2025 on \(a\) a proposal for a regulation amending Regulation \(EU\) 2017/2402 laying down a general framework for securitisations and creating specific framework for simple, transparent and standardised securitisation, \(b\) a proposal for a regulation amending Regulation \(EU\) 575/2013 on prudential requirements for credit institutions as regards requirements for securitisation exposures, and \(c\) a draft proposal for a delegated regulation amending Delegated Regulation \(EU\) 2015/61 as regards the eligibility conditions for securitisations in the liquidity buffer of credit institutions \(CON/2025/35\)](#).

⁵² The Task Force was chaired by Vice-President Luis de Guindos, with other members including Governing Council members Joachim Nagel (Deutsche Bundesbank), Madis Müller (Eesti Pank), François Villeroy de Galhau (Banque de France), Fabio Panetta (Banca d'Italia) and Olli Rehn (Suomen Pankki – Finlands Bank), as well as Sharon Donnery as ECB representative to the Supervisory Board.

⁵³ See "[Simplification of the European prudential regulatory, supervisory and reporting framework](#)", ECB, 11 December 2025.

- upholding international cooperation;
- ensuring full, timely and faithful implementation of Basel III.

In terms of scope, the recommendations cover three main areas: the regulatory framework, the supervisory framework and the reporting framework.

One of the recommendations was to simplify the design of banks' capital requirements and buffers, also known as the capital stack, by making two changes. First, merging the existing capital buffers into just two: a non-releasable buffer and a releasable buffer, which authorities could lower in bad times. With any reduction in the number of buffers, it will be important to preserve the authorities' current powers and competences. Second, reducing the leverage ratio framework from four elements to two, namely a 3% minimum requirement and a single buffer, which could be set to zero for smaller banks.

To improve the quality of banks' capital, the Governing Council proposed enhancing the capacity of Additional Tier 1 capital to absorb losses when a bank is operating normally, which would be Basel-compliant and maintain resilience. Alternatively, non-equity elements could possibly be removed from the going-concern capital stack provided that Basel compliance and capital neutrality were not compromised.

The Governing Council also proposed significantly increasing proportionality under EU banking rules by expanding the existing small and non-complex institution (SNCI) regime to include more banks and simplifying the applicable rules in a prudent and harmonised manner. To this end, the small bank regimes in the United Kingdom, Switzerland and the United States could be drawn on for inspiration.

To simplify the macroprudential framework, the Governing Council recommended automatic reciprocation of macroprudential measures up to a certain threshold, conditional on a more standardised application of macroprudential tools across Member States. This would ensure that all banks which are active in a Member State that applies a macroprudential measure would be subject to that measure.

Regarding the resolution framework, the Governing Council recommended aligning the minimum requirement for own funds and eligible liabilities more closely with the total loss-absorbing capacity requirement that applies to global systemically important banks. This would need to be done without reducing going-concern resources, thereby keeping the EU in line with international standards and making the rules more transparent and predictable. Access to additional funds also needs to be ensured.

To achieve further harmonisation, the Governing Council recommended shifting EU banking rules from directives to directly applicable regulations.

With regard to supervision, the Governing Council recommended completing the Single Rulebook and harmonising rules on licensing, governance and transactions with related parties, such as shareholders and board members, which would reduce complexity in the conduct of supervision. To this end, supervisors would need to be given greater flexibility, for example, in how often they review banks' internal models.

Furthermore, the Governing Council proposed simplifying the EU-wide stress test by streamlining its methodology and scope, and making its results more useful from a banking system and individual bank perspective. The results of this revised stress test exercise would help increase the coordination between macroprudential and microprudential buffers.

The Governing Council also proposed being made responsible for taking a holistic view of overall capital in the banking union and cross-country heterogeneities, which is currently missing. This could be done by expanding the role of the Macroprudential Forum, which already brings together the Governing Council and the Supervisory Board, in order to improve coordination and consistency across Member States when setting microprudential and macroprudential instruments.

The Governing Council strongly encouraged the completion of both the banking union and the savings and investments union to reduce national fragmentation and allow for more efficient capital markets.

With regard to reporting, the Governing Council proposed that European authorities could share their data more widely with each other, allowing banks to report only once, thereby creating a fully integrated reporting system at the European level for statistical, prudential and resolution purposes. Ideally, this would be done through the Joint Bank Reporting Committee.⁵⁴ All reporting requirements could be reviewed every three to five years to ensure they are still needed. Banks and supervisors would focus on the important data, disregarding minor reporting errors by implementing a materiality threshold for data resubmission requests. Consolidating supervisory and disclosure data would further reduce reporting efforts, with public disclosure (Pillar 3 reports) derived from supervisory reporting.

⁵⁴ Further information on the [Joint Bank Reporting Committee](#) is available on the ECB's website.

4 Smooth functioning of market infrastructure and payments

The Eurosystem plays a central role in developing, operating and overseeing market infrastructures and payments. It operates the TARGET Services, all of which saw increased traffic in 2025. The functionalities of the TARGET Services, including multi-currency settlement services, were further developed. On 16 June a new TARGET Service went live, with the Eurosystem Collateral Management System (ECMS), a unified system that harmonises collateral management for Eurosystem credit operations for all euro area jurisdictions. The Eurosystem continued to promote the safety and efficiency of Europe's payments and market infrastructure, pursuing the three imperatives of innovation, integration and independence. It also completed the preparation phase of the digital euro project, another milestone for the potential issuance of a digital euro. In 2025 the Eurosystem continued work on the development of an innovative, integrated and safe European digital asset ecosystem for wholesale transactions using distributed ledger technology, with the start of the Pontes and Appia initiatives. In the area of oversight, the recast of the ECB Regulation on oversight requirements for systemically important payment systems updated the definition of a systemically important payment system operator and provisions on governance, cyber risk and outsourcing.

4.1 TARGET Services

TARGET Services consist of three settlement services and a collateral management service: T2, a real-time gross settlement system for payment transactions supporting monetary policy operations, bank-to-bank transfers and commercial payments; TARGET2-Securities (T2S), a single platform for securities settlement in Europe; TARGET Instant Payment Settlement (TIPS), which settles instant payments in central bank money on a 24/7 basis; and the Eurosystem Collateral Management System (ECMS), a unified system that was successfully launched on 16 June 2025 and harmonises collateral management for Eurosystem credit operations for all euro area jurisdictions.

The multi-currency feature of TARGET Services was further extended

The multi-currency feature of the TARGET Services allows settlement services to be provided in currencies other than euro. It has been used in T2S for settlement of securities transactions in Danish kroner since October 2018 and in TIPS for [settlement of instant payments in Swedish kronor](#) since February 2024. In April 2025 [settlement in Danish kroner also became available in T2 and TIPS](#). In the future, TIPS will allow settlement in Norwegian kroner, while the possible addition of further currencies in both TIPS and T2 is currently under investigation. In the context of Bulgaria's accession to the euro area on 1 January 2026, the Bulgarian National Bank and the country's financial community joined all TARGET Services, including ECMS.

Traffic increased across all TARGET Services

In 2025 payment traffic increased across all TARGET Services. T2 settled on average 431,067 payments in euro per day, representing a 2.2% increase compared with the previous year, which was driven mainly by payments sent by banks on behalf of customers. T2S settled a daily average volume of 922,533 transactions, a 16.6% increase, which was broadly spread across markets. The EU [Instant Payments Regulation](#)⁵⁵, which required payment service providers in the euro area to be able to receive and send instant payments by 9 January and 9 October 2025 respectively, led to a substantial rise in euro-denominated TIPS activity in 2025.⁵⁶ The daily average number of transactions grew from 1,657,421 payments in December 2024 to 1,883,368 in January 2025 and 3,845,376 in December 2025, more than doubling during the course of the year.

The fourth TARGET Service went live in June 2025

ECMS was successfully launched on 16 June 2025 and began operations smoothly, following a coordinated migration involving 20 national central banks and their communities.⁵⁷ It became the fourth TARGET Service, and is fully integrated with other TARGET Services, particularly T2S and T2. ECMS processed an average of over 5,000 instructions daily, mainly related to mobilisations and demobilisations of credit claims as collateral.

The evolution of TARGET Services brought significant efficiency gains

The Eurosystem made substantial advancements in the evolution of all TARGET Services in 2025. A number of operational and product enhancements were implemented to increase the efficiency of T2 for participants and central banks. Furthermore, in 2025 the Eurosystem granted non-bank payment service providers access to central bank-operated payment systems, including TARGET. In June, the Eurosystem launched a [public consultation on a possible extension of T2 operating hours](#). After all responses have been processed, a report will be published in the first half of 2026. Finally, preparation work progressed on the T2 adaptations needed for the digital euro project.

Key new functionalities were added in T2S to enhance cross-border settlement, further improve settlement efficiency – notably through optimised partial settlement – and strengthen automatic liquidity management services for payment banks. Furthermore, work on improving the overall resilience of T2S continued. In close cooperation with the financial industry, the T2S governance bodies also advanced key policy initiatives. Identification and assessment of the system changes required to support the move to a shorter securities settlement cycle in the EU (T+1) were initiated and implementation was planned ahead of the introduction of T+1 in October 2027.

Follow-up measures after the TARGET Services incident on 27 February 2025

On 27 February 2025 TARGET Services encountered a major incident that made T2 and T2S unavailable for approximately ten and eight hours respectively.

⁵⁵ Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro (OJ L, 2024/886, 19.3.2024).

⁵⁶ Other provisions of the Regulation also had an impact on the volume and value of instant payments settled, in particular the requirement for payment service providers to set charges for instant payments no higher than those applied to other credit transfers, and the removal of the cap on the maximum value for instant payments.

⁵⁷ The Bulgarian National Bank became the 21st national central bank when Bulgaria adopted the euro on 1 January 2026.

Consequently, the processing of securities settlement instructions, payments, ancillary system settlements, and liquidity transfers between TARGET Services was suspended. As a follow-up to the incident, the TARGET Services governance bodies identified 20 measures to enhance contingency arrangements in the future.⁵⁸ The measures include: (i) the replacement of a faulty physical component, (ii) the review of the business continuity management and the IT service continuity management, and (iii) the collection of detailed market feedback on the effectiveness of cut-off delays following a long-lasting outage. Significant progress has been achieved on the measures identified, with most having been implemented by the fourth quarter of 2025.⁵⁹ Other incidents, which also affected the availability of the TARGET Services although to a lesser extent (in particular in March, May and November 2025), were also carefully managed by the Eurosystem, with further lessons being identified.

4.2 Shaping Europe’s payments and market infrastructure of tomorrow

The Eurosystem’s actions to shape the future of Europe’s payments and market infrastructure are driven by three imperatives: innovation, integration and independence. The Eurosystem is using innovative technology to further digitalise retail and wholesale payments and securities markets, and fostering deeper integration and competition through harmonisation and standardisation, for example in the post-trade sphere. Combined with the deployment of pan-European solutions, these efforts will be pivotal in improving the efficiency of transactions as well as bolstering Europe’s strategic autonomy and resilience. They will reinforce its monetary sovereignty and elevate the international role of the euro, while helping to preserve financial stability.

Preserving Europe’s monetary sovereignty with the digital euro

The Eurosystem took important steps in 2025 to advance its work on the [digital euro](#), to ensure people’s access to public money in the digital age. The digital euro would be a digital form of cash that complements banknotes and coins as well as other digital means of payment. It would offer a simple and universally accepted way to pay across the euro area, free for basic use, with high standards of privacy, security and accessibility. In October 2025 the [Governing Council decided to move to the next project phase](#). More detailed information on the project can be found in Box 4.

Fostering a safe and integrated European digital asset ecosystem

Building on the success of the Eurosystem’s exploratory work with distributed ledger technology (DLT), the Governing Council in 2025 approved a strategic plan to

⁵⁸ See “[TARGET Services incident of 27th February 2025 – Post-mortem Report](#)”, ECB, November 2025.

⁵⁹ The few remaining measures were completed in the first quarter of 2026.

advance the development of a European digital asset ecosystem harnessing the potential of DLT. See Box 5 for more detailed information.

Improving cross-border payments by interlinking fast payment systems

With regard to international payments, a key goal of the [Eurosystem retail payments strategy](#) is to facilitate cross-border transactions for businesses and consumers in Europe and strengthen the international role of the euro. The Eurosystem is exploring ways in which TIPS can support the targets of the G20 cross-border roadmap.

In June 2025 a cross-currency settlement service based on the European Payments Council's One-Leg Out (OLO) Instant Credit Transfer (OCT Inst) scheme was implemented in TIPS, allowing transactions to be initiated between any pair of currencies as long as at least one of the two legs is in one of the TIPS-hosted currencies.

At global level, the [Eurosystem is exploring the linking of TIPS with other fast payment systems](#) as a means to further improve interoperability, reduce costs and increase the speed and transparency of cross-border payments. In September 2025 the Governing Council decided to explore setting up a [potential link between TIPS and the Swiss Interbank Clearing Instant Payments \(SIC IP\) system](#). In November 2025 the Governing Council decided to move forward on [work to connect TIPS with India's Unified Payments Interface and with Nexus Global Payments](#).

Integration of the European market infrastructures for securities and collateral

The use of a common messaging standard for collateral is required by the Single Collateral Management Rulebook for Europe (SCoRE) standards and is key for improving the automation of corporate action and triparty collateral management processing. In December 2025 the Eurosystem's Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) set out a roadmap in its [ISO 20022 Migration Strategy](#) for a market-wide transition to ISO 20022. AMI-SeCo also published a comprehensive [report on remaining barriers to post-trade integration in Europe](#). The [2025 Corporate Events Compliance Report](#) and the [SCoREBOARD Compliance and Progress Report for the second half of 2025](#) both highlight limited progress and delays in compliance with AMI-SeCo standards. The Eurosystem is therefore seeking feedback from relevant stakeholders on their concrete steps and timeline to achieve full compliance with the SCoRE standards. AMI-SeCo supports the EU's planned changeover to a shorter settlement cycle (T+1) in some areas of corporate events processing.

More generally, the ECB, together with the European Securities and Markets Authority (ESMA) and the European Commission, is supporting the EU's move to

T+1 (see also Section 4.1) through its participation in the dedicated EU T+1 governance structure.

Box 4

Digital euro

Digitalisation is changing the way people pay. More and more payments in shops are made digitally, cash is being used less, and online shopping is on the rise. A digital euro would preserve the possibility to pay with public money, complementing cash with its equivalent for digital payments. It would be accessible for all, free for basic use and accepted for any digital payment, throughout the euro area. The digital euro would be cost-efficient and respect the highest privacy standards. It would increase convenience for consumers and lower fees for merchants. The digital euro's open standards would also allow European private payment solutions to scale up more easily, thereby uniting the euro area's fragmented retail payments market and fostering innovation in Europe. Through its technical architecture and offline functionality, it would make retail payments in the euro area more resilient and ensure payments can be made between two devices close to each other even without an internet connection, with cash-like privacy.⁶⁰

Preparation phase concluded in October 2025

The completion of the digital euro project preparation phase marks an important transition in the project. Building on the insights gained during the investigation phase conducted from 2021 to 2023, we moved towards refining the practical design. Key achievements include (i) the development of the draft digital euro scheme rulebook, (ii) the selection of providers for digital euro components and related services, (iii) the successful running of an innovation platform for experimentation with market participants, as well as (iv) the investigation by a technical workstream into the fit of the digital euro in the payment ecosystem. To ensure that the digital euro is designed to meet the needs of European citizens and merchants, the Eurosystem also commissioned extensive user research targeting vulnerable consumers and small merchants. The ECB demonstrated that the costs of the digital euro for banks would be contained, given the potential for leveraging synergies and banks' cost mutualisation practices. The ECB deepened its technical work on security, resilience and the financial stability impact of the digital euro, providing technical input to the EU legislators on request.

From November 2025: ensuring technical readiness

The Governing Council decided at the end of October to move to the next phase of the digital euro project. Under the working assumption that the digital euro Regulation will be adopted in 2026, the ECB aims to be ready for possible first issuance in 2029. In March 2026 payment service providers were invited to participate in a pilot exercise that will take place in the second half of 2027. The focus of the current project phase is on three main workstreams: ensuring technical readiness, deepening market engagement and supporting the legislative process. The work follows a modular, flexible approach, allowing gradual scaling and limiting costs until a final decision on issuance is taken. The Eurosystem is committed to refining the digital euro's design to take into account legislative outcomes and stakeholder feedback, to serve the needs of the people of the euro area.

⁶⁰ The user's device would be prefunded, with funds stored locally. For more information on the digital euro, see the [digital euro hub](#) on the ECB's website.

Box 5

Fostering the development of a European digital asset ecosystem

While digitalisation in finance has been under way for decades, distributed ledger technology (DLT) has the potential to push the technological frontier significantly further.

DLT enables the tokenisation of finance, a process in which assets are issued or represented as digital “tokens” on a distributed ledger. Tokenisation has the potential to increase efficiency, transparency and automation in transactions, with potentially major effects on market infrastructure and the roles of market participants. The Eurosystem is seizing this moment to – in line with its mandate – ensure that Europe remains competitive, integrated and strategically autonomous in shaping its digital future. It is at the same time safeguarding the effectiveness of monetary policy and financial stability by keeping central bank money at the core of the monetary system.

In 2025 the Governing Council approved a strategy to support the safe and integrated development of a European digital asset ecosystem for wholesale markets.⁶¹

The Eurosystem’s single work programme consists of two main elements:

- **Pontes:** serving as a bridge between today and tomorrow, Pontes will connect market DLT platforms directly to the Eurosystem’s TARGET Services. This will allow market participants to settle tokenised transactions in central bank money, giving them the safety and certainty they need today while building up operational experience for tomorrow. The first milestone will be the initial Pontes launch in the third quarter of 2026, which will deliver a first set of capabilities that meet the market’s immediate needs. It will, however, be an evolving solution, with additional features and functionalities being gradually added, starting in mid-2027. The ECB has established a **governance structure** to engage systematically with stakeholders.
- **Appia:** the road to an integrated digital financial ecosystem in Europe. Working with public and private stakeholders, the Appia initiative will investigate ways to create the overall architecture of an innovative and integrated European tokenised financial ecosystem – from settlement infrastructure to the standards, rules and governance frameworks. Following publication of the **Appia roadmap** on 11 March 2026, the Eurosystem will work extensively with market participants, legislators and regulators to produce a blueprint for this ecosystem in 2028, delivering a comprehensive list of findings, recommendations and principles. Appia will also inform the design and prioritisation of enhancements to Pontes.

The Eurosystem’s strategy on DLT embodies the three imperatives of innovation, integration and independence.

Innovation: the Eurosystem is embracing innovation, without compromising on safety. The initiatives will provide financial markets with a settlement layer in central bank money, which is free from the credit and liquidity risks of private settlement assets. Central bank money is the robust foundation that makes innovation sustainable and trustworthy.

Integration: Europe’s post-trade landscape remains fragmented.⁶² This raises costs, reduces liquidity and complicates cross-border activity through differing rules, fees and procedures. The **market integration package** proposed by the European Commission recognises this challenge and

⁶¹ See “**ECB commits to distributed ledger technology settlement plans with dual-track strategy**”, *press release*, ECB, 1 July 2025.

⁶² See Hanssens, B., Sandin de Vega, D. and Franziska Sowa, H., “**Advancing the capital markets union in Europe: a roadmap for harmonising securities post-trading**”, *Economic Bulletin*, Issue 4, ECB, 2025.

aims to promote deeper capital market integration. DLT can help by enabling shared, cross-jurisdictional market infrastructures, for which harmonisation and interoperability must be considered from the outset.

Independence: Europe needs strategic autonomy in an ever-changing global landscape. Pontes and Appia will support this by building an ecosystem around central bank money as a trusted public settlement asset enabling the safe development of regulated private settlement assets in euro.

4.3 Oversight and the role of central bank of issue

The safe and efficient functioning of financial market infrastructures and payments in the euro area remains a priority for the Eurosystem in its oversight capacity. In addition, as central bank of issue for the euro, the Eurosystem participates in cooperative arrangements with other overseers or competent authorities for financial market infrastructures with significant euro-denominated activities.

The Eurosystem conducted multiple assessments of systemically important payment systems as well as pan-European and national payment schemes and arrangements

The comprehensive assessment of TARGET Services which was finalised in 2025 concluded that the services are largely compliant with the applicable oversight requirements. Recommendations were issued in relation to, especially, the governance of risk management and the integration of cyber processes into operational risk management. The findings were not considered to pose a serious risk. Incidents affecting TARGET Services in 2025 were reviewed, above all the major incident in February and further incidents in March, May and November. The review resulted in recommendations in relation to the major incident and business continuity management processes.

The recast of the ECB Regulation on oversight requirements for systemically important payment systems was published

The Eurosystem also conducted a number of assessments of other systemically important payment systems, i.e. EBA CLEARING's EURO1 and STEP2-T and the Mastercard Clearing Management System, with a focus on operational resilience and major changes. Changes were made to the status of some payment systems in 2025, following the annual payment systems classification exercise for oversight purposes.⁶³ Furthermore, the Eurosystem finalised the recast of the ECB [Regulation on oversight requirements for systemically important payment systems \(ECB SIPS Regulation\)](#)⁶⁴, which revised various elements, including the definition of a SIPS operator to also cover euro area branches of legal entities located outside the euro area. Furthermore, the recast Regulation includes provisions in relation to cyber risk and outsourcing, also taking into consideration technological and regulatory developments in the European Union, including the [Digital Operational Resilience Act \(DORA\)](#)⁶⁵.

⁶³ This annual exercise allows the ECB to classify payment systems based on their systemic importance.

⁶⁴ Regulation (EU) 2025/1355 of the European Central Bank of 2 July 2025 on oversight requirements for systemically important payment systems (ECB/2025/22) (OJ L, 2025/1355).

⁶⁵ Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (OJ L 333, 27.12.2022, p. 1).

Under its oversight framework for electronic payment instruments, schemes and arrangements (the PISA framework), the Eurosystem concluded comprehensive assessments of selected payment schemes. It also operationalised its new responsibilities under the [Markets in Crypto-Assets Regulation \(MiCAR\)](#)⁶⁶ and, in collaboration with the European Banking Authority, finalised the [joint 2025 report on payment fraud](#).

In the area of cyber resilience, the Eurosystem conducted its periodic cyber survey to assess the resilience of overseen entities.⁶⁷ It also coordinated the activities of the Euro Cyber Resilience Board for pan-European Financial Infrastructures, for which key focus areas in 2025 included crisis coordination as well as third-party risk management.

The Eurosystem revised the CCP credit facility in TARGET to ensure its prompt operationalisation

As central bank of issue for the euro, the Eurosystem contributed to the work of supervisory and resolution colleges for EU central counterparties (CCPs) and participated in the ongoing supervision of systemically important third-country CCPs. It also completed its review of the [CCP credit facility](#) available to eligible euro area CCPs under the TARGET Guideline.⁶⁸ The ECB monitored the developments in the EU clearing landscape in 2025 and conducted in-depth analyses of the structure and functioning of the liquidity pools for euro-denominated interest rate derivatives. It also contributed to the work of the newly established [Joint Monitoring Mechanism](#).

As central bank of issue for the euro, the Eurosystem contributed to supervisory procedures for post-trading market infrastructures

In the area of securities settlement, the Eurosystem continued to fulfil its role as a relevant authority under the [Central Securities Depositories Regulation \(CSDR\)](#)⁶⁹, by providing reasoned opinions on the regular review and evaluation, as well as the extension of authorisation, of certain central securities depositories. In addition, the Eurosystem issued non-binding opinions on a number of applications submitted under the [DLT Pilot Regime Regulation](#)⁷⁰.

Finally, the ECB contributed to multiple policy and regulatory activities at EU and international level, including the development of the regulatory technical standards linked to recently adopted or updated EU legislation applicable to financial market infrastructures.

⁶⁶ Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (OJ L 150, 9.6.2023, p. 40).

⁶⁷ This year the scope of the cyber survey was extended to PISA entities in addition to systemically important payment systems, central securities depositories and CCPs.

⁶⁸ See "[ECB introduces changes to the dedicated credit facility for euro area CCPs](#)", *press release*, ECB, 30 April 2025.

⁶⁹ Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1).

⁷⁰ Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology, and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU (OJ L 151, 2.6.2022, p. 1).

5 Market operations and financial services provided to other institutions

The Eurosystem's swap and repo lines with non-euro area central banks are monetary policy instruments that are used as stabilising tools in times of stress in global financial markets. In 2025 euro liquidity lines again provided a backstop to market-based funding. The ECB also continued to offer US dollar operations to eligible euro area counterparties on a regular basis, backed by the standing swap line network of major central banks, comprising the ECB together with the Federal Reserve System, the Bank of Canada, the Bank of England, the Bank of Japan and the Swiss National Bank. The ECB did not intervene in the foreign exchange market in 2025. It remained responsible for the administration of various financial operations on behalf of the EU and continued to coordinate the Eurosystem reserve management services framework.

5.1 Developments in market operations

Euro and foreign currency liquidity lines

The Eurosystem's swap and repo lines remained operational in 2025

The Eurosystem's [swap and repo lines](#) are monetary policy instruments that help prevent tensions in international funding markets from hampering the effectiveness of euro area monetary policy transmission. Table 5.1 shows the liquidity lines in operation as at 31 December 2025. Drawings on the euro liquidity lines in 2025 remained very limited.

With regard to foreign currency liquidity lines, in 2025 the ECB continued to provide US dollar liquidity on a weekly basis with a seven-day tenor in coordination with the Federal Reserve System, the Bank of Canada, the Bank of England, the Bank of Japan and the Swiss National Bank (the swap line network). Borrowing by euro area counterparties remained very limited throughout the year.

Table 5.1

Overview of Eurosystem operational liquidity lines as at 31 December 2025

Non-euro area central bank	Type of arrangement	Reciprocal	Maximum borrowable amount (EUR millions)
Danmarks Nationalbank	Swap line	No	24,000
Sveriges Riksbank	Swap line	No	10,000
Bank of Canada	Swap line	Yes	Unlimited
People's Bank of China	Swap line	Yes	45,000
Bank of Japan	Swap line	Yes	Unlimited
Swiss National Bank	Swap line	Yes	Unlimited
Bank of England	Swap line	Yes	Unlimited
Federal Reserve System	Swap line	Yes	Unlimited
Banca Națională a României	Repo line	No	4,500
Magyar Nemzeti Bank	Repo line	No	4,000
Bank of Albania	Repo line	No	400
Andorran Financial Authority	Repo line	No	35
National Bank of the Republic of North Macedonia	Repo line	No	400
Central Bank of the Republic of San Marino	Repo line	No	100
Central Bank of Montenegro	Repo line	No	250
Central Bank of the Republic of Kosovo	Repo line	No	100

Source: ECB.

Reporting on foreign exchange interventions

The ECB has not conducted foreign exchange interventions since 2011

The ECB did not intervene in the foreign exchange market in 2025. Since the inception of the euro, the ECB has intervened in the foreign exchange market twice – in 2000 and 2011. Data on foreign exchange interventions are published on a quarterly basis with a delay of one quarter on the ECB's website and in the ECB Data Portal, and are recapped in Table 5.2. If there were no foreign exchange interventions in the relevant quarter, this is explicitly stated.

Table 5.2

ECB foreign exchange interventions

Period	Date	Intervention type	Currency pair	Currency bought	Gross amount (EUR millions)	Net amount (EUR millions)
Q3 2000	22/09/2000	Coordinated	EUR/USD	EUR	1,640	1,640
	22/09/2000	Coordinated	EUR/JPY	EUR	1,500	1,500
Q4 2000	03/11/2000	Unilateral	EUR/USD	EUR	2,890	2,890
	03/11/2000	Unilateral	EUR/JPY	EUR	680	680
	06/11/2000	Unilateral	EUR/USD	EUR	1,000	1,000
	09/11/2000	Unilateral	EUR/USD	EUR	1,700	1,700
	09/11/2000	Unilateral	EUR/JPY	EUR	800	800
Q1 2011	18/03/2011	Coordinated	EUR/JPY	EUR	700	700
2012-24	-	-	-	-	-	-
Q1-Q4 2025	-	-	-	-	-	-

Source: ECB.

The reporting framework covers foreign exchange interventions carried out by the ECB unilaterally and in coordination with other international authorities, as well as interventions “at the margins” within the exchange rate mechanism (ERM II).

5.2 Administration of EU borrowing and lending operations

The ECB processed payments for various EU loan programmes

The ECB acts as a fiscal agent for the European Commission for the administration of EU borrowing and lending activities. In 2025 it was responsible for the administration of accounts and the processing of payments relating to the following EU programmes:

- The medium-term financial assistance facility (MTFA);
- The European Financial Stabilisation Mechanism (EFSM);
- The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE);
- The Next Generation EU (NGEU) programme;
- The Ukraine Loan Cooperation Mechanism (ULCM);
- The Ukraine Facility;
- Macro-financial assistance (MFA);
- The Reform and Growth Facility for the Western Balkans.

The ECB also acts as a paying agent for the European Commission in relation to its EU Issuance Service.

In 2025 the ECB processed various disbursements and payments related to the above-mentioned programmes.

It is also responsible for processing all payments in relation to the loan facility agreement for Greece.

As at 31 December the total outstanding nominal amounts were €37.1 billion under the EFSM, €90.4 billion under SURE and €26.3 billion under the loan facility agreement for Greece. There were no amounts outstanding under the MTFA on that date.

5.3 Eurosystem reserve management services

Several Eurosystem national central banks provided services under the ERMS framework

In 2025 the Eurosystem continued to offer a comprehensive set of financial services within the Eurosystem reserve management services (ERMS) framework established in 2005 for the management of customers’ euro-denominated reserve assets. Several Eurosystem national central banks provided these services to central banks, monetary authorities and government agencies located outside the euro area, as

well as to international organisations, under harmonised terms and conditions and in line with market standards. The ECB continued to coordinate the framework, monitored the smooth functioning of the services, facilitated improvements to the framework and prepared related reports for the ECB's decision-making bodies.

The number of customer accounts in the ERMS stood at 285 at the end of 2025, compared with 287 at the end of 2024. In the fourth quarter of 2025 the total average aggregated holdings (including cash assets and securities holdings) managed within the ERMS framework were approximately 8% higher than in the fourth quarter of 2024.

6 Making euro cash fit for the future

In 2025 the level of euro banknotes in circulation increased again. In line with the Eurosystem's commitment to ensure that cash remains available, accessible and accepted as means of payment, while also being as sustainable and environmentally friendly as possible, the process to redesign the euro banknotes continued. This process will enhance the security of euro banknotes and also provide an opportunity to make them more relatable to all Europeans.

6.1 Developments in cash circulation and handling

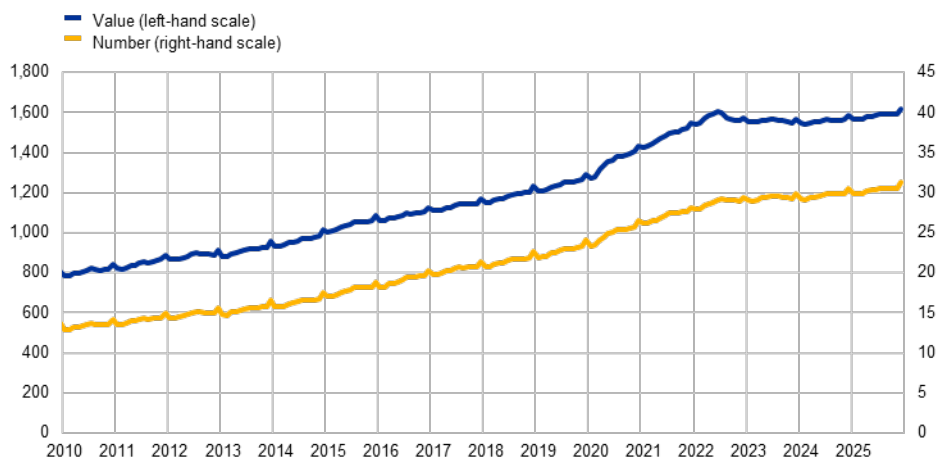
Euro banknote and coin circulation continued to rise

Euro banknotes in circulation continued to grow in 2025 and reached a new high at the end of the year, amounting to 31.3 billion pieces with a total nominal value of €1,619.5 billion. After levelling out during the period of rising interest rates, nominal growth recovered slightly, reaching 2.5% by number and 2.0% by value year on year.

Chart 6.1

Number and value of euro banknotes in circulation

(left-hand scale: EUR billions; right-hand scale: billions)



Source: ECB.

The value of cash in circulation was above 10% of euro area GDP throughout the past decade, underlining the importance of cash

Over the period 2015-25 the value of cash in circulation consistently exceeded 10% of euro area GDP, underscoring the relevance of cash as a means of payment and as a liquid asset held for transaction and precautionary purposes. The growth in banknotes in circulation was also driven by the international use of the euro.

Credit institutions returned 24.5 billion banknotes to the euro area national central banks (NCBs) in 2025, which is a slight decrease of 0.9 billion banknotes compared with 2024. In terms of value, the banknotes deposited at the NCBs totalled €833 billion in 2025, down from €856 billion in 2024. This decline was partly due to

credit institutions recirculating higher volumes of banknotes to customers, instead of returning them to the NCBs.

In 2025 the increase in euro coin circulation issued by euro area Member States reached 1.8% by number and 2.6% by value year on year, and amounted to 2.7 billion coins with a face value of €890 million.

6.2 Enhancement of the cash legal framework

Cash plays an important contingency role, supporting the resilience of the payment system

The rise in euro banknotes in circulation demonstrates the continued need for forward-looking policies that safeguard the acceptance of cash and preserve good access to cash services, as well as ensure the security and sustainability of banknotes. Growing concerns across the euro area about cash acceptance and access to cash services highlight the urgent need for a comprehensive EU framework with clear and binding rules on the legal tender status of euro banknotes and coins. Such a framework will strengthen public trust in cash and clarify Member States' responsibilities in terms of ensuring effective access to and greater resilience of cash services. The ECB welcomed the significant progress achieved by the EU legislators, with the Council of the European Union's December 2025 agreement on a general approach, and stands ready to provide technical support for the finalisation of the [Regulation on the tender of euro banknotes and coins](#)⁷¹ as part of the Single Currency Package. Notwithstanding the general rise in digital retail payments in the euro area, analyses of electricity blackouts show that cash remains a reliable fallback in the event of disruptions to the payment system, which can occur unexpectedly and affect transactions on a wide scale.⁷² Cash bolsters systemic resilience, both acting (additionally to its daily widespread use) as a "spare tyre" for the payment system during disruptions and fostering competition in payment markets. It is also important for financial inclusion since many citizens, not least vulnerable groups, rely on cash to make their daily payments.

6.3 Counterfeiting and euro banknote development

The number of counterfeits withdrawn from circulation fell by 20%

Some 444,000 counterfeit euro banknotes were withdrawn from circulation in 2025, a decrease of 20% compared with the previous year. €20 and €50 denominations continued to be the most counterfeited, together accounting for around 80% of the total.

The share of counterfeits in total banknotes in circulation was one of the lowest since the launch of the euro

In 2025, 14 counterfeits were detected per million genuine banknotes in circulation, which is one of the lowest levels observed since the launch of the euro (Chart 6.2). The likelihood of receiving a counterfeit banknote is therefore very small.

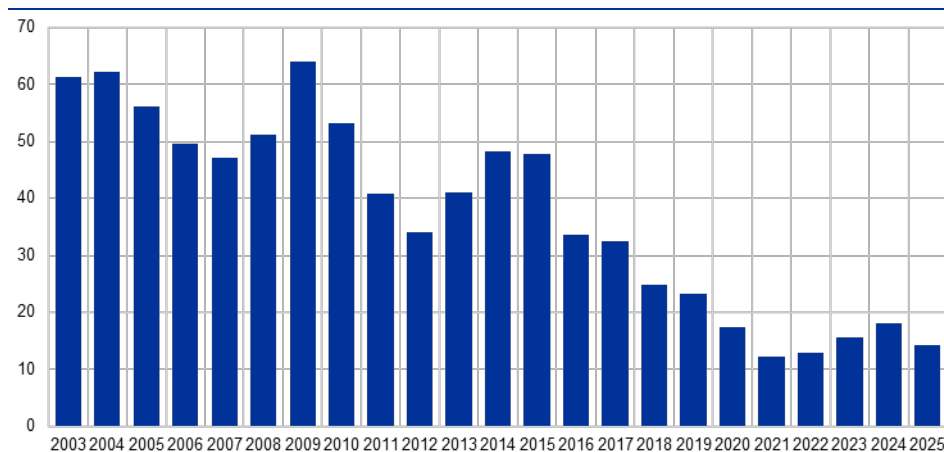
⁷¹ Proposal for a Regulation of the European Parliament and of the Council on the legal tender of euro banknotes and coins (COM/2023/364 final).

⁷² See, for example, "Keep calm and carry cash: lessons on the unique role of physical currency across four crises", *Economic Bulletin*, Issue 6, ECB, 2025.

Most counterfeits are of low quality with no or only very poor imitations of security features. Banknotes can be checked using the simple “feel, look and tilt” method described on the [banknote security features](#) web page and on the websites of the euro area NCBs.

Chart 6.2

Number of counterfeits detected annually per 1 million genuine notes in circulation



Source: ECB.

Progress on the euro banknote redesign process

During 2025 the ECB proceeded with its work on redesigning the euro banknotes. The aim of the process is that the new banknotes better reflect Europe’s unity, identity and values, and are more secure, environmentally friendly and relatable to all Europeans. Launched in December 2021, this project highlights the ECB’s commitment to cash as a safe and inclusive payment method.

Public involvement has been crucial in the redesign process. Through consultations and surveys, the ECB has gathered ideas and feedback from across the European Union. In 2023, based on public input and expert recommendations, the Governing Council selected two themes for the new banknotes: “European culture”, celebrating shared cultural spaces and iconic European personalities; and “Rivers and birds”, showcasing Europe’s rich natural diversity. In early 2025 it selected the motifs to illustrate each theme.

Later in the year, on 15 July, the ECB launched its design contest for the new banknotes, inviting designers and artists residing in the European Union to submit applications to participate in the design phase. Participants were selected based on their experience and achievements, and have now started preparing design proposals. The Design Contest Jury, made up of independent experts from each euro area country, will select up to five winning designs for each theme. The public will have the opportunity to share its views before the Governing Council selects the final designs, which is expected around the end of 2026. The new banknotes will enter circulation some years after this decision and following the production process.

The public is being consulted throughout the redesign process, and a decision on the final designs is expected around the end of 2026

7 Statistics

The ECB – assisted by the national central banks (NCBs) – develops, collects, compiles and disseminates a wide range of statistics and data needed to support the tasks of the European System of Central Banks (ESCB) and the European Systemic Risk Board. These statistics are also used by public authorities, international organisations, financial market participants, the media and the general public and help the ECB to increase the transparency of its work.

In 2025 the ECB refined euro area statistics to better support monetary policy, financial stability and wider EU priorities. Key datasets on money markets, banks and government finance were enhanced, improving coverage, consistency and transparency while also streamlining NCB reporting. Climate-related indicators were further developed to provide richer information on sustainable finance and climate risks, thereby helping to integrate climate considerations into policy analysis. At the legislative level, the ECB recommended targeted amendments to Council Regulation (EC) No 2533/98 to modernise the framework for collecting statistics, improve data quality and efficiency, and keep reporting burdens to a minimum while protecting confidentiality. In parallel, the Joint Bank Reporting Committee (JBRC) made key advances towards making banks' data reporting more efficient with the release of its first advice, which concerned the implementation of the revised statistical classification of economic activities.

7.1 Advancing euro area statistics to meet evolving policy needs

The transparency of STEP market was enhanced through increased coverage and improved accuracy

In January 2025 the ECB significantly enhanced its Short-Term European Paper (STEP) statistics, which provide information on primary market volumes, transactions and yields for short-term debt securities issued under programmes that have received the STEP label. The new STEP statistics benefit not only from data provided by eligible STEP data providers but also from other high-quality data available in the ECB's Centralised Securities Database, leading to improved data quality and coverage. The enhanced statistics are published in interactive reports featuring new weekly data, thereby facilitating the monitoring of money market activities by the Eurosystem (for its monetary policy operations), securities issuers and investors.

The Governing Council adopted a new Guideline on household wealth, income and consumption statistics

In the same month, the Governing Council adopted a new Guideline that upgrades and further harmonises the existing framework for euro area statistics on household wealth, income and consumption.⁷³ The framework enables a better understanding of the situations of different household groups and how they are affected by economic developments and monetary policy.

⁷³ [Guideline \(EU\) 2025/333 of the European Central Bank of 31 January 2025 on statistical information to be reported on household wealth, income and consumption \(ECB/2025/3\)](#) (OJ L, 2025/333, 27.2.2025).

The recast Guideline on government finance statistics modernises deficit and debt data and streamlines NCB reporting

The Governing Council adopted a recast Guideline on government finance statistics, which regulates how euro area data on government revenue, expenditure, deficits/surpluses and debt are compiled and reported.⁷⁴ The recast Guideline introduces clearer templates for sector-by-sector data (central, state and local government and social security funds), adds harmonised information on financial links with the EU budget and defines when NCBs may rely on statistics already transmitted by Eurostat. This improves consistency and avoids unnecessary double reporting.

Including new reporting agents in the €STR calculation shows the ECB's commitment to reliable and transparent euro money market benchmarks

To strengthen the robustness and representativeness of euro money market statistics, data from the expanded money market statistical reporting (MMSR) population were incorporated into the daily calculation of the euro short-term rate (€STR) as of 2 July 2025. This followed the addition of 24 new banks to the MMSR population on 1 July 2024, which increased the sample size for several euro area countries and extended coverage to Luxembourg and Portugal for the first time. The benchmark now rests on higher transaction volumes and improved coverage.

New breakdowns of portfolio debt statistics give a clearer, more detailed picture of exposures over time

In July 2025 the ECB started publishing more detailed statistics on euro area cross-border portfolio investment positions in debt securities.⁷⁵ These new breakdowns show more currencies and issuer countries, a wider set of investor and issuer sectors, different maturity ranges, and whether a bond is green or sustainable. They also group assets and liabilities by simple risk classes based on credit ratings and provide some indicators at both nominal and market value, giving a clearer picture of exposures over time.

Updated consolidated banking data now cover Class 1 investment firms and allow centralised aggregation by the ECB

In October 2025 the Governing Council adopted a Guideline amending the Guideline on consolidated banking data.⁷⁶ This extended the statistics coverage to Class 1 investment firms so that the aggregates better reflect the full EU banking sector.⁷⁷ The amendment allows the ECB to aggregate supervisory data centrally on behalf of the NCBs, using its IT systems to enhance cross-country consistency and efficiency. In addition, the reporting templates were refined to provide more granular information on bank statistics.

Enhanced climate indicators offer new breakdowns and more detailed measures of transition and physical climate risks

In November 2025 the ECB further enhanced its climate-related statistical indicators. The indicators on sustainable debt securities were expanded with new breakdowns by currency, maturity and interest rate type. The transition risk indicators now provide a more detailed view of the carbon and sectoral profiles of banks' loans and securities portfolios, making it easier to assess exposures to high-emitting industries and to follow changes over time. The physical risk indicators were refined to cover a broader set of hazards, including temperature and precipitation-related risks and

⁷⁴ [Guideline \(EU\) 2025/603 of the European Central Bank of 7 March 2025 on government finance statistics \(ECB/2025/9\) \(recast\)](#) (OJ L, 2025/603, 31.3.2025).

⁷⁵ See Matteo, M., Rodríguez Caloca, A. and Torri, C., "Enhancing the breakdowns of portfolio investment in debt securities", *ECB Data Blog*, ECB, 29 July 2025.

⁷⁶ [Guideline \(EU\) 2025/2212 of the European Central Bank of 2 October 2025 amending Guideline \(EU\) 2021/833 on statistical information to be reported on consolidated banking data \(ECB/2021/14\)](#) (ECB/2025/34) (OJ L, 2025/2212, 21.11.2025).

⁷⁷ Class 1 investment firms are large, bank-like investment firms that are subject to the same prudential rules as credit institutions.

water stress, and to link them to the geographical location of the underlying exposures.

7.2 Review of Council Regulation (EC) No 2533/98 – collection of statistical information by the ECB

Statistics legislation was updated to improve data quality and efficiency, and to reduce reporting burdens

Council Regulation (EC) No 2533/98⁷⁸ provides the legal framework for collecting the statistical information from banks and other reporting agents necessary for the tasks of the ESCB. The Regulation was adopted in 1998 and amended in 2009 and 2015. As the economy, financial system and data landscape continue to evolve, the ECB issued a new recommendation to amend the Regulation in 2025.⁷⁹ An amending Regulation was subsequently adopted by the Council of the European Union on 16 December 2025.⁸⁰

More detailed data are required, but reporting needs to be kept to a minimum

The digital transformation is creating new demands and opportunities not only for businesses but also in the provision of public services. It has created an unprecedented environment with new needs for statistics to carry out the ESCB's tasks and new possibilities for the efficient collection of granular data. Moreover, recent economic and financial developments have amplified the need to collect timelier, more frequent and more detailed statistics while keeping the reporting burdens to a minimum.

To reduce reporting burdens, data should be collected only once and shared with relevant parties

For these reasons, it was important to adapt the legal framework so that statistical and regulatory reporting could follow the “report once” principle wherever possible. To avoid having multiple Member State and EU authorities and bodies collecting the same data, statistical information should be shared among members of the ESCB and by the ESCB with members of the European Statistical System and other relevant parties in well-defined circumstances, irrespective of which ESCB member initially collected the data.

7.3 Making banks' data reporting more efficient

The JBRC continued working towards simplification and harmonisation

Key advances in making banks' data reporting more efficient were driven by the JBRC, which brings together European and national authorities and the banking industry. The JBRC reached a major milestone in June 2025 with the release of its first advice, which concerned the implementation of the revised statistical classification of economic activities (NACE Rev. 2.1). The ECB and the European

⁷⁸ Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank (OJ L 318, 27.11.1998, p. 8).

⁷⁹ Recommendation for a Council Regulation amending Regulation (EC) No 2533/98 concerning the collection of statistical information by the European Central Bank (ECB/2025/17) (OJ C, C/2025/3224, 17.6.2025).

⁸⁰ Council Regulation (EU) 2026/415 of 16 December 2025 amending Regulation (EC) No 2533/98 concerning the collection of statistical information by the European Central Bank (OJ L, 2026/415, 20.2.2026).

Banking Authority will ensure that banks can implement the revised classification simultaneously for statistical, supervisory and resolution reporting.

The Eurosystem decided to look into whether the IReF could be a step towards a more technologically sovereign Europe

In 2025 the Eurosystem remained committed to reducing banks' reporting burdens by consolidating its statistical reporting requirements via the Integrated Reporting Framework (IReF). Owing to geopolitical developments, and considering the long-term nature of the IReF project, the Eurosystem decided to investigate whether this first step towards a fully integrated reporting system could also be a step towards a more technologically sovereign Europe. To this end, the Eurosystem needs more time than anticipated to evaluate more sovereign solutions, including cloud hosting solutions, for the implementation of the IReF.

The BIRD's coverage grew in 2025, showing that granular alignment of statistical and supervisory reporting enhances quality and consistency

Lastly, the Banks' Integrated Reporting Dictionary (BIRD), which provides a bridge between the data requirements of authorities and the language and definitions used by banks, continued to expand its role in supporting more efficient reporting in 2025. This included the addition of FINREP, asset encumbrance and AnaCredit to the dictionary. New workstreams were launched to integrate additional supervisory frameworks and data requirements, further extending the BIRD's coverage beyond statistical data. This work is particularly important, as it confirms the feasibility of aligning statistical and supervisory reporting at a granular level, thereby enhancing the quality of data reported by banks and fostering greater consistency across reporting domains.

Box 6

Advancing global standards in macroeconomic statistics

2025 marked the end of a long internationally coordinated review process for the main statistical standards. The review was aimed at standardising and enriching the way economic and financial activity is measured in order to address emerging research needs and policy concerns. Indicators such as gross domestic product (GDP), the external balance and wealth, which are key to the ECB's economic analysis work, have been updated with revised definitions to better capture the underlying economic reality.

The review

The review covered both the System of National Accounts (SNA) and the Balance of Payments and International Investment Position Manual (BPM)), the revised editions of which are referred to as the 2025 SNA and the BPM7 respectively. These two statistical manuals form the core of international macroeconomic statistical standards – the set of agreed concepts, classifications and accounting conventions used in the compilation of macroeconomic statistics. The review process, which began in 2020, is still ongoing for several other related statistical manuals, including those covering government finance statistics, monetary and financial statistics, and environmental accounting. Countries worldwide are encouraged to implement the new standards by 2030 at the latest.

The update of the standards is aimed at reflecting considerable changes in the economic landscape since the previous review (completed in 2008), including the increased globalisation and digitalisation of economic interactions and transformations in the financial system. In addition, the

manuals have been enhanced to better support emerging analytical priorities, such as well-being, the environment and sustainability.

Improved treatment of assets

The most far-reaching changes concern the treatment of economic assets. The digital transformation has given rise to new asset types that are to be recognised in macroeconomic statistics. These include crypto-assets and electronic data that function as assets supporting economic activity. The latter will be classified as produced assets and will therefore increase measured investment and GDP.

Moreover, natural resources will assume a more central role. A new category has been introduced within the asset classification to encompass all natural resources (as distinct from other produced and non-produced assets), and renewable energy resources are explicitly recognised. At the same time, the depletion of non-renewable natural resources will be treated as a cost of production, leading to a lower net domestic product (NDP) when compared with the current method of calculation. The new system highlights NDP and other net indicators that account for value destruction in addition to value creation as conceptually more informative measures of underlying economic activity, particularly when assessing economic growth, while emphasising that both NDP and GDP should be used on a comparable basis in economic analysis.

The role of government-owned assets in the production of goods and services will also be strengthened, as the capital service flows from these assets will now be recognised in the estimation of government output. This will in turn increase measured GDP.

Enhanced analytical capabilities

Both the 2025 SNA and the BPM7 introduce additional breakdowns compared with previous editions. These enhancements are intended to enrich the use of macroeconomic statistics for economic and financial analysis and to address emerging research needs and policy concerns.

For example, the manuals now propose a framework for presenting distributional measures of household income, consumption and wealth. To better capture the role of multinational enterprises, new subsectors within the corporate sector have been introduced, and the identification of foreign corporate control has been clarified and given greater prominence. Additional detail on assets and economic flows is also provided to support sustainability analysis, including the identification of environmental, social and governance securities and other financial instruments. The financial sector is presented in greater granularity to reflect new forms of financial intermediation, including non-bank financial intermediation and fintech.

Statisticians within the European System of Central Banks (ESCB) have been highly engaged in the development of these areas in recent years, even prior to their formal inclusion in the international standards, owing to their relevance for ESCB functions.

EU implementation

The process of implementing the updated international macroeconomic standards in the EU is already under way. With 2030 as the target date, and as endorsed by the relevant EU bodies, statistical offices and central banks are enhancing and adapting their sources and methodologies to

reflect the new statistical recording and to implement new breakdowns which will improve economic analysis.

A central element of the EU implementation is the necessary revision of related EU statistical legislation. A key component of this is the European System of Accounts (ESA), the update of which is expected to be completed in 2028. Similar timelines have also been set for reviews of the Regulation on balance of payments, international trade in services and foreign direct investment⁸¹ and ECB Guidelines on quarterly financial accounts⁸², external statistics⁸³ and government finance statistics⁸⁴.

⁸¹ Regulation (EC) No 184/2005 of the European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment (OJ L 35, 8.2.2005, p. 23).

⁸² Guideline of the European Central Bank of 25 July 2013 on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts (recast) (ECB/2013/24) (OJ L 2, 7.1.2014, p. 34).

⁸³ Guideline of the European Central Bank of 9 December 2011 on the statistical reporting requirements of the European Central Bank in the field of external statistics (recast) (ECB/2011/23) (OJ L 65, 3.3.2012, p. 1).

⁸⁴ Guideline (EU) 2025/603 of the European Central Bank of 7 March 2025 on government finance statistics (ECB/2025/9) (recast) (OJ L, 2025/603, 31.3.2025).

8 ECB research activities

In 2025 ECB staff conducted extensive economic, monetary, financial and legal research, providing key input for policymaking, including for the 2025 strategy assessment. Work under the ChaMP Research Network⁸⁵, as well as research based on the Consumer Expectations Survey and the Household Finance and Consumption Survey, continued to tap a rich vein of evidence to inform monetary policy.

This chapter begins with recognition of the quality of ECB research, followed by a description of the five main areas of research and policy advice, as well as the progress achieved in these areas during the year. The remainder provides an outline of the establishment and activities of the Research Task Force (RTF) on artificial intelligence (AI) and concludes with the box “Macroeconomic modelling in times of uncertainty”.

Research at the ECB is globally recognised

The ECB aims to produce high-quality research in areas that are central to the mandate and activities of central banks. Since December 2024, Research Papers in Economics (RePEc) – a widely used index of economics research – has ranked the ECB first in the world in the field of monetary economics. In 2025 the Federal Reserve Board and the International Monetary Fund (IMF) ranked second and third respectively. Meanwhile, in the broader field of macroeconomics, the ECB ranked second, behind the Harvard University Department of Economics and ahead of the IMF. In the field of banking, the ECB continued to rank first, ahead of the Bank for International Settlements and the University of Chicago Booth School of Business. Among central banks and similar institutions worldwide, the ECB ranked second in 2025, behind the IMF and ahead of the Federal Reserve Board. In Europe, the ECB ranked third across all fields and institutions, behind the London School of Economics and Political Science and the Paris School of Economics.

Research in 2025 fell into five broad thematic areas

The research projects undertaken in 2025 at the ECB can be grouped into five broad thematic areas. Projects in all areas benefited from input from national central banks and collaboration within European System of Central Banks research clusters.

First, the research conducted on monetary policy strategy and transmission supported the ECB’s 2025 strategy assessment and deepened the understanding of monetary policy transmission. Updates of the forecasting models resulted in weaker estimates of transmission. They also boosted the models’ forecasting performance and interpretative power during periods of unconventional policy and energy-driven inflation. Other work in the area of monetary policy transmission analysed quantitative tightening, asset purchases and crisis interventions. Findings shed new light on: the effects of liquidity expectations on money market spreads; transmission heterogeneity across households, firms and sectors; non-linear inflation dynamics;

⁸⁵ The Challenges for Monetary Policy Transmission in a Changing World (ChaMP) Research Network aims to improve our understanding of how monetary policy transmits to the European economy amid unprecedented shocks, structural changes and shifting inflation dynamics. It is a project of the European System of Central Banks (ESCB).

and interactions between monetary policy, financial stability and fiscal policy. Finally, studies on monetary policy implementation focused on money market volatility, repo pricing, and regulatory changes, while research on communication examined trust, expectations anchoring and public attitudes towards central bank communication and the digital euro. Research on communication included collaboration within the ChaMP Research Network.

A second thematic area concerned fiscal policy and governance in the Economic and Monetary Union. Research in this field examined monetary-fiscal interactions, fiscal multipliers and the green transition. Findings showed that well-designed fiscal rules can support monetary policy at the lower bound, that fiscal stimulus affects inflation dynamics, and that climate policies involve trade-offs between inflation, output and transition effectiveness.

Third, in the field of international macroeconomics and finance, ECB researchers examined geopolitical fragmentation, cross-border shock spillovers, and currency dominance and the international monetary system. The related findings highlight the regionalisation of trade and payments, uneven global spillovers from US monetary policy and the continued dominance of the US dollar, alongside gradual shifts in currency use and financial infrastructure. The rule of law, as a value under challenge at the international level, was also examined.

A fourth thematic area of ECB research is macroeconomic dynamics and microfoundations. In 2025 the focus was on analysing firms, households, labour markets and prices, as well as research methods making use of granular data and microfounded models. Work in this field highlighted heterogeneous responses to shocks and monetary policy, the role of expectations, sectoral inflation dynamics, and labour market resilience. It also covered methodological advances – including those achieved using AI-based forecasting and estimation tools.

Finally, in the area of financial institutions and markets, research in 2025 extensively analysed the interaction between monetary policy, financial markets, inflation and the real economy. Studies examined the transmission of monetary policy through housing insurance, credit supply and loan contract structures, highlighting the role of bank balance sheet characteristics and market heterogeneity. Other work in this field assessed the effects of central bank asset purchases, and interactions between monetary and macroprudential policies, showing that monetary policy has a greater impact than macroprudential policies on lending rates. In addition, researchers continued to focus on bank resilience, supervisory reforms and non-bank intermediaries, including mutual funds and insurers. Last but not least, research into the financial system included analyses of climate-related financial risks – including climate transition risks – and the effectiveness of climate-related commitments.

The rapid diffusion of AI is expected to reshape the economy. In response, a two-year RTF on AI was launched in September 2025, organised around two workstreams: AI and the real economy, and AI and the financial sector. Ongoing work in the real economy workstream includes studying the effects of AI on productivity, labour demand, firm dynamics, competition and inflation. It also covers using machine learning and large language models to analyse texts, produce

A Research Task Force on AI was established

forecasts and study technology diffusion. In the financial sector workstream, researchers have begun experimenting with using AI to analyse securities markets, banking activity and digital payments. Early results appear to differ from those of standard models, with implications for financial stability and loan pricing.

The ECB's research output remained high

Research output at the ECB remained at a high level. In total, staff published 158 papers in the [ECB's Working Paper Series](#) and 12 Research Bulletin articles. Many of the working papers were also published externally in academic journals. In parallel, research coordinated by the ECB's [Legal Research Programme](#) was published in top-tier international journals and the ECB itself published a special volume of [collected papers on the legal aspects of EU autonomy-building](#).

Box 7

Macroeconomic modelling in times of uncertainty

The ECB is enhancing its modelling capabilities in response to higher macroeconomic uncertainty, also as part of the regular reviews of its strategy (see Box 2, “The 2025 monetary policy strategy assessment”). In recent years uncertainty has increased owing to large-scale shocks – including global geopolitical changes – that challenge macroeconomic forecasting and monetary policy design. Accordingly, the ECB has reviewed and adapted its models and statistical tools to measure emerging economic phenomena, and reassessed key model applications for nowcasting, forecasting and policy analysis.⁸⁶

These recent economic shocks have highlighted the need for more granular models that are better able to capture atypical economic fluctuations. The ECB's new suite of Bayesian vector autoregression (BVAR) models adopts a granular bottom-up approach by disaggregating inflation into sub-components. It also incorporates stochastic volatility and outlier correction.⁸⁷ The weakening correlation among oil, gas and electricity prices, together with the growing importance of climate-related fiscal policies, has also called for a more disaggregated modelling of energy prices. Expanding the data sources used has helped evaluate new shocks of macroeconomic significance – including supply chain disruptions, which are now explicitly included in inflation forecasting models.⁸⁸ In addition, survey-based and firm-level measures of capacity utilisation are increasingly used when estimating potential output, while high-frequency indicators, textual data, online searches and mobility indicators help gauge economic activity in real time through harmonised weekly activity indices for the euro area and its individual countries.

The higher inflation environment that followed the COVID-19 pandemic highlighted the importance of both strong indirect and second-round effects for inflation dynamics, as well as relevant non-linearities and state dependence. In response, the ECB has developed models with time-varying

⁸⁶ See Nickel, C. et al., “[A strategic view on the economic and inflation environment in the euro area](#)”, *Occasional Paper Series*, No 371, ECB, 2025.

⁸⁷ See Bańbura, M. et al., “[A new model to forecast energy inflation in the euro area](#)”, *Working Paper Series*, No 3062, ECB, 2025.

⁸⁸ See Arce, Ó. et al., “[What caused the euro area post-pandemic inflation?](#)”, *Occasional Paper Series*, No 343, ECB, 2024 and Bańbura, M. et al., “[What drives core inflation? The role of supply shocks](#)”, *Working Paper Series*, No 2875, ECB, 2023.

shock properties and transmission mechanisms, including non-parametric models.⁸⁹ These features are also captured in structural models with input-output linkages and rich sectoral heterogeneity, including calibrated multi-country, multi-sectoral models⁹⁰. Recent advances in computational methods have made it possible to estimate heterogeneous agent New Keynesian (HANK) models for the euro area, allowing richer transmission mechanisms with heterogeneous agents and analysis of the distributional impact of policies.⁹¹ Ongoing modelling efforts were emphasised in the strategy assessment. They include the development of models that both incorporate structural trends and macro-financial linkages, and also allow analyses of the macroeconomic effects of defence spending, competitiveness policies, geopolitical uncertainty, artificial intelligence, demographics, long-term fiscal challenges and monetary-fiscal interactions.

The ECB maintains a robust governance framework for forecasting and policy modelling, underpinned by an internal review and audit of its macroeconomic modelling practices. This process led to the release of an internal guide to the governance of macroeconomic models used for projections and policy analysis. The guide promotes continuous review to ensure the robustness, transparency and adaptability of the ECB's modelling infrastructure and portfolio. The ECB's models are regularly validated against empirical benchmarks – through studies on monetary policy transmission,⁹² ESCB cross-model heterogeneity and forecasting performance – using out-of-sample evaluations and forecast error decomposition.⁹³ The ECB governance framework for macroeconomic modelling safeguards institutional knowledge, supports the integration of new tools and methodologies at the academic frontier and facilitates the onboarding of new staff. It includes guidelines on models' usability, documentation, validation, auditability and lifecycle risk management. The ECB has also modernised its modelling infrastructure, adopting the highest technical standards for the maintenance of code repositories and model development, and is increasingly making model codes available to the public.

⁸⁹ See for instance: the quantile regression forests models of Lenza, M. et al., "[Density forecasts of inflation: A quantile regression forest approach](#)", *Working Paper Series*, No 2830, ECB, 2025; the models with state-dependent monetary policy transmission as in Karadi, P. et al. (2025), "[Strike while the iron is hot – Optimal monetary policy under state-dependent pricing](#)", *Working Paper Series*, No 3068, ECB, 2025; and Jaccard, I. "[Monetary asymmetries without \(and with\) price stickiness](#)", *Working Paper Series*, No 2928, ECB, 2024.

⁹⁰ See Aguilar, P. et al., "[The Transmission of Foreign Shocks in a Networked Economy](#)", Working Papers, No 2607, Banco de España, 2026.

⁹¹ See Kase, H. and Rigato, R.D., "[Beyond averages: heterogeneous effects of monetary policy in a HANK model for the euro area](#)", *Working Paper Series*, No 3086, ECB, 2025.

⁹² See Bobasu, A. et al., "[Monetary policy transmission: a reference guide through ESCB models and empirical benchmarks](#)", *Occasional Paper Series*, No 377, ECB, 2025.

⁹³ See Chahad, M. et al., "[An update on the accuracy of recent Eurosystem/ECB staff projections for short-term inflation](#)", *Economic Bulletin*, Issue 2, ECB, 2024.

9 Legal activities and duties

This chapter deals with the jurisdiction of the Court of Justice of the European Union (CJEU) concerning the ECB, providing information on ECB opinions and cases of non-compliance with the obligation to consult the ECB on draft legislation falling within its fields of competence. It also reports on the ECB's monitoring of compliance with the prohibition of monetary financing and privileged access.

9.1 Jurisdiction of the Court of Justice of the European Union concerning the ECB

It was confirmed that provisions on the competences and monetary policy objectives of ECB bodies do not confer rights on individuals

In February 2025 the CJEU rejected an appeal brought against the General Court's dismissal of a claim for damages against the ECB following a public statement by the ECB President during a press conference (C-11/24 P).⁹⁴ The Court confirmed that for the non-contractual liability of the ECB to arise under Article 340 of the Treaty on the Functioning of the European Union (TFEU), a sufficiently serious breach of a rule of law intended to confer rights on individuals must be established. The Court found that the legal provisions invoked, concerning the allocation of competences between ECB bodies and the objectives of monetary policy, do not confer rights on individuals and thus the ECB is not liable for damages. The Court also upheld the General Court's finding that no causal link had been established between the public statement made and the alleged financial losses. The order thus reaffirms the limits of the ECB's liability for monetary policy communications under European Union (EU) law, contributing to legal certainty in the execution of its institutional mandate.

It was confirmed that the ECB must interpret and apply national law in line with the EU directives transposed into said national law

The CJEU confirmed in July 2025 that the ECB had correctly interpreted and applied the Italian law implementing the [Bank Recovery and Resolution Directive](#)⁹⁵ when placing Banca Carige under temporary administration (Joined Cases C-777/22 P and C-789/22 P). It clarified that, when the ECB applies national legislation transposing an EU directive to a bank under its direct supervision – as provided for in Article 4(3) of the [Single Supervisory Mechanism \(SSM\) Regulation](#)⁹⁶ – it must interpret those national rules in line with both the directive and EU law as a whole. These appeals brought by the ECB and the European Commission concerned the earlier judgment of the General Court in T-502/19, *Corneli v ECB*, brought by a minority shareholder challenging the ECB's decision to appoint temporary administrators at Banca Carige. On the question of admissibility, the CJEU upheld the General Court's finding that, in certain circumstances, shareholders of supervised entities may have standing to

⁹⁴ This decision follows the CJEU's judgments in related cases C-566/23, C-571/23 and C-574/23.

⁹⁵ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

⁹⁶ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

contest ECB supervisory decisions, particularly where those decisions affect the exercise of their administrative rights. The CJEU set aside the General Court's 2022 judgment and referred the case back to it.

9.2 ECB opinions and cases of non-compliance

There were nine clear and important cases of non-compliance with the obligation to consult the ECB on draft legislation

Articles 127(4) and 282(5) of the TFEU require that the ECB be consulted on any proposed EU or draft national legislation falling within its fields of competence. All ECB opinions are published on EUR-Lex.

In 2025 nine clear and important cases of non-compliance with the obligation to consult the ECB on draft legislation were recorded. Two non-compliance cases were in respect of Union legal acts and seven in respect of national laws. The ECB adopted own initiative opinions in both cases of non-consultation concerning draft EU legislative provisions and in six of the seven cases of non-consultation concerning draft national legislative provisions.

The first EU case concerned an EU proposal for a directive regarding the two-year postponement of the deadline for Member States to apply certain corporate sustainability reporting and due diligence requirements. This case is considered clear and important because of its relevance to the implementation of monetary policy, the prudential supervision of credit institutions, the contribution to the smooth conduct of policies pursued by competent authorities relating to the stability of the financial system, and the collection of statistical information.

The second EU case concerned an EU proposal for a regulation as regards certain reporting requirements in the fields of financial services and investment support. This case is considered clear and important because of the regulation's potential impact on the reporting and exchange of supervisory data.

The first national non-compliance case concerns a Bulgarian law which contained measures against the financing of terrorism, the proliferation of weapons of mass destruction and money laundering. This case is considered clear and important because it concerns a national law which has implications for the ECB's exclusive competence to grant and withdraw authorisations within the SSM. The next three national cases concern Croatian, Greek and Hungarian laws which, among other things, regulate citizens' access to cash. These cases are considered clear and important because sufficient and effective access to cash services is necessary to preserve the effectiveness of the legal tender status of cash. The fifth national case concerns a Hungarian law on the resilience of critical entities. This case is considered clear and important because the obligations and supervisory powers established under the relevant laws have an impact on the Magyar Nemzeti Bank's independence under Article 130 of the TFEU. The sixth national case concerns a Hungarian law affecting the Magyar Nemzeti Bank. This case is considered clear and important because of its impact on the Magyar Nemzeti Bank's decision-making bodies, the prohibition of monetary financing and the permissible activities of the foundations established by the Magyar Nemzeti Bank. The seventh national case

concerns a Hungarian law which, in the context of the transposition of the revised [Capital Requirements Directive \(CRD\)](#)⁹⁷, concerns the term of office of a deputy governor and certain requirements related to their appointment and dismissal. This case is considered clear and important because of its impact on the Magyar Nemzeti Bank's decision-making bodies and the independence of the Magyar Nemzeti Bank.

The ECB adopted eight opinions on proposed Union legal acts

The ECB adopted eight opinions on EU legislative proposals covering (i) a shorter securities settlement cycle in the EU; (ii) prudential requirements for credit institutions as regards securities financing transactions under the net stable funding ratio; (iii) simplification of corporate sustainability reporting, as well as due diligence and taxonomy requirements; (iv) non-financial commercial real estate statistics; (v) the introduction of the euro in Bulgaria; (vi) the Pericles V programme aimed at combatting euro counterfeiting; (vii) simple, transparent securitisations and related capital requirements; and (viii) the simplification of economic governance rules.

The ECB adopted 37 opinions on draft national legislation

The ECB adopted 37 opinions on draft national legislation. Opinions on national legislation often cover more than one subject depending on the scope of the national law on which the ECB is consulted.⁹⁸ The ECB adopted:

- 17 opinions concerning national central banks, including on the ownership of gold reserves, the terms of office and composition of members of the decision-making bodies, the prevention of conflicts of interest, profit distribution rules, treasury accounts, participation in the SSM, responsibilities during a civil crisis, the application of cybersecurity and resilience requirements, the financing of a Member State's International Monetary Fund quota contribution, and foundations and pensions;
- eight opinions concerning cash, including access to cash services, cash limits, the legal tender status of cash and the establishment of a constitutional right to make payments in cash;
- seven opinions concerning supervisory independence and the prevention of conflicts of interest;
- three opinions concerning special-purpose bank taxes or financial transaction taxes;
- two opinions concerning access to payment systems;
- two opinions on the assessment procedure for mergers, divestments and acquisitions;
- one opinion concerning digital operational resilience in the field of payments;

⁹⁷ Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (OJ L, 2024/1619, 19.6.2024).

⁹⁸ This explains why the number of matters covered by the opinions is higher than the number of the opinions adopted.

- one opinion concerning the oversight of providers of financial messaging services;
- one opinion concerning the portability of IBAN accounts;
- one opinion concerning the mandatory acceptance of cashless payments;
- one opinion concerning special credit institutions with a lower initial capital threshold of €1 million;
- one opinion on the interaction between national law, the SSM and sector-specific banking rules;
- one opinion concerning minimum reserve ratios in a non-euro area country;
- one opinion concerning flood insurance;
- one opinion concerning emergency planning in a civil crisis;
- one opinion concerning macroprudential measures related to mortgage lending.

Table 9.1

Statistical developments related to the ECB's performance of its advisory role from 2021 to 2025

	2021	2022	2023	2024	2025
Clear and important cases of non-compliance	3	5	12	9	9
Total number of ECB opinions on draft EU legislation	8	14	12	4	8
<i>of which: own initiative opinions</i>	0	5	3	2	1
Total number of ECB opinions on draft national legislation	32	32	35	38	37
<i>of which: own initiative opinions</i>	0	2	5	5	5

9.3 Compliance with the prohibition of monetary financing and privileged access

The prohibitions laid down in Articles 123 and 124 of the Treaty were in general respected

Pursuant to Article 271(d) of the Treaty on the Functioning of the European Union, the ECB is entrusted with the task of monitoring the compliance of the EU national central banks (NCBs) with the prohibitions laid down in Articles 123 and 124 of the Treaty and Council Regulations (EC) Nos 3603/93⁹⁹ and 3604/93¹⁰⁰. Article 123 prohibits the ECB and the NCBs from providing overdraft facilities or any other type of credit facility to governments and EU institutions or bodies, as well as from purchasing in the primary market debt instruments issued by these institutions.

⁹⁹ Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b (1) of the Treaty (OJ L 332, 31.12.1993, p. 1).

¹⁰⁰ Council Regulation (EC) No 3604/93 of 13 December 1993 specifying definitions for the application of the prohibition of privileged access referred to in Article 104a of the Treaty (OJ L 332, 31.12.1993, p. 1).

Article 124 prohibits any measure, not based on prudential considerations, which establishes privileged access by governments and EU institutions or bodies to financial institutions. In parallel with the Governing Council of the ECB, the European Commission monitors Member States' compliance with the above provisions.

The ECB also monitors the EU NCBs' secondary market purchases of debt instruments issued by the domestic public sector, the public sector of other Member States and EU institutions and bodies. According to the recitals of Council Regulation (EC) No 3603/93, the acquisition of public sector debt instruments in the secondary market must not be used to circumvent the objective of Article 123 of the Treaty.

The ECB's monitoring exercise conducted for 2025 confirmed that Articles 123 and 124 of the Treaty were in general respected.

The ECB continues to monitor the involvement of the Magyar Nemzeti Bank in the Budapest Stock Exchange as the purchase of the majority ownership of the Budapest Stock Exchange by the Magyar Nemzeti Bank in 2015 may still be seen as giving rise to monetary financing concerns.

The financing by NCBs of obligations falling upon the public sector vis-à-vis the International Monetary Fund is not considered as monetary financing provided it results in foreign claims that have all characteristics of reserve assets. However, financial donations as provided in previous years by the Nationale Bank van België/Banque Nationale de Belgique and the Banque de France via the International Monetary Fund for debt relief for heavily indebted poor countries did not result in any foreign claims and therefore continue to require corrective measures.

The financing of the Spanish Financial Intelligence Unit (*Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e Infracciones Monetarias – Sepblac*) by the Banco de España is not compatible with the prohibition on monetary financing, as Sepblac is a public sector body. Consequently, the arrangements concerning Sepblac should be reconsidered with a view to ensuring compliance with the prohibition.

10 The ECB in an EU and international context

The three ECB decision-making bodies (the [Governing Council](#), the [Executive Board](#) and the [General Council](#)) continued to prepare and set the policy direction under the ECB's mandate for Europe. The ECB also maintained its open and constructive dialogue with European and international counterparts throughout the year. Central to the ECB's accountability framework is its ongoing interaction with the European Parliament, particularly through regular hearings and correspondence with the Committee on Economic and Monetary Affairs (ECON).

In the wider international sphere, the ECB supported the G20's efforts to strengthen both banking and non-bank sectors and advance key commitments on Basel III, crypto-assets, cross-border payments, and financial stability. The ECB also supported the work of the International Monetary Fund (IMF) through its contributions to relevant policy discussions.

10.1 ECB decision-making

The Governing Council held 15 meetings on monetary policy and other strategic policy issues

The Governing Council, the ECB's main decision-making body, met 15 times in 2025. Eight of its meetings were mainly dedicated to the monetary policy decisions summarised in Chapter 2. Seven of these meetings were held in Frankfurt and one was hosted in Florence by the Banca d'Italia. The remaining seven meetings – of which one was held in Frankfurt and the others by videoconference – focused either on the other Eurosystem tasks set out in the Treaty on the Functioning of the European Union, such as market operations, payment systems, financial stability, statistics and banknotes, or on more internal matters. In particular, strategic decisions were taken on major topics such as those featured in this Annual Report: the digital euro, the themes and motifs for the third banknote series, the introduction of the euro in Bulgaria and the simplification of EU banking rules. The meetings were often combined with seminars on specific policy topics. Such seminars provide the members of the Governing Council with additional background information and initiate a first informal reflection and exchange of views without decisions being taken. The Governing Council also held a strategic retreat in Porto, Portugal, in May 2025. This was dedicated to the 2025 monetary policy strategy assessment and included a workshop on the digital euro.

As illustrated by the chart below, the Governing Council also took a number of decisions by written procedure. In 2025, 456 written procedures were conducted on central banking matters¹⁰¹ and 948 on banking supervision matters.

The composition of the Governing Council changed in the course of 2025. Three new Governors were appointed by the competent national authorities: Martin Kocher

¹⁰¹ Most of these decisions are published on the ECB's website under "[Other decisions](#)".

(Oesterreichische Nationalbank), Olaf Sleijpen (De Nederlandsche Bank) and Álvaro Santos Pereira (Banco de Portugal). In addition, two members – Mārtiņš Kazāks (Latvijas Banka) and Olli Rehn (Suomen Pankki) – were reappointed to the Governing Council.

Dimitar Radev will have voting rights in Governing Council meetings and written procedures in line with the established rotation scheme

As announced on 8 July 2025, [Bulgaria joined the euro area on 1 January 2026](#).

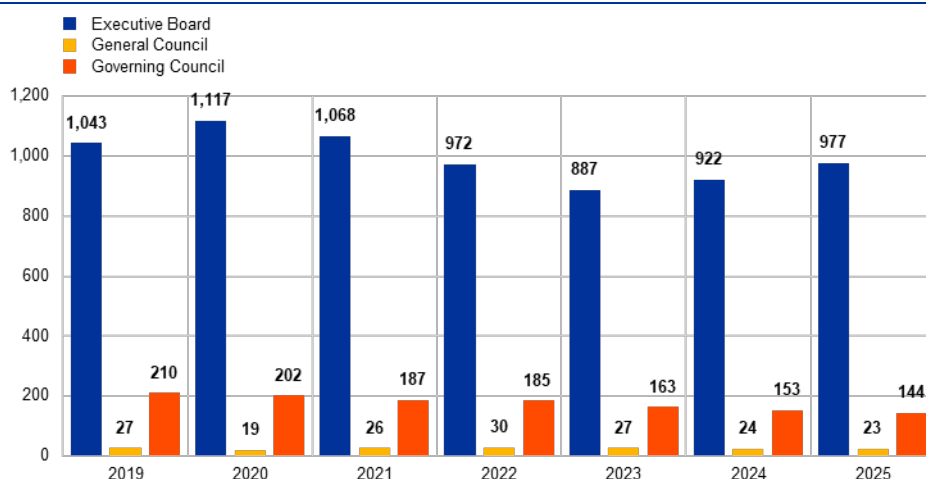
Dimitar Radev, as Governor of Българска народна банка (Bulgarian National Bank), became a new member of the Governing Council. To prepare for Bulgaria's accession to the euro area, from September 2025 onwards he was both kept informed about ECB decision-making matters and attended meetings as an observer. As regards the [rotation of voting rights in the Governing Council](#), the Bulgarian Governor entered the group representing 16 central banks from smaller euro area countries that share 11 voting rights.

The Executive Board held 42 meetings on a broad variety of policy dossiers and internal matters

The Executive Board is the decision-making body in charge of preparing the Governing Council meetings, implementing monetary policy and other decisions, and managing the ECB's day-to-day business. It continued to take most of its decisions in its meetings, which take place once a week on Tuesday mornings. In 2025 the Executive Board held 42 meetings and considered 977 agenda items, covering all the ECB's tasks as well as internal matters (e.g. HR, budget, administration and IT issues). In addition, written procedures were used for information items or to take routine decisions, and some decisions were taken upon delegation from the Governing Council.

Chart 10.1

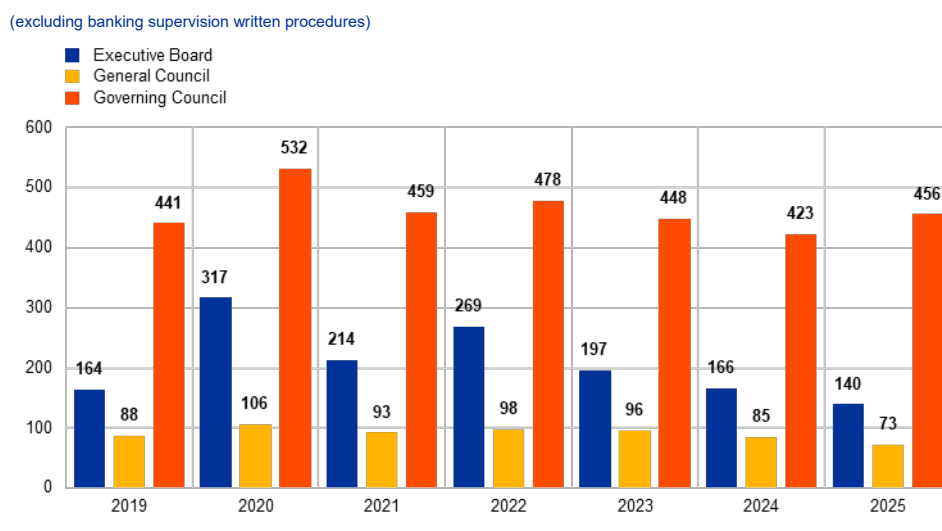
Number of meeting agenda items per decision-making body



Source: ECB.

Chart 10.2

Number of written procedures per decision-making body



Source: ECB.

The General Council – which, as a transitional body, also includes Governors of the non-euro area national central banks (NCBs) – met four times in 2025. It discussed macroeconomic, monetary and financial developments in the EU and had exchanges of views on specific policy topics of interest to all NCBs. In addition, written procedures were conducted to consult or inform the members of the General Council about items falling within its mandate. In 2025 the General Council decided to reduce the frequency of its meetings to two per year as of 2026.

10.2 The ECB’s accountability

Accountability is a vital counterpart to independence

The Treaty on the Functioning of the European Union (TFEU) grants the ECB independence to ensure it can pursue its mandate of price stability free from political interference. This independence is matched by an obligation to remain accountable for its actions to the citizens of the EU, as represented by the European Parliament and its elected officials. The ECB’s accountability practices, based on Article 284(3) of the TFEU, allow for a two-way dialogue with the European Parliament. This enables the ECB to explain its policies and decisions and to hear the concerns of citizens’ elected representatives. Finally, judicial review by the Court of Justice of the European Union complements the ECB’s accountability framework.

The ECB continued its engagement with the European Parliament in 2025

In 2025 the President of the ECB participated in four regular hearings before the ECON Committee. The President also participated in the [plenary debate on the ECB’s 2023 Annual Report](#). The Vice-President presented the ECB’s 2024 Annual Report to the ECON Committee in April. On the same day, the ECB published its [feedback on the European Parliament’s resolution regarding the 2023 Annual Report](#). During the year, the ECB responded to 15 [written questions from Members of the European Parliament](#). These questions addressed topics including monetary policy, the economic outlook, the digital euro and institutional matters. And in

October 2025 a delegation from the ECON Committee took part in an annual visit to the ECB in Frankfurt am Main.

The ECB continued its close collaboration with the European Parliament on a digital euro

Over the course of 2025 the ECB continued its close collaboration with the European Parliament on the digital euro. Executive Board member Piero Cipollone participated in four exchanges of views before the ECON Committee, providing updates on the progress of the project. Additionally, its Chair and Committee Members were kept [informed through notification on all major developments regarding the digital euro](#). The ECB also provided technical analysis and input to Members of the European Parliament to support the ongoing legislative process on a digital euro.

Support for the euro reached a record high in 2025

According to the [spring 2025 Standard Eurobarometer](#) survey, 83% of respondents in the euro area supported the single currency, marking a new all-time high.¹⁰² Support remained strong in the [autumn 2025](#) survey, with 82% of respondents backing the euro. The ECB remains dedicated to engaging constructively with the European Parliament and citizens in the euro area. By explaining its decisions, addressing public concerns and maintaining an open dialogue, the ECB aims to strengthen trust and ensure the effective discharge of its accountability obligations.

10.3 International relations

G20

The G20 Presidency centred on solidarity, equality and sustainability amid rising global tensions

During South Africa's G20 Presidency in 2025 – centred on solidarity, equality and sustainability – the global economy faced headwinds from high and volatile US tariffs, Russia's war against Ukraine and conflicts in the Middle East. In this context, the Presidency encouraged multilateral cooperation among G20 members. The G20 reached agreement on a communiqué in July, a ministerial declaration on debt sustainability in October and the Johannesburg Leaders' Declaration on 22-23 November. The Presidency put Africa and the Global South at the centre of the G20's agenda. Key priorities encompassed debt sustainability, scaling up climate finance, and equitable access to critical minerals, as well as advancing policy cooperation on inclusive economic growth, food security and artificial intelligence. The ECB advised that a level playing field in all jurisdictions is essential to mitigate cross-border spillovers and safeguard financial stability. It welcomed commitments to the G20 Roadmap for Enhancing Cross-border Payments and to the full and timely implementation of agreed reforms and international standards, including Basel III. It also welcomed the endorsement of the Financial Stability Board (FSB) recommendations on leverage in non-bank financial intermediation (NBFI), and the FSB's review of the implementation of its high-level recommendations for crypto-assets and stablecoins. The ECB also encouraged further work on NBFI, which should be supported by better data and cross-border information-sharing, to ensure effective implementation and mitigate systemic risk.

¹⁰² For an assessment of the trends surrounding the record high in support for the euro, see the box "[Hitting record highs: unpacking support for the euro](#)", *Economic Bulletin*, Issue 7, ECB, 2025.

Policy issues related to the IMF and the international financial architecture

The ECB contributed to discussions in international fora to help promote a strong and stable international monetary and financial system

Amid efforts to adapt and enhance the international financial architecture, the ECB, as a major central bank, continued to play an active role in policy discussions at the IMF¹⁰³ on issues relevant to its own mandate. The IMF has embarked on three major reviews that are due to be completed in 2026. The Review of Program Design and Conditionality aims to improve lending programmes to better support borrowing countries' external viability and resilience. The Comprehensive Surveillance Review will take stock of the evolving surveillance landscape and set priorities for the next five years. The Financial Sector Assessment Program (FSAP) Review will assess the FSAP's effectiveness in addressing areas of rising vulnerabilities, NBF1 coverage and the impact of IMF policy advice. The ECB is actively involved in these reviews.

The IMF also continued its work towards implementing the 16th General Review of Quotas (which will increase the IMF's quota resources by 50%), while aiming at developing a set of principles in 2026 to guide future discussions on IMF quotas and governance, including the 17th General Review of Quotas. Regarding resources for IMF trusts, there was further progress on the delivery of financial resources pledged – either as special drawing rights or equivalent contributions – to the Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust, with most pledges now fulfilled. EU Member States and their NCBs are significant contributors to these trusts.

Global efforts to tackle debt challenges were stepped up further in 2025. The IMF and World Bank made progress on assisting countries which have sustainable debt but face debt servicing pressures. The IMF began reviewing the Debt Sustainability Framework for Low-Income Countries, and the Global Sovereign Debt Roundtable published the Debt Restructuring Playbook¹⁰⁴ to further improve the predictability and timeliness of debt restructuring. The ECB supports efforts by international financial institutions to advance work on debt sustainability.

Box 8

The international role of the euro

An international currency is one that is widely used outside its home jurisdiction. Such currencies function globally as a means of payment, a store of value and a unit of account for pricing contracts and assets. Central banks around the globe hold reserves in international currencies, while businesses and households use them for trade, borrowing, investing and saving – alongside their domestic currency.

Since its inception, the euro has held its ground as the second most important international currency after the US dollar (Chart A). The ECB publishes an annual review of the international role of the euro, which presents a composite index of its international role. The index is computed as a

¹⁰³ The ECB has observer status at the IMF, with a permanent ECB representative at the IMF headquarters in Washington, D.C. The ECB observer participates in selected IMF Executive Board meetings.

¹⁰⁴ "Sovereign Debt Restructuring: A Playbook for Country Authorities", *Global Sovereign Debt Roundtable*, IMF, 2025.

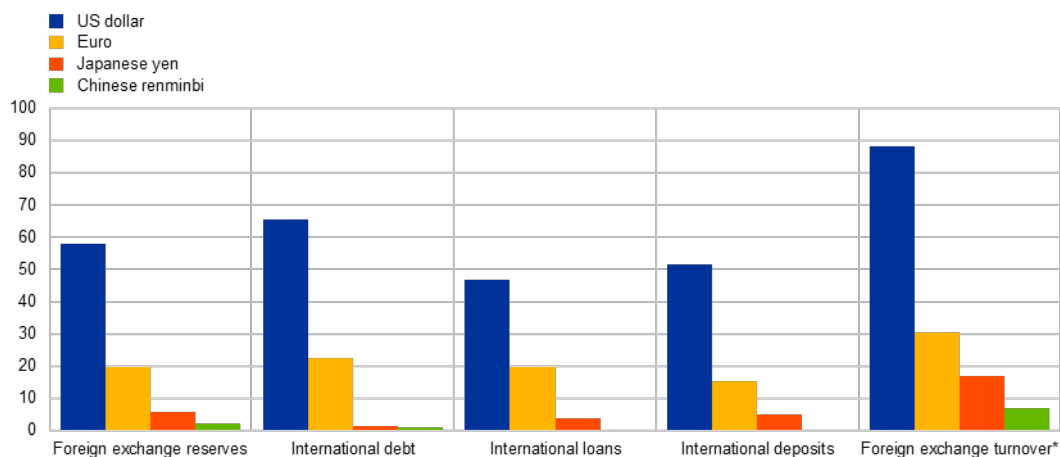
simple arithmetic average of the share of the euro across a broad range of indicators. It has stabilised in the range of 18-20% at both constant and current exchange rates since 2017, following an initial pick-up in the years immediately following the introduction of the single currency (Chart B).

Chart A

Snapshot of the international monetary system

The euro remains the second most important currency in the international monetary system

(percentages; Q4 2024)



Sources: Bank for International Settlements, International Monetary Fund, CLS Bank International, Ilizetzi, Reinhart and Rogoff (2019)¹⁰⁵, and ECB staff calculations.

Notes: *Since transactions in foreign exchange markets always involve two currencies, foreign exchange turnover shares add up to 200%. Foreign exchange turnover data are for April 2022 as they come from a triennial survey. See also the latest report published in June 2025, "The international role of the euro", ECB, 2025.

Recent geopolitical developments present both challenges and opportunities for the euro's international role. On the one hand, some central banks have increased their gold purchases, BRICS countries are exploring alternatives to traditional cross-border payment systems, and the US Administration is supporting the use of dollar-based stablecoins globally. On the other hand, strengthening Europe's geopolitical credibility and rebuilding its hard power should also help bolster global confidence in the euro. Meanwhile, the tariffs imposed by the US Administration in early April 2025 triggered a sharp weakening of the US dollar alongside higher long-term interest rates – a rare cross-asset correlation. This indicates that investors might be increasingly scrutinising the US dollar's safe-haven role, which could have implications for the international currency landscape.

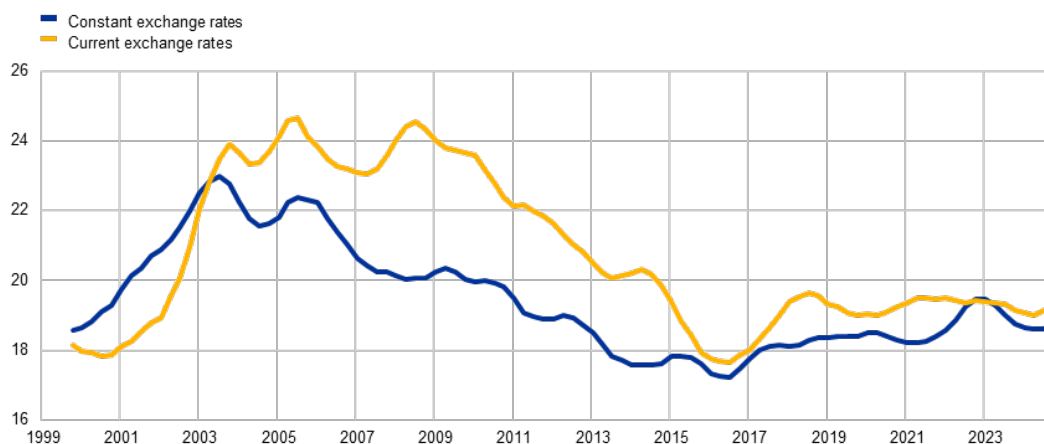
¹⁰⁵ Ilizetzi, E., Reinhart, C. and Rogoff, K., "Exchange Arrangements Entering the Twenty-First Century: Which Anchor will Hold?", *The Quarterly Journal of Economics*, Vol. 134, Issue 2, May 2019, pp. 599-646.

Chart B

Composite index of the international role of the euro

The international role of the euro has remained broadly stable over the past decade

(percentages; at current and constant Q4 2024 exchange rates; four-quarter moving averages)



Sources: Bank for International Settlements, International Monetary Fund, CLS Bank International, Ilzetzki, Reinhart and Rogoff (2019) and ECB staff calculations.

Notes: Arithmetic average of the shares of the euro at constant (current) exchange rates in stocks of international bonds, loans by banks outside the euro area to borrowers outside the euro area, deposits with banks outside the euro area from creditors outside the euro area, global foreign exchange settlements, global foreign exchange reserves and global exchange rate regimes. The latest observation is for the fourth quarter of 2024. See also the latest report published in June 2025, "The international role of the euro", ECB, 2025.

A shifting landscape could make space for a greater international role for the euro. This would have positive implications for the euro area. First, stronger demand for euro-denominated debt securities would allow governments and businesses to borrow at lower rates. Second, more trade denominated in euro would insulate the euro area from exchange rate fluctuations. Third, a stronger international role of the euro would bolster Europe's strategic autonomy and help protect it from sanctions or other coercive measures.

However, the euro will only thrive if it is supported by the right policies. A key priority for European policymakers must be advancing the savings and investments union to fully leverage European financial markets. Eliminating barriers within the EU is essential to enhancing the depth and liquidity of euro funding markets, which is a precondition for the wider use of the euro. The planned issuance of bonds at the EU level – as Europe takes charge of its own defence – could make an important contribution to achieving these objectives.

The ECB is also playing its role. In a more volatile geopolitical environment, accelerating progress on a digital euro is crucial for bolstering European sovereignty. Improving cross-border payment systems between the euro and other currencies will also increase resilience. And offering solutions for settling wholesale financial transactions recorded on distributed ledger technology platforms in central bank money will increase both the efficiency of European financial markets and the global appeal of the euro. In addition, euro liquidity lines to non-euro area central banks signal the ECB's willingness to provide a backstop in stressed market conditions to protect monetary policy transmission. They too can ultimately foster the use of the euro in global financial and commercial transactions.

Finally, the global appeal of the euro is underpinned by sound policies in the euro area, strong, rules-based institutions and geopolitical credibility. Upholding the rule of law also remains essential for maintaining, and potentially increasing, global trust in the euro.

11 Promoting ethics, good governance, and social and environmental sustainability

As a public institution, the ECB is accountable to EU citizens and their elected officials. This responsibility encompasses effectively communicating and engaging with diverse audiences, maintaining the highest ethical standards and transparency, assessing the impacts of climate and nature-related risks, and empowering its employees.

11.1 Environmental, social and governance matters

In 2025 the ECB continued addressing ESG issues

The key environmental, social and governance (ESG) developments in 2025 are set out in this chapter as follows. Section 11.2 details how the ECB works to continuously enhance its governance frameworks. This includes closely cooperating with peer institutions at the European and international levels to strengthen ethics, integrity and good conduct. Section 11.3 outlines the ECB’s initiatives to step up outreach and increase its transparency, accessibility, and engagement with citizens and the general public. Section 11.4 outlines key developments in 2025 in human resources management and provides key data on the diversity of the ECB’s employees. Lastly, Section 11.5 covers the ECB’s work on climate and nature and provides details of more specialised publications in this area.

The ECB tackles climate risks as part of its risk management frameworks for both financial and non-financial risks, as described in the chapter on risk management in the [ECB’s Annual Accounts 2025](#).

Additional information on these topics can be found in other sections of this annual report and on the ECB’s website (see Table 11.1 below).

Table 11.1
ECB webpages and publications detailing ESG matters

Governance	Social	Environment
Governance and corporate governance	Transparency and accountability	Climate change, nature degradation and the ECB
Organisation	Communication	Climate change, nature loss and banking supervision
Ethics	Diversity and inclusion	Environmental protection at the ECB
Legal framework	Arts and culture	Banknotes: environment, health and safety

11.2 Strengthening ethics and integrity

The ECB's Compliance and Governance Office (CGO) supports the Executive Board in protecting the integrity and reputation of the ECB, promoting ethical standards of behaviour and strengthening its accountability and transparency.

The Ethics and Compliance Committee formulated its new Guiding principles for an ethical and responsible use of artificial intelligence

The Ethics and Compliance Committee continued to assist institutions across the Eurosystem and Single Supervisory Mechanism (SSM) in implementing the [Ethics Guidelines](#). This included providing guidance on restrictions on private financial transactions as well as conflicts of interest concerning matters such as external activities and unpaid leave. The Committee also organised thematic sessions with external speakers. As institutions outside the Eurosystem and SSM were also invited, these sessions were attended by more than 50 different public institutions and organisations. In 2025 the Committee established a dedicated Task Force on Ethics and Artificial Intelligence (AI). This Task Force developed non-binding guiding principles aimed at fostering the ethical and responsible design and use of AI systems and provided practical guidance to Eurosystem and SSM institutions. In line with its commitment to promoting awareness about ethics and integrity, the Committee organised an Ethics Challenge quiz and an external speaker session which addressed ethics, public trust and human behaviour from a behavioural science perspective. Both events achieved high participation from staff across the Eurosystem and SSM.

At the European level, the CGO worked with other EU institutions, bodies and agencies to co-organise the inaugural Interinstitutional Ethics Day. Over 600 colleagues participated, representing 15 different institutions. The ECB's Chief Compliance and Governance Officer joined representatives of other institutions in a panel discussion on how ethics impacts organisational culture. At the wider international level, the ECB was actively involved in sharing knowledge and best practices within the [Ethics Network of Multilateral Organisations \(ENMO\)](#). The ECB served as Vice-Chair of the network and contributed to its meetings, working groups and the annual members' meeting hosted by the Asian Infrastructure Investment Bank. This global collaboration paved the way for the adoption of the Standards of Practice for Ethics Functions in April 2025.

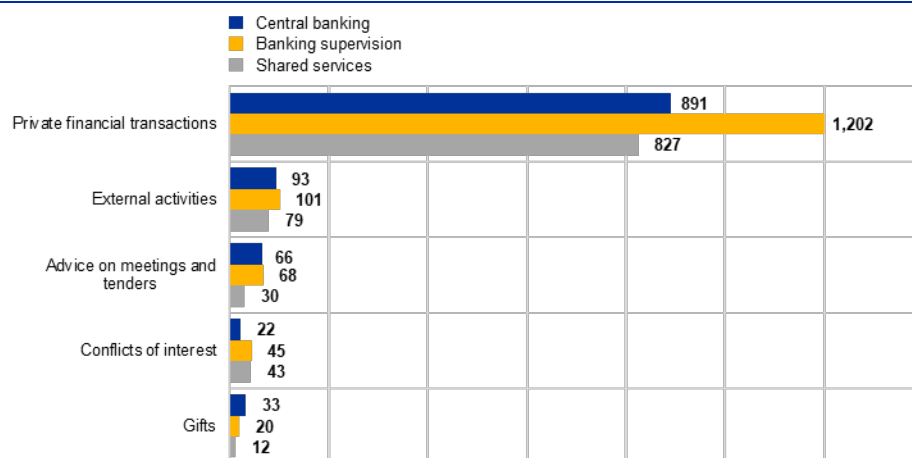
Maintaining staff awareness of ethics and integrity continued to be a priority in 2025

Onboarding programmes for newcomers were conducted as usual. Additionally, the CGO offered training courses tailored to specific business functions as well as refresher sessions on the rules applicable to private financial transactions. General awareness and outreach initiatives included the annual Global Ethics Day, featuring stands open to all ECB staff.

The number of requests to the CGO rose from 3,070 in 2024 to 3,532 in 2025 (Chart 11.1), driven by awareness initiatives and sustained efforts to develop intuitive digital tools. As in previous years, the CGO's annual compliance monitoring checks confirmed that ECB staff members and high-level ECB officials continued to observe the rules on private financial transactions.

Chart 11.1

Overview of requests received from ECB staff in 2025



Source: ECB.

The Ethics Committee supports and advises high-level ECB officials on ethical matters

The ECB’s independent Ethics Committee – together with the ECB Audit Committee – complements the ECB’s governance structure. It provides advice to high-level ECB officials on questions of ethics, mostly concerning private activities and post-mandate gainful employment, and assesses their [Declarations of Interests](#). In addition, the Committee monitors European and international developments in the field of ethics and good conduct.

In 2025 it reviewed compliance with the rules on private financial transactions by high-level ECB officials via the Declaration of Interests and issued 35 opinions. Of these opinions, 15 concerned post-employment restrictions (with some including recommendations on the observance of cooling-off periods). [Ethics Committee opinions](#) are published on the ECB’s website six months after the date on which they are issued.

11.3 Communication and transparency

The external and internal communications environments both posed challenges

The past year was shaped by a challenging environment that made communications particularly difficult. Exceptional economic uncertainty, geopolitical tension, rising populism and renewed debates over central bank independence coincided with greater pressures linked to financing Europe’s security, stability and growth. However, the results of the ECB’s core policies lent themselves to conveying a message of reassurance. Inflation was successfully brought back to around the ECB’s 2% target, monetary policy was in a “good place” and the euro area banking system remained resilient. Nevertheless, these successes may have gone unnoticed by many people. Overall – though not rising as fast any longer – prices remained on a higher level than before the inflation surge. This fuelled persistent concerns among Europeans about the cost of living, inflation and household budgets. In addition, increasingly vocal demands for simplification or outright deregulation in the financial sector required a reasoned, judicious and well-communicated response. Finally, new ECB frameworks for careers and staff relations, as well as a large-scale move from

the Eurotower to a new building and innovative workplace concept, necessitated supportive internal communication.

The ECB committed to further adapting its communication following the 2025 strategy assessment

In view of the ongoing challenges, the ECB is committed to further adapting to the evolving communication landscape, as confirmed during the [2025 Assessment of the monetary policy strategy](#). This exercise included taking stock of efforts to modernise ECB communications since the 2021 strategy review. The review had shown increased public awareness of the ECB's price stability objective and found that the ECB and national central banks had made notable efforts to increase public engagement and outreach – and to enhance the readability and accessibility of their communications. However, among the general public, understanding of what the Eurosystem does and how the economy and the financial sector work remains limited. Accordingly, the [ECB reconfirmed its commitment to explaining its monetary policy strategy and decisions as clearly as possible to all audiences](#).

Financial literacy is increasingly recognised as being important for monetary policy transmission

Moreover, there is increasing evidence that monetary policy could be transmitted to the economy more effectively if consumers generally had a better understanding of the economy and the role of central banks.¹⁰⁶ That makes promoting financial literacy a key area of interest. Synergies and benefits from cooperation across the Eurosystem in this field could provide one way forward. An example of this was the launch of the [five commitments to push forward the financial literacy agenda](#) on International Women's Day 2025.

Adapting communication through innovative approaches

The ECB launched its new YouTube channel "Espresso Economics"

In January 2025 the ECB launched its Espresso Economics channel on YouTube, aimed mostly at younger viewers. The videos explain basic economic concepts in simple terms and in an entertaining manner. Topics connected to young people's day-to-day experiences proved most popular, e.g. why [young people feel that prices are rising so much](#) and that [buying a house has become impossibly expensive](#), or [worries about jobs in the age of AI](#) and [working for the gig economy](#). Similarly, videos explaining hot topics in accessible terms – building on analysis by ECB experts – were also viewed widely. These included videos on [how climate change affects grocery prices](#), [what tariffs mean for the economy](#), or [how the attention economy works](#).

The ECB podcast achieved one million listens

[The ECB Podcast](#) marked two major milestones in 2025: publishing its 100th episode and passing one million listens for the series as a whole. To keep up with the changing preferences of listeners, the ECB continued to modernise both the podcast format and content.

The ECB Blog proved a winning formula for increasing the reach of insights from the ECB

In the same vein [The ECB Blog](#), where both ECB Executive Board members and staff share their views and analysis, also tackled topical themes. These ranged from the [response of European consumers to US tariffs](#) and the [role of foreign workers in driving growth](#), to the [impact of heatwaves on prices](#) or the [risks stablecoins pose for](#)

¹⁰⁶ See "[Financial literacy and monetary policy transmission](#)", speech by ECB Executive Board member Isabel Schnabel at the 2025 Mais Lecture at Bayes Business School, 27 March 2025.

Europe. The significant take-up of these blog posts in mainstream media internationally shows how effective this channel is at making ECB insights accessible to a wider audience.

The experience and activities available at the ECB Visitor Centre were further enhanced

The ECB and its main building continued to attract visitors from all over Europe and beyond. In 2025 more than 23,000 visitors attended almost 700 activities, including lectures and tours of the ECB's Visitor Centre, which had added new exhibits. A new "About the ECB" video was published inviting visitors, online and offline, to better understand how the ECB's actions make a difference to their lives.



President Lagarde (on the right) at the ECB Visitor Centre

AI is and will remain a formative factor in ECB communications

Artificial intelligence (AI), especially the application of large language models and machine-generated content in communications, has growing implications for the ECB. The ECB is both affected by the wider adoption of AI and using it for its own communications.

Misinformation, disinformation and deepfakes are affecting the ECB and its representatives

Machine-generated content, especially images and video, was used maliciously against the ECB again in 2025. The ECB has dedicated protocols for identifying and dealing with this. Attacks included false social media accounts impersonating the ECB or its policymakers, deepfake videos of the President and other Executive Board members, as well as misinformation and disinformation on social and traditional media. As these incidents increase in number and, with the help of new technologies, the content becomes more difficult to distinguish from genuine ECB information or representatives, the related efforts and the in-house coordination processes will be further stepped up.

The digital euro was a prime target for proponents of conspiracies

The digital euro in particular is a key focus of misinformation and conspiracy narratives, both online and offline. The ECB has prioritised pro-active, fact-based communication across diverse channels and formats, in order to ensure that the public have access to accurate and timely information.

AI has long been used to support ECB communications, especially in translation

The beneficial uses of AI have long been harnessed in the ECB's communications. Notably, it has helped the institution to cope with growing demand for translation, especially in banking supervision, and to enhance the reach of its communication. In 2025 more than 45 million pages were exclusively machine-translated – mainly for internal purposes – through the eTranslation tool made available to the ECB by the European Commission. A final quality review by human translators remains indispensable for official ECB documents intended for external communication, in any EU official language.

Communicating about our currency: cash and digital

The redesign of the euro banknotes provided an opportunity to connect with the wider public

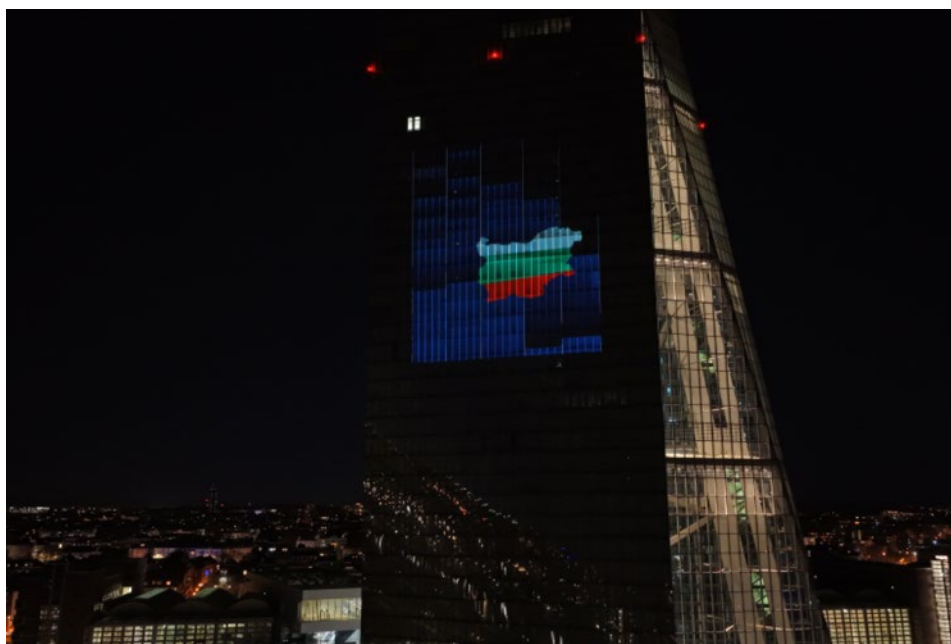
The most tangible connection between euro area citizens and their central bank is through cash – specifically the euro banknotes. The future design of the banknotes is therefore of interest to the wider public. In 2025 banknote communications centred around announcing the [selection of possible future motifs](#) and the [launch of a design contest](#). The comprehensive communication and outreach around those events reinforced the message that the ECB and the Eurosystem remain committed to maintaining cash as a valid and accessible payment method.

Communication efforts on the digital euro were stepped up to meet growing public interest

The ECB also stepped up its communication efforts on the digital euro amid greater public interest. For example, data-based analyses examined the costs and financial stability impact of the project, in order to increase transparency and address widespread misconceptions. In addition, numerous interviews, speeches, parliamentary hearings, podcasts and opinion pieces by the President and Executive Board members contributed to a more informed debate among the public and EU legislators.

Bulgaria's adoption of the euro was an opportunity to celebrate the single currency

Bulgaria's adoption of the euro was also an opportunity to celebrate the achievements of the single currency with the wider public throughout the EU. The euro continues to connect Europeans across borders, facilitating everyday life, travel and exchange, and promoting common prosperity across the euro area. The ECB marked the occasion with a dedicated series of communication efforts. These included the President's speech entitled "[Bulgaria on the euro's doorstep: towards a shared future](#)", a [blog post on the popularity of the euro around the time of adoption](#) and outreach through Bulgarian online content creators as well as a series of social media posts. Most visibly, the ECB illuminated its façade to celebrate Bulgaria joining the euro area – images of which reached millions of people, especially on social media.



The ECB building illuminated on 1 January 2026 to mark Bulgaria joining the euro area

Public access to ECB documents

In 2025 the ECB handled more public access requests than in 2024 amid sustained interest in access to documents on institutional topics

The ECB's public access framework is essential for upholding its commitment to transparency. It promotes transparency and openness, reinforcing the ECB's democratic legitimacy by providing broad access to ECB documents while safeguarding the institution's independence and effective functioning.

In 2025 the ECB received a higher number of requests for public access to its documents. In total 86 requests were received, compared with 74 in 2024. The requests covered a wide range of topics including institutional/governance matters, central banking and banking supervision. As in 2024, requests relating to institutional and internal matters, such as HR policies, continued to remain prominent.

In line with the ECB's commitment to transparency, documents disclosed in response to public access requests are typically made available through the [ECB's Public Register of Documents](#). Moreover, the ECB prepared its [2025 overview of topics covered in requests for access to documents](#).

The CGO conducted outreach to enhance awareness of the legal framework governing access to documents and promote a shared culture of transparency within the institution. Its initiatives were either aimed at all staff or tailored to specific business areas.

No findings of maladministration were raised by the European Ombudsman regarding the ECB's handling of public access requests.

11.4 Investing in people to ensure the ECB remains resilient and forward-looking

In 2025 the ECB continued to invest in its people to ensure it remains a resilient organisation. The transition to dynamic workspaces supported organisational agility, accessibility and stronger cross-functional engagement, while also improving cost efficiency and work-life balance. New digital HR tools and targeted learning – covering, for example, artificial intelligence (AI) and diversity – made it easier to provide support, highlight development opportunities and promote an inclusive working culture.

Working culture

The ECB embraced dynamic workspaces – also saying goodbye to the Eurotower and hello to the Galileo building

With 2,440 colleagues having relocated, nearly 50% of staff were assigned to newly designed offices – 1,700 in the Galileo building and 740 in the ECB main building. The transition to dynamic workspaces, which includes desk-sharing, is encouraging flexibility, inclusion and innovation within the ECB community. ECB Banking Supervision entered a new era, coming together under one roof in the Galileo building. The entire ECB staff is expected to be working in dynamic workspaces within two years, which is aimed at enhancing cost efficiency and hybrid collaboration while fostering autonomy.

The ECB revised its reporting, investigation and disciplinary framework to better support a respectful workplace

The ECB reviewed the reporting, investigation and disciplinary framework to better support a respectful workplace. The new rules clarify reporting channels and streamline misconduct investigations, which will be handled by a single dedicated unit, and also enhance the whistleblowing framework. With the changes comes a stronger focus on prevention, early resolution and on granting support for colleagues involved, including by strengthening proactive protection if a risk of retaliation is identified.

A new survey was launched to better listen to and support staff

In 2025 we launched a new survey to further improve how we listen to staff, in order to act on their feedback in a more timely and impactful way. The first survey was launched in November, with 75% of eligible staff participating. The results will inform the follow-up in 2026.

Talent and career development

The ECB's career portal continued to grow, also becoming an internal talent marketplace

The [ECB's career portal](#) now also provides an internal talent marketplace for ECB staff and offers additional opportunities for professional development. Three types of opportunity were added: tasks, projects and job shadowing. By taking part in or offering these opportunities, staff can broaden their expertise, apply their skills in a new team or business area, and explore new environments with a view to mobility, making new contacts in the process.

A large proportion of staff have shown interest in and/or engaged with either the new opportunities available or the job swaps and mentoring that were already offered on the platform. In 2025 more than 2,000 staff used the portal.

Demand for internal mobility and participation in the Schuman Exchange Programme with other EU institutions remained high

At the ECB mobility is encouraged in order to foster the professional development and adaptability of staff members. In 2025 the internal mobility rate was 6.6%.¹⁰⁷ Some 57% of mobility took place across business areas, compared with 43% of mobility within business areas, which signals success in enabling broader moves and encouraging adaptability.

External mobility is also supported to enable staff members to gain new experience in other organisations for a defined period of time. Many ECB staff members spend time at other organisations within the European System of Central Banks (ESCB) or Single Supervisory Mechanism (SSM). In 2025, 1.3% of staff commenced external mobility through the unpaid leave for mobility policy.

The 7th edition of the Schuman Programme was launched in 2025 and saw an increase in engagement across the ESCB and SSM. A total of 93 projects were proposed by 23 institutions, generating 220 applications. From these, 41 projects were ultimately offered as secondment opportunities, enabling 47 participants to take part in exchanges between the ECB, national competent authorities (NCAs) and national central banks (NCBs). Overall, 18 countries and 23 institutions took part, marking a rise in the numbers of both projects and participants compared with 2024.

The learning programme encompasses many new offers related to AI

The AI learning offer aims to build confidence and practical skills, helping staff understand and use AI responsibly at the ECB. More than 1,400 staff participated in training to build AI capability in 2025, ranging from foundational courses to more technical and advanced programmes.

Diversity and inclusion

The ECB reaffirmed its commitment to diversity and inclusion

In a changing external context, the ECB remains firmly committed to fostering equal opportunities and unity through its diversity and inclusion (D&I) portfolio. Mandated by the Executive Board and led by the Directorate General Human Resources (DG/HR), the portfolio brings together existing and new measures to remove structural barriers, strengthen fair systems and promote an inclusive culture. This is a shared commitment: executive sponsors champion D&I at leadership level, D&I ambassadors connect the agenda with their business units, and six staff networks amplify diverse voices and foster connection and allyship. These efforts are supported by a dedicated D&I Adviser and team in DG/HR, who embed a D&I lens in policies and enable dialogue. In parallel, regular exchanges across the ESCB and SSM further strengthen the collective impact.

¹⁰⁷ The internal mobility rate refers to any permanent or temporary horizontal move across divisions or business areas of staff with fixed-term or permanent contracts, excluding Graduate Programme participants.

The ECB takes a multi-faceted approach to diversity and inclusion that goes beyond female representation

Two gender strategies and their associated targets have been crucial in driving significant progress toward gender equality within the ECB. The most substantial increase has been an 8.2 percentage point rise in female representation in the K-L salary bands since 2019, reaching 39.4% at the end of 2025. The critical mass of 33% female representation has been achieved across all levels from analyst to senior management.

Alongside these efforts, the ECB strengthened its inclusive culture by engaging with staff in many different ways. The Gender Talk Series continued, engaging staff on important topics such as gender norms, masculinity and equal care, and an internal talk was held on intercultural intelligence. LGBT+ inclusion was championed through participation in Frankfurt's Christopher Street Day event.

The ECB's Diversity Month focused on disability confidence

In 2025 the ECB's Diversity Month focused on disability inclusion. A series of initiatives was launched that aimed at strengthening disability confidence across the organisation. Highlights included targeted workshops for leaders and an immersive experience around visual impairments delivered in collaboration with Frankfurt's Dialog Museum.

Our people at a glance

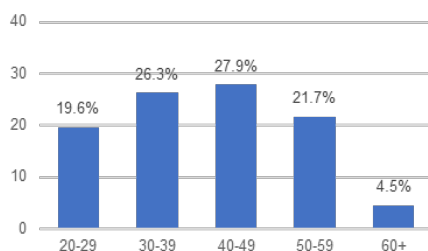
Workforce breakdown for 2025



5,338 employees and trainees,
of whom 8.3% work part-time¹

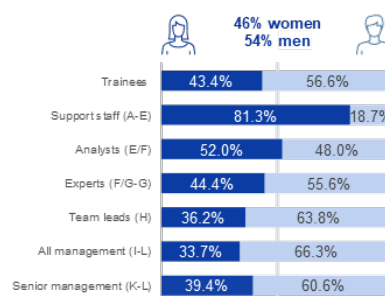
Our employees and trainees by age group¹

(percentages of entire workforce, age ranges)

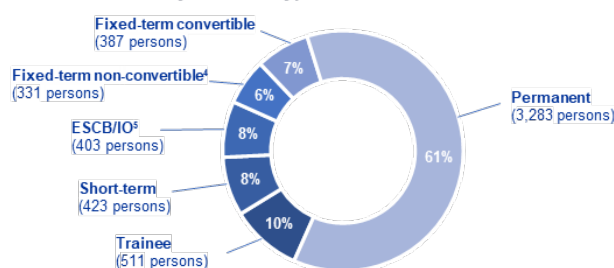


Our employees² and trainees by gender¹

(percentages of workforce by salary band)³



Our employees and trainees by contract type¹



Our employees and trainees by other factors



six diversity networks



8.3% overall promotion rate⁷



6.6% overall mobility rate⁶



1.8% turnover rate⁸

Our employees and trainees by nationality⁹

	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV
Employees and trainees (%)	2.3	1.9	0.8	0.5	22.6	0.5	3.0	4.9	8.7	7.8	1.2	18.7	0.5	0.6
All management (I-L, %)	2.6	1.1	0.3	0.7	28.7	0.7	4.1	3.8	11.8	10.0	0.3	14.4	0.7	0.5
	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
Employees and trainees (%)	0.8	0.2	1.4	0.2	2.9	2.2	2.9	4.5	3.6	1.1	1.0	1.4	0.9	3.1
All management (I-L, %)	0.5	0.2	1.0	-	5.7	2.3	2.0	3.4	0.3	0.8	-	0.5	0.2	3.4

1 As at 31 December 2025.

2 Refers only to permanent staff members and staff with fixed-term contracts.

3 Shares by salary band refer to permanent staff members and staff with fixed-term contracts. Overall gender share refers to all employees and trainees.

4 Includes 59 participants in the Graduate Programme.

5 Employees seconded from a national central bank of the European System of Central Banks, European public institutions/agencies or international organisations.

6 Refers to any permanent or temporary horizontal move across divisions or business areas of staff with fixed-term or permanent contracts, excl. Graduate Programme participants.

7 Refers to any permanent or temporary move to a higher salary band, with or without a recruitment, of staff with fixed-term or permanent contracts, excl. Graduate Programme participants.

8 Refers only to permanent staff members and staff with fixed-term convertible contracts.

9 The table shows shares of ECB employees and trainees by nationality, i.e. staff members holding multiple nationalities are counted for each nationality they declare. Shares are obtained by calculating the proportion between the number of people with each nationality and the total number of nationalities counted (EU only). The countries are listed using the alphabetical order of the country names in the respective national language.

11.5 Deepening our understanding of climate and nature-related risks

Weather and climate-related economic losses affect the European economy

The Governing Council committed to fully taking into account the implications of climate change and nature degradation for monetary policy and central banking

The pace of warming in Europe is twice the global average, with land temperatures already 2.1°C higher than pre-industrial levels.¹⁰⁸ The economic impact is already materialising. Between 2021 and 2024 weather and climate-related disasters gave rise to economic losses in the EU totalling €208 billion, equivalent to an average of 0.32% of annual GDP.¹⁰⁹ Biodiversity and ecosystem health in Europe are also declining due to climate change and other effects of human activities.¹¹⁰

In its [2025 strategy assessment](#), the ECB reiterated that climate change has profound implications for price stability through its impact on the structure and cyclical dynamics of the economy and the financial system. The Governing Council also clarified the pivotal role of nature-related risks in the fulfilment of its mandate. Specifically, the Governing Council committed, within its mandate, to ensuring that it fully takes into account the implications of both climate change and nature degradation for monetary policy and central banking. Ensuring prudent management of climate and nature-related risks is also embedded in the [supervisory priorities for 2026-28](#).

In 2025 the ECB and Eurosystem committees continued to further integrate climate and nature-related risks into their core work.¹¹¹ They implemented commitments¹¹² already made and intensified work in three focus areas: navigating the transition to a green economy, addressing the increasing physical impact of climate change, and advancing work on nature-related risks. In view of the growing economic and financial impacts of climate and nature-related risks, the ECB is committed to staying the course within its mandate. At the end of the year it updated the [actions to be taken going forward](#) to enhance its analytical and operational capacity.

¹⁰⁸ See the European Environment Agency's [Global and European temperatures](#) webpage.

¹⁰⁹ See the European Environment Agency's [Annual economic losses caused by weather- and climate-related extreme events in the EU Member States](#) indicator.





¹¹⁰ See the European Environment Agency's [Biodiversity](#) webpage.

¹¹¹ See the [ECB's climate and nature plan 2024-25](#).

¹¹² See the ECB's 2021 [action plan to incorporate climate considerations into monetary policy](#), the [supervisory priorities for 2022-24](#) and the ECB's [2022 climate agenda](#).

Figure 11.1

Overview of key planned climate and nature-related activities

		Ongoing work	<ul style="list-style-type: none"> - implementing climate factor in collateral framework - advancing scenarios and stress testing - ensuring banks' prudent management of climate and nature risks - monitoring of transition policy impacts
FOCUS AREAS		Navigating the transition to a green economy	<ul style="list-style-type: none"> - assessing prudential transition plans of banks - analytical work on energy and fiscal impact - exploring incorporation of climate in operational framework
		Increased physical impact of climate change	<ul style="list-style-type: none"> - assessing macroeconomic impacts of physical risk - improving data and risk monitoring framework - conducting further analysis of banks' capabilities to address challenges on physical risk
		Advancing work on nature-related risks	<ul style="list-style-type: none"> - assessing macroeconomic impacts of nature-related risk - improving data and analytical approaches - deep dive on water-related risks

The ECB adapted its monetary policy implementation framework to address climate-related transition risks

The ECB continued to take into account and report climate-related risks as part of its monetary policy implementation. The Eurosystem published the [third annual climate-related financial disclosures for its monetary portfolios and the ECB's foreign reserves](#), which showed that the carbon emissions associated with these assets continued to decrease. Furthermore, the Governing Council set an interim target against which to monitor the decarbonisation path for the aggregate corporate portfolios with the aim of supporting the goals of the Paris Agreement and the European Climate Law. If aggregate corporate portfolios deviate from the desired average decarbonisation path, the Governing Council will assess whether – within the limits of its mandate and on a case-by-case basis – remedial action is warranted. In these disclosures a new exploratory indicator was also introduced to measure the exposure of corporate bond holdings to sectors that materially depend or have an impact on nature.

Regarding the collateral framework, since the end of 2024 Eurosystem NCBs have implemented [common standards on climate-related risks](#) in the in-house credit assessment systems (ICAS) they use for non-marketable assets (see Section 2.3). A post in The ECB Blog further explains [how the ECB strives to properly include climate change risks in credit ratings](#). Additionally, in July 2025 the Governing Council [decided to introduce a climate factor](#) to protect the value of Eurosystem collateral in the event of climate-related transition shocks (see Section 2.3). The measure will be applicable as of 15 June 2026 for marketable assets issued by non-financial corporations. Meanwhile, in July 2025, the Governing Council [decided to postpone implementing the requirement to comply with the EU's Corporate Sustainability Reporting Directive \(CSRD\) as an eligibility criterion](#) in the Eurosystem collateral framework. This was decided owing to the incomplete transposition of the CSRD into national legislation and its review in the context of the European Commission's Omnibus simplification package.

The ECB continued to enhance its macroeconomic and financial stability analysis and scenarios

Climate considerations have been more systematically integrated into the ECB's macroeconomic and financial stability analyses. For example, the [ECB/Eurosystem staff macroeconomic projections](#) incorporate climate-related fiscal measures,

elements of the EU's "Fit for 55" package and the macroeconomic impact of the EU Emissions Trading System 2. Regarding scenario analysis, the Network for Greening the Financial System (NGFS) developed [new short-term climate scenarios](#) under a workstream led – as in previous years – by the ECB. These scenarios focus on climate impacts up to 2030, a time frame which is highly relevant for policymakers and market participants. They show that in the euro area an early transition coordinated worldwide reduces macro-financial risks. In the euro area, physical risks are material even over short horizons – and extreme events could reduce GDP by up to 5% in a physical risk scenario that captures the compounding impact of co-occurring natural hazards in 2026 and 2027 (see "[Climate risks: no longer the tragedy of the horizon](#)" in The ECB Blog). Additionally, the ECB contributed to [NGFS work on interactions between climate scenario analysis and transition plans](#).

In 2025 ECB Banking Supervision completed a multi-year programme aimed at advancing banks' climate and nature risk management capabilities, and continued to move to a business-as-usual approach by supervising climate and nature risks as part of regular supervisory assessments and processes. In general, banks have made significant strides in managing the risks stemming from the ongoing climate and nature crises. However, sustained supervisory attention is needed in view of the remaining issues. More information on this can be found in the [ECB Banking Supervision Annual Report](#).

The ECB [updated its climate-related statistical indicators](#) to incorporate advanced methodologies, new datasets, and adjustments to reflect inflation effects. This ensures more precise tracking of decarbonisation efforts and of the impact of intensifying climate-related hazards. The ECB also contributed to European and international climate data initiatives, such as closing [G-20 data gaps](#) and improve sustainability reporting.

The ECB continued to reduce the environmental footprint of its own operations, portfolios and banknotes. The 2025 [Environmental Statement](#) reported a 39% reduction in emissions from the ECB's internal operations between 2019 and 2024, in line with the 2030 target trajectory. Also the [Climate-related financial disclosures of the ECB's non-monetary policy portfolios](#) reported that the corporate investments of the ECB staff pension fund remain on track to meet the interim decarbonisation targets. Regarding euro banknotes, efforts to reduce their environmental footprint continued, including steps to achieve the move to 100% organic cotton by 2027 and the increased use of decarbonised electrical energy for banknote manufacturing. In parallel, the ECB is integrating eco-design principles into the development of future euro banknotes. The Eurosystem also continues to work to reduce the environmental footprint of electronic payments, including across the entire value chain of the digital euro project.

Capacity-building, seminars and cooperation with other central banks and international institutions underpinned the ECB's climate and nature degradation work. The ECB continued to contribute to international policy discussions and publications in 2025 through numerous fora at both European and global level. These included the above-mentioned NGFS, the Financial Stability Board, the Basel Committee on Banking Supervision, the European Supervisory Authorities and the

European Systemic Risk Board, the Bank for International Settlements and its Committee on Payments and Market Infrastructures, the G7 and G20 as well as the International Monetary Fund and the World Bank.

The ECB made progress on understanding and addressing the impact of the transition to a greener economy

ECB research and surveys improved our understanding of the economic and financial implications of the transition to a green economy. Banks indicated in the [July 2025 bank lending survey](#) that the climate performance of firms and the energy performance of buildings mattered for their lending conditions. They continued to report easier credit standards for firms with better climate performance and a tightening impact for high carbon-emitting firms. Banks also reported that uncertainty about future climate regulation was acting as an obstacle to loan demand. An [analysis of Europe's green investment needs](#) highlighted that, despite progress, investment in green activities had fallen short of what was needed to reach the climate targets – and suggested a range of financial and economic policies to support it. An occasional paper by the Eurosystem's International Relations Committee considered the [interactions between geoeconomic fragmentation and the uncoordinated climate transition policies that might ensue](#), which could become mutually reinforcing. Further contributions looked at [how artificial intelligence and the green transition are interconnected](#) and [how increased demand for defence funding could be met without sacrificing green and digital priorities](#).

A deeper understanding is needed of the increasing physical impact of climate change

Coping with the growing challenges from the physical impact of climate change requires deeper understanding and new strategies. With extreme temperatures and heatwaves becoming more common, ECB analysis showed that physical risks also affect firm-level¹¹³ and aggregate productivity¹¹⁴, substantially reduce economic activity in affected regions and increase food prices¹¹⁵. ECB research indicates that banks and investors increasingly price in the physical climate risks to both residential¹¹⁶ and commercial real estate¹¹⁷ in risky areas. Sovereign borrowers are not exempt¹¹⁸, as physical risks are associated with lower credit ratings. Regarding climate adaptation, ECB research¹¹⁹ emphasises the need for enhanced resilience, insurance coverage and financial tools to absorb and smooth the impact of climate hazards in Europe.

Work on nature-related risks progressed

The ECB worked intensively to better understand nature-related risks and their impacts on the economy and the financial sector. The explicit reference to nature degradation in the ECB's 2025 strategy assessment clarified its policy relevance. Key work carried out by the ECB in this field is highlighted in Box 9 below. An ECB

¹¹³ Caggese, A., Chiavari, A., Goraya, S. and Villegas-Sanchez, C., "[Climate change, firms and aggregate productivity](#)", *Research Bulletin*, No 132, ECB, 24 June 2025.

¹¹⁴ Caggese, A., Chiavari, A., Goraya, S. and Villegas-Sanchez, C., "[Climate change, firms and aggregate productivity](#)", *Working Paper Series*, No 3084, ECB, 2025

¹¹⁵ Parker, M. "[Has the heatwave been driving you nuts?](#)", *The ECB Blog*, ECB, 13 July 2025.

¹¹⁶ Fontana, A., Jarmulska, B., Scheid, B., Scheins, C., Schwarz, C., "[From flood to fire: is physical climate risk taken into account in banks' residential mortgage rates?](#)", *Working Paper Series*, No 3036, ECB, 2025.

¹¹⁷ Foerster, K., Ryan, E., Scheid, B., "[Pricing or panicking? Commercial real estate markets and climate change](#)", *Working Paper Series*, No 3059, ECB, 2025.

¹¹⁸ Capiello, L., Ferrucci, G., Maddaloni, A., Veggente, V., "[Creditworthy: do climate change risks matter for sovereign credit ratings?](#)", *Working Paper Series*, No 3042, ECB, 2025.

¹¹⁹ Mongelli, F.P., Ceglar, A., Scheid, B., "[Why do we need to strengthen climate adaptations? Scenarios and financial lines of defense](#)", *Working Paper Series*, No 3005, 2024.

occasional paper¹²⁰ and the post “[The European economy is not drought-proof](#)” in The ECB Blog highlighted the risks to the real economy, financial sector and price stability posed by degraded ecosystems and biodiversity loss, also spotlighting the materiality of water-related risks to the euro area. In November 2025 the ECB, in conjunction with the NGFS, held an international workshop on practices and tools available to central banks and supervisors to help them assess and address nature-related risks.

Box 9

Assessing nature-related risks to the European economy

The economy depends on nature, but the health of the planet is declining at a worrying pace. And compared with our understanding of climate-related economic and financial risks, our grasp of nature-related ones is still at an early stage – despite the strong links between climate and nature risks. This is why nature-related economic and financial risks remain a focal point of the updated [ECB climate and nature strategy](#) and are acknowledged in both the [2025 monetary policy strategy statement](#) and the [supervisory priorities for 2026-28](#).

In 2025 the ECB, in collaboration with Oxford University and the London School of Economics, performed a [risk-based assessment of the euro area economy and banks](#). Specifically, they analysed how firms’ dependencies on ecosystem services can translate into financial risks. Building on earlier findings, which revealed that 75% of euro area banks’ corporate lending is linked to firms highly dependent on ecosystem services,¹²¹ the ECB calculated estimates of the share of sectoral output at risk from ecosystem degradation. Water-related risks emerged as the most significant for the euro area, with surface water scarcity alone potentially threatening up to 24% of euro area economic output.¹²² As a follow-up in 2026 the ECB, in collaboration with other Eurosystem and ESCB members, will start a joint analytical project on water-related risks.

An [ECB working paper on the climate-biodiversity-pollution nexus](#) looked at its impact on banks’ lending conditions. It showed that pollution-intensive companies located near biodiversity-protected areas face lower loan-to-value ratios, and that banks charge them higher interest premia for certain loans. The results yield useful insights for banking supervisors and other authorities on how banks incorporate nature-related risks into their risk management and lending decisions.¹²³

Adjusting traditional economic models is essential to accurately quantify the macroeconomic impacts of nature degradation. An [ECB discussion paper on the economics of natural capital](#) underscored the importance of integrating this into growth models and emphasised the role of nature as a productive input. The empirical results indicate that firms underinvest in nature conservation compared with the social optimum, while the public sector complements private efforts by adopting a long-term perspective.

¹²⁰ Ceglar, A., Jwaideh, M., O’Donnell, E., Danieli, F., Pasqua, C., Hutchinson, J., Cimini, F., Sabuco, J., Alvarez, J., Ranger, N. and Heemskerk, I., “[Nature at risk: Implications for the euro area economy and financial stability](#)”, *Occasional Paper Series*, No 380, ECB, 2025.

¹²¹ Boldrini, S. et al., “[Living in a world of disappearing nature: physical risk and the implications for financial stability](#)”, *Occasional Paper Series*, No 333, ECB, Frankfurt am Main, 2023.

¹²² Ceglar, A. et al., “[Nature at risk: Implications for the euro area economy and financial stability](#)”, *Occasional Paper Series*, No 380, ECB, Frankfurt am Main, 2025.

¹²³ Hirschbühl, D. et al., “[The climate-biodiversity-pollution nexus: the pricing of environmental credit risks for European industrial polluters](#)”, *Working Paper Series*, No 3164, ECB, Frankfurt am Main, 2025.

Despite recent progress, nature-related economic and financial risks still constitute a relatively new research area. It is therefore important to keep enhancing our capacity to understand these risks and to foster wider action. The ECB and the NGFS hosted a joint workshop in November 2025 to advance central banks' and banking supervisors' knowledge of nature-related risks. This workshop was an opportunity to share case studies and best practices as well as providing an overview of ongoing NGFS work on nature-related issues.

12 Meet our people

At the ECB we are fostering a culture of innovation and have launched a range of initiatives aimed at increasing efficiency and maximising the benefits we deliver to citizens. In 2025 substantial efforts focused on implementing new artificial intelligence (AI) solutions to support our daily work. In this chapter, five colleagues describe their roles in developing and deploying these tools and share their personal experiences of how AI is shaping the way we work at the ECB.

Myriam Moufakkir, Chief Services Officer



As Chief Services Officer, I lead the integrated backbone of support services enabling the ECB to deliver on its mandate. I am responsible for information technology, finance and budget, procurement, human resources, property management, security, operational resilience, governance and large scale transformation. Since joining the ECB in 2023, my primary focus has been on modernising our internal services so the ECB can act flexibly, securely and with the technological sovereignty that it requires.

In my day to day work, I provide strategic guidance and vision as well as operational execution capability, prioritising three pillars:

- capability – building strong AI, digital and operational skills across our teams is essential to unlock innovation and manage risks responsibly;
- sovereignty and autonomy – ensuring that the services and technologies we rely on allow us to deliver on our mandate in full independence;
- resilience – in a context of fast technological changes, disruptions and crises, strengthening our teams, processes and systems' ability to continue to deliver.

The ECB already applies artificial intelligence (AI) in several areas. We are now accelerating and broadening the ECB's adoption of AI and advanced machine learning. We are applying these techniques to strengthen economic analysis, improve inflation forecasting and support complex macroeconomic modelling, as well as to reduce heavy workload and tedious tasks. We are doing so through regular exchanges with business areas, a training curriculum covering all layers of the organisation, and within a governance framework that incorporates risk management and sovereignty from the outset.

My professional background spans international transformation roles across the financial services sector, where I led digital initiatives, strategic plans and large-scale organisational change. My academic education in mathematics and sciences allowed me to develop a technical literacy and engage with fast evolving and emerging technologies.

It is a privilege to work on a wide spectrum of topics, and with talented colleagues, to contribute to the ECB's core mandate, stability and resilience.

Outside the office, my career has taken me across the world and deepened my appreciation for cultural diversity and different perspectives. Despite a demanding schedule, I have always made it a priority to preserve time for my family and to share with them a genuine passion for travel and the discovery of different cultures, making my professional mobility an opportunity for enriching family experiences.

Maximilian Freier



As a Lead Economist in the Front Office of the Directorate General Economics, I serve as Secretary to the ECB Monetary Policy Committee. In this role, I coordinate the committee's work to ensure that the analysis and policy materials feeding into monetary policy discussions are timely, clear and comparable across the Eurosystem.

I also act as the artificial intelligence (AI) coordinator for the Directorate General Economics. Over recent months, we have made strong progress in advancing the ECB's AI agenda across central banking business areas. We have developed an initial set of pilot tools that are already showing significant potential to strengthen our analytical capacity and reduce the time spent on recurring tasks. In parallel, we have set out an ambitious Central Banking Digitalisation Programme to advance our data analytics and business process automation.

Since 2007 I have held several positions as an economist in the ECB, in the Directorates General Economics, Monetary Policy, and International and European Relations. Before joining the ECB, I obtained a PhD from the London School of Economics and Political Science, and master's level degrees in both economics and political science from the Ludwig Maximilian University of Munich.

My research interests span fiscal and monetary policy, innovation management, European integration and governance, comparative political economy, and applied machine learning. I have a particular interest in household and firm-level ("micro") data. I am also the founding Chair of the ESCB Network on Microsimulation Modelling. Through this network of researchers across the European System of Central Banks, we connect new tools and methods with core policy questions.

Fabienne Allegret-Maret



As Senior Team Lead in the Information Governance Division of the Directorate General Secretariat, I lead the ECB Library. Recognising that information flows have grown dramatically in both scale and speed, I initiated a transformation of the Library to help the ECB navigate an increasingly complex information environment.

Today, my role goes far beyond providing access to books and databases. I position the Library as an integral part of the ECB's knowledge ecosystem – a critical resource enabling rigorous analysis and innovative thinking. Together with my team, I procure and curate high-quality resources tailored to the needs of economists, supervisors and other experts. I treat thoughtful selection as just as important as access, ensuring that the information available is not only abundant, but authoritative and relevant. While most materials are now digital, we continue to promote access to print collections, convinced that deep attention and contextual reading remain essential for sound decision-making.

The transformation also reshaped our physical library environment: it now fosters knowledge-sharing and innovation, while preserving areas for deep, focused work. The library has become a hub where ECB experts meet, exchange ideas and learn from each other.

As artificial intelligence (AI) reshapes central banking, our responsibilities have expanded further. My team and I ensure that licensed content is used responsibly in AI applications, balancing innovation with legal safeguards. High-quality, reliable information is particularly crucial for AI systems, especially when analysing news, to ensure outputs are accurate and trustworthy.

In parallel, I apply my expertise in information organisation to advocate and support the development of the ECB semantic layer, which connects knowledge across systems – making ECB-specific insights more discoverable and actionable.

Librarianship has evolved far beyond guarding bookshelves: I now operate at the nexus of AI-driven information management, linking the fast-evolving innovations in AI with the specialised demands of central banking. By combining technological innovation with curation and governance, I enable the ECB to innovate with intelligence and integrity.

Steven Moons



In my role as the ECB's AI Programme Lead and a member of the AI Office, I steer the institution's strategic transformation in artificial intelligence. I oversee the design and implementation of the ECB's AI Programme and coordinate both productivity enhancing and transformative AI use cases. My responsibilities include ensuring compliance with ethical, legal and regulatory standards, cultivating partnerships with internal and external stakeholders, and promoting a culture of innovation grounded in responsibility, transparency and robust governance.

Before taking on this role, I led several AI and "SupTech" initiatives in banking supervision. Prior to joining the ECB in 2021, I spent many years in positions focused on IT delivery, digital transformation and organisational change across the private and public sectors. During that time, I worked on modernising IT landscapes, advancing cloud and architecture initiatives, and delivering complex programmes with diverse teams across Europe, the United States and Asia.

What I value most about working at the ECB is how it brings together diverse perspectives from across Europe. Contributing to the institution's technological and digital future – while helping to strengthen its role as a trusted, forward-looking European institution – is both a privilege and a constant source of motivation. In my current role, I particularly appreciate collaborating with such a wide range of business areas, as AI touches almost every part of the organisation. Engaging with this diverse and committed community of colleagues is inspiring and energising. The ECB's strong collaborative spirit, and the opportunity to work with people who are genuinely passionate about making a difference, are central to what I value in my work.

Outside of work, I find balance in spending time outdoors, especially walking in the mountains or riding my motorcycle.

Vasilis Papaefthymiou



I am a Supervisor in the SSM's Supervisory Technologies (SupTech) team. My work focuses on designing and developing innovative business applications that empower banking supervisors at the ECB and across the euro area.

Over the past five years in SupTech, I have specialised in developing artificial intelligence (AI) and generative AI applications. As product owner, I lead the development of two tools. Athena is the first and most comprehensive AI tool available across the SSM, which supports supervisors in identifying relevant information across millions of supervisory documents. Meanwhile, Delphi is an intuitive market risk sentiment tool that combines financial market indicators with key market drivers extracted daily by analysing news articles, providing supervisors with a view on emerging risks.

My passion for technology meets the rapidly evolving field of AI in an ideal setting. SupTech plays a key role in bringing state-of-the-art solutions into European banking

supervision. This is an ideal environment for me to apply the computer science and data science experience I acquired through my studies in electrical and computer engineering at the National Technical University of Athens, combined with the management and economics perspective I gained through my master's degree at ETH Zurich. For a computer engineer, the ECB offers a unique opportunity to work at the intersection of technology and finance, where innovation directly supports financial stability and world class supervision.

I feel highly inspired knowing that my day-to-day work developing innovative IT tools contributes to more effective and risk-focused banking supervision, leading to safer banks and a positive impact on European citizens.

In my free time, I enjoy meeting with friends and spending time by the sea under the Greek sun.

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Key figures

€603.3 billion



Balance sheet

The ECB's balance sheet contracted by €37.3 billion in 2025, mainly owing to the decline in monetary policy securities, as the Eurosystem no longer reinvested principal payments from maturing securities under the APP and the PEPP.

€1,254 million



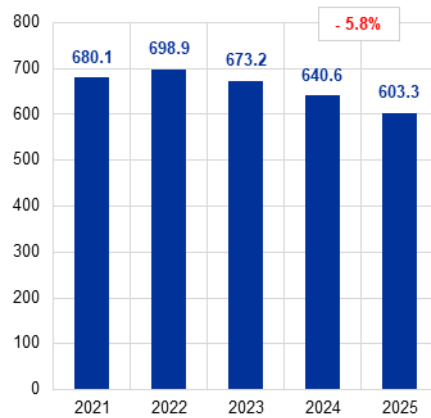
Loss for the year

The ECB's loss was significantly lower in 2025 than in 2024, mainly owing to a decrease in the interest expense resulting from the net TARGET liability.

The 2025 loss, like the losses from the previous two years, will remain on the ECB's balance sheet to be offset against future profits.

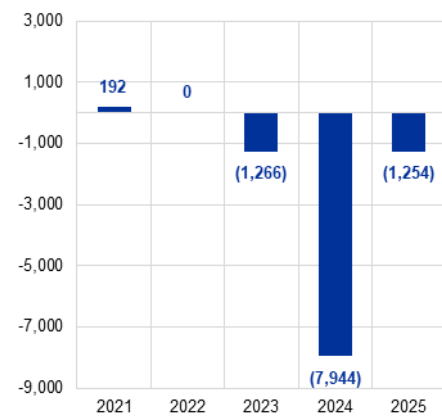
Balance sheet

(EUR billions)



Profit/(loss) for the year

(EUR millions)



1 Management report

1.1 Purpose of the ECB's management report

The management report is an integral part of the ECB's Annual Accounts and is designed to provide readers with contextual information related to the financial statements.^{1,2} Given that the ECB's activities and operations are undertaken in support of its policy objectives, the ECB's financial position and result should be viewed in conjunction with its policy actions.

To this end, the management report presents the ECB's main tasks and activities, as well as their impact on its financial statements. Furthermore, it analyses the main developments in the balance sheet and the profit and loss account during the year and includes information on the ECB's net equity.³ Finally, it describes the risk environment in which the ECB operates, providing information on the specific risks to which the ECB is exposed, and the risk management policies used to mitigate risks.

1.2 Main tasks and activities

The ECB is part of the Eurosystem, which, besides the ECB, comprises the national central banks (NCBs) of the Member States of the European Union (EU) whose currency is the euro.⁴ The Eurosystem has the primary objective of maintaining price stability. The ECB performs its tasks as described in the Treaty on the Functioning of the European Union⁵ and in the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB)⁶ (Figure 1). The ECB conducts its activities in pursuit of its mandate and not with the intention of generating a profit.

¹ Throughout this document, the numbers presented may not add up precisely to the totals and percentages may not precisely reflect the absolute figures owing to rounding.

² The "financial statements" comprise the balance sheet, the profit and loss account, a summary of significant accounting policies and other explanatory notes. The "Annual Accounts" comprise the financial statements, the management report, the independent auditor's report and the note on profit distribution/allocation of losses. Further details on the related [preparation and approval process](#) can be found on the ECB's website.

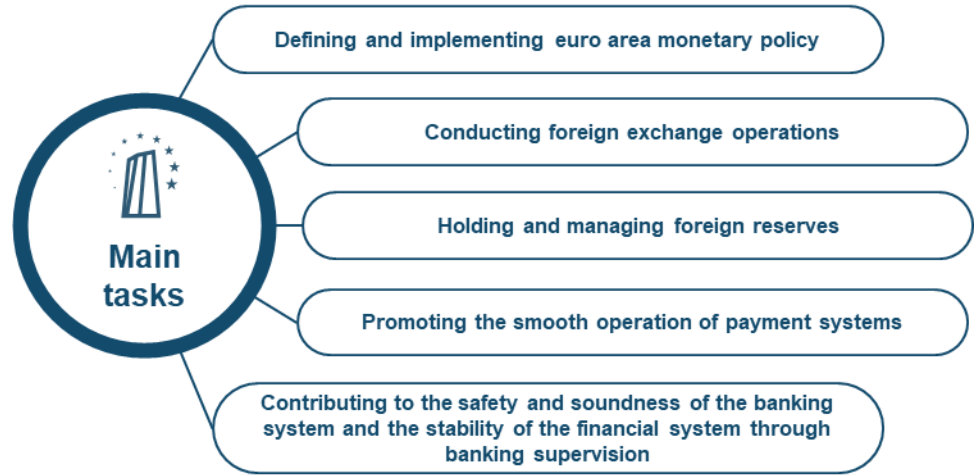
³ For a definition of "net equity" as used in the preparation of the ECB's Annual Accounts, see Section 1.3.2 "Net equity".

⁴ There were 20 NCBs in the Eurosystem in 2025. On 8 July 2025 the Council of the European Union formally approved the adoption of the euro by Bulgaria on 1 January 2026. As of that date, the number of NCBs in the Eurosystem increased to 21 with the addition of Българска народна банка (Bulgarian National Bank).

⁵ [Consolidated version of the Treaty on the Functioning of the European Union](#) (OJ C 202, 7.6.2016, p. 1), as amended. The [unofficial consolidated text](#) with the list of amendments is also available.

⁶ [Protocol \(No 4\) on the Statute of the European System of Central Banks and of the European Central Bank](#) (OJ C 202, 7.6.2016, p. 230). The European System of Central Banks (ESCB) comprises the ECB and the NCBs of all 27 EU Member States.

Figure 1
The ECB's main tasks



Reflecting the principle of decentralised implementation of monetary policy in the Eurosystem, monetary policy operations are recorded in the financial statements of the ECB and the euro area NCBs. Some instruments included in the monetary policy operational framework of the Eurosystem are not used by the ECB and accordingly have no impact on the ECB's financial statements.⁷

Table 1 provides an overview of the ECB's key activities in the pursuit of its mandate and their impact on the ECB's financial statements.

⁷ In line with the decentralised implementation of monetary policy, the instruments recorded in NCB balance sheets under "Lending to euro area credit institutions related to monetary policy operations denominated in euro" and "Liabilities to euro area credit institutions related to monetary policy operations denominated in euro" are used only by the NCBs. Further details on the [Eurosystem's monetary policy instruments](#) can be found on the ECB's website.

Table 1**The ECB's key activities and their impact on its financial statements****Defining and implementing euro area monetary policy**

Securities held for monetary policy purposes	<p>Purchases of these securities were conducted by the ECB and the NCBs of the Eurosystem and recorded in the balance sheet under "Securities held for monetary policy purposes". The debt securities currently held are accounted for at amortised cost, subject to impairment.</p> <p>Coupon accruals and amortised premiums and discounts are included in the profit and loss account under either "Interest income" or "Interest expense", depending on whether the net amount is positive or negative.</p> <p>Realised gains and losses, if any, are included in the profit and loss account under "Realised gains/(losses) arising from financial operations".</p>
Securities lending	<p>Securities held for monetary policy purposes are available for lending by the Eurosystem.⁸ For the ECB, securities lending operations are conducted via specialised institutions. These operations are recorded in the balance sheet under "Other liabilities to euro area credit institutions denominated in euro", "Liabilities to other euro area residents denominated in euro – Other liabilities" and "Liabilities to non-euro area residents denominated in euro" if collateral is provided in the form of cash and this cash remains uninvested. Otherwise, the related securities lending operations are recorded in off-balance-sheet accounts.</p> <p>Interest accruals are included in the profit and loss account as "Interest income" or "Interest expense".</p>
Liquidity provision in foreign currency	<p>The ECB acts as an intermediary between non-euro area central banks and euro area NCBs by means of swap transactions aimed at offering short-term foreign currency funding to Eurosystem counterparties.⁹</p> <p>These operations are recorded in the balance sheet under "Liabilities to non-euro area residents denominated in euro" and "Claims related to TARGET (net)" / "Liabilities related to TARGET (net)", as well as in off-balance-sheet accounts.</p> <p>Interest accruals are included in the profit and loss account as "Interest income" or "Interest expense".</p>
Liquidity provision to non-euro area central banks in euro	<p>The Eurosystem may provide euro liquidity to non-euro area central banks by means of swap and repo transactions in exchange for eligible collateral.¹⁰</p> <p>For the ECB, the swap operations are recorded in the balance sheet under "Claims on non-euro area residents denominated in foreign currency" and "Liabilities to non-euro area residents denominated in euro" or "Claims related to TARGET (net)" / "Liabilities related to TARGET (net)", as well as in off-balance-sheet accounts.</p> <p>Interest accruals are included in the profit and loss account as "Interest income" or "Interest expense".</p>

Conducting foreign exchange operations, and holding and managing foreign reserves

Foreign exchange operations and management of foreign reserves	<p>Foreign reserves are presented in the balance sheet mainly under "Gold and gold receivables", "Claims on non-euro area residents denominated in foreign currency" and "Claims on euro area residents denominated in foreign currency", while related liabilities, if any, are presented under "Liabilities to euro area residents denominated in foreign currency" and "Liabilities to non-euro area residents denominated in foreign currency". Foreign exchange transactions are reflected in off-balance-sheet accounts until the settlement date.</p> <p>Coupon accruals and amortised premiums and discounts are included in the profit and loss account as "Interest income" or "Interest expense".</p> <p>Unrealised price and exchange rate losses exceeding, at the year-end, previously recorded unrealised gains on the same items, and realised gains and losses arising from the sale of foreign reserves are also included in the profit and loss account under "Write-downs on financial assets and positions" and "Realised gains/(losses) arising from financial operations" respectively. Unrealised gains are recorded in the balance sheet under "Revaluation accounts".</p>
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⁸ Further details on [securities lending](#) can be found on the ECB's website.

⁹ Further details on [currency swap lines](#) can be found on the ECB's website.

¹⁰ Further details on the Eurosystem's [euro liquidity-providing operations](#) against eligible collateral can be found on the ECB's website. The repo lines also described on the website are operated by the NCBs and, accordingly, have no impact on the ECB's financial statements.

Promoting the smooth operation of payment systems

<p>Payment systems (TARGET)</p>	<p>Intra-Eurosystem balances of euro area NCBs vis-à-vis the ECB arising from TARGET are presented together in the balance sheet of the ECB as a single net asset or liability position under "Claims related to TARGET (net)" or "Liabilities related to TARGET (net)".¹¹ Intra-ESCB balances of non-euro area NCBs vis-à-vis the ECB arising from their participation in TARGET are recorded in the balance sheet under "Liabilities to non-euro area residents denominated in euro". Balances of ancillary systems connected to TARGET through the TARGET-ECB component are recorded in the balance sheet under "Liabilities to other euro area residents denominated in euro" or "Liabilities to non-euro area residents denominated in euro", depending on whether the managing entity is established in or outside the euro area.¹²</p> <p>Interest accruals are included in the profit and loss account under "Interest income" or "Interest expense".</p>
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Contributing to the safety and soundness of the banking system and the stability of the financial system through banking supervision

<p>Banking supervision – the Single Supervisory Mechanism (SSM)</p>	<p>The annual expenses of the ECB in relation to its supervisory tasks are recovered via annual supervisory fees levied on the supervised entities. The supervisory fees are included in the profit and loss account under "Net income/(expense) from fees and commissions".</p> <p>Furthermore, the ECB is entitled to impose administrative penalties on supervised entities for failure to comply with applicable EU banking law on prudential requirements (including ECB supervisory decisions). The related income is also recorded in the profit and loss account under "Net income/(expense) from fees and commissions".</p>
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Other

<p>Banknotes in circulation</p>	<p>The ECB has been allocated an 8% share of the total value of euro banknotes in circulation. This share is backed by claims on the NCBs which are recorded in the balance sheet under "Claims related to the allocation of euro banknotes within the Eurosystem" and remunerated at the latest available interest rate applied to the deposit facility offered by the Eurosystem. The interest is included in the profit and loss account under "Interest income".</p> <p>Expenses arising from the cross-border transportation of euro banknotes between banknote printing works and NCBs, for the delivery of new banknotes, and between NCBs, for the compensation of shortages with surplus stocks, are borne centrally by the ECB. These expenses are presented in the profit and loss account under "Banknote production services".</p>
<p>Own funds portfolio</p>	<p>The own funds portfolio of the ECB is presented in the balance sheet, mainly under "Other financial assets".</p> <p>Coupon accruals and amortised premiums and discounts are included in the profit and loss account under "Interest income" or "Interest expense".</p> <p>Unrealised price losses exceeding, at the year-end, previously recorded unrealised price gains on the same items are also included in the profit and loss account under "Write-downs on financial assets and positions", while realised gains and losses arising from the sale of securities are included under "Realised gains/(losses) arising from financial operations".</p> <p>Unrealised price gains are recorded in the balance sheet under "Revaluation accounts".</p>

¹¹ Further details on [TARGET Services](#) can be found on the ECB's website.

¹² Ancillary systems are financial market infrastructures that have been granted access to the TARGET-ECB component by the Governing Council, provided they fulfil the requirements defined in [Decision \(EU\) 2022/911 of the European Central Bank of 19 April 2022 concerning the terms and conditions of TARGET-ECB and repealing Decision ECB/2007/7 \(ECB/2022/22\)](#) (OJ L 163, 17.6.2022, p. 1), as amended. The [unofficial consolidated text](#) with the list of amendments is also available. Further details on [ancillary systems](#) can be found on the ECB's website.

1.3 Financial developments

1.3.1 Balance sheet

Until 2022 the ECB's balance sheet continued to expand (Chart 1), primarily owing to outright purchases of securities by the ECB under the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) as part of the implementation of the Eurosystem's monetary policy.¹³ The increase in 2022 was more moderate owing to the discontinuation of net purchases of securities under the PEPP and the APP as of the end of March 2022 and 1 July 2022 respectively. The balance sheet contracted in both 2023 and 2024, driven by a gradual decline in holdings under the APP as a result of the only partial reinvestment of principal payments from maturing securities between March and June 2023 and the complete discontinuation of such reinvestments as of July 2023. A gradual decline in holdings under the PEPP, owing to only partial reinvestment of principal payments in the second half of 2024, also contributed to the decrease in the ECB's balance sheet in that year. These reinvestments were discontinued at the end of 2024.

In 2025 the ECB's **balance sheet** contracted further, by €37.3 billion to €603.3 billion, again driven by redemptions of securities held under the APP and the PEPP. These redemptions resulted in a reduction in securities held for monetary policy purposes, while the cash settlement of these transactions via TARGET accounts led to a corresponding decline in intra-Eurosystem liabilities. That decline was only partially offset by cash outflows as a result of lower deposits placed with the ECB, which simultaneously resulted in a decrease in other liabilities.

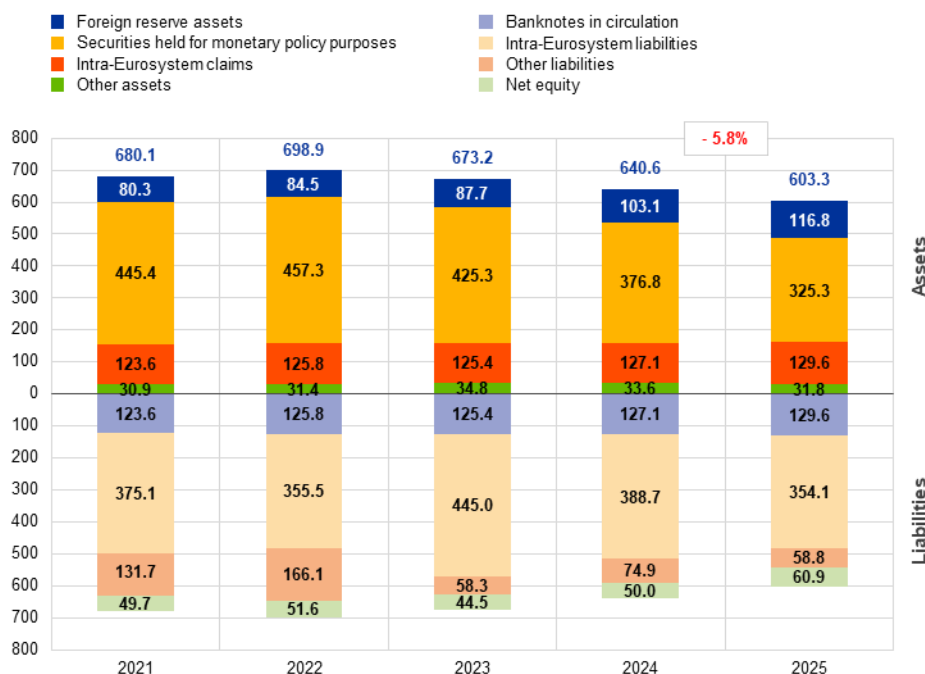
€37.3 billion
Decrease in the ECB's balance
sheet

¹³ 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). The ECB did not acquire securities under the CSPP. All asset categories eligible for purchase under the existing APP were also eligible under the PEPP. Further details on the [asset purchase programme](#) and the [pandemic emergency purchase programme](#) can be found on the ECB's website.

Chart 1

Main components of the ECB's balance sheet

(EUR billions)



Source: ECB.

Note: For the purpose of preparing the ECB's Annual Accounts, the ECB's net equity consists of its paid-up capital, any amounts held in the provision for financial risks and the general reserve fund, the revaluation accounts (excluding the revaluation account for post-employment benefits), any accumulated losses from previous years and any profit/(loss) for the year. For information on the adjustments of the figures for 2023, see "Changes to presentation in the financial statements" in Section 2.3 "Accounting policies" of the ECB's Annual Accounts 2024.

54%
Share of securities held for monetary policy purposes in total assets

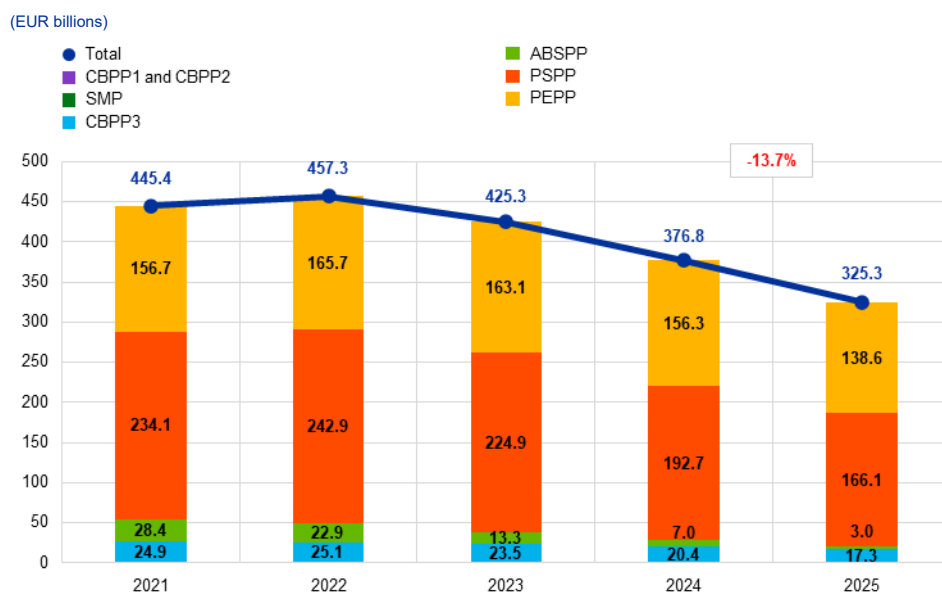
Euro-denominated securities held for monetary policy purposes made up 54% of the ECB's total assets at the end of 2025. Under this balance sheet item, the ECB holds securities acquired in the context of the Securities Markets Programme (SMP), the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP) and the pandemic emergency purchase programme (PEPP). The securities purchased under these programmes are valued at amortised cost, subject to impairment.

€51.5 billion
Decrease in securities held for monetary policy purposes

Based on the relevant Governing Council decisions, the Eurosystem discontinued reinvestments of principal payments from maturing securities under the APP and the PEPP as of July 2023 and at the end of 2024 respectively. As a result of these decisions, securities held by the ECB for monetary policy purposes have been decreasing at a measured and predictable pace. In total, monetary policy portfolios declined by €51.5 billion to €325.3 billion in 2025 (Chart 2). The APP portfolio decreased by €33.7 billion to €186.5 billion, with the PSPP, ABSPP and CBPP3 holdings decreasing by €26.5 billion, €4.0 billion and €3.1 billion respectively. The PEPP portfolio fell by €17.8 billion to €138.6 billion.

Chart 2

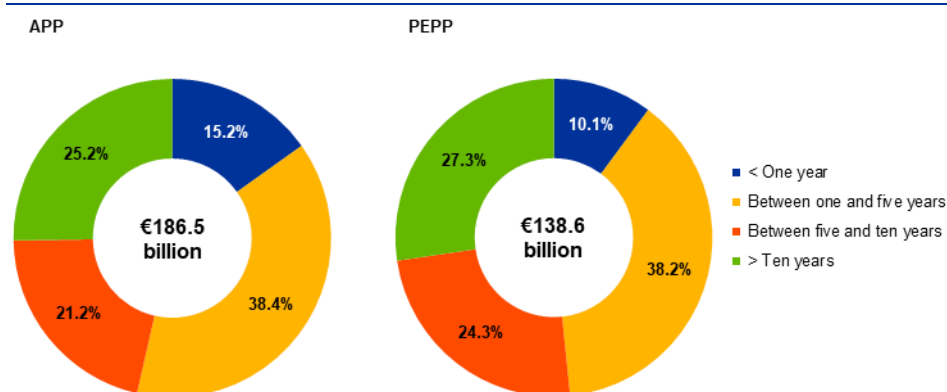
Securities held for monetary policy purposes



The securities held by the ECB under the APP and the PEPP at the end of 2025 had a diversified maturity profile (Chart 3).¹⁴

Chart 3

Maturity profile of the APP and the PEPP



In 2025 the total euro equivalent value of the ECB's **foreign reserve assets**, which consist of gold, special drawing rights, US dollars, Japanese yen and Chinese renminbi, increased by €13.6 billion to €116.8 billion.

¹⁴ More information about the maturity profiles of the [asset purchase programme](#) and the [pandemic emergency purchase programme](#) can be found on the ECB's website.

€18.9 billion

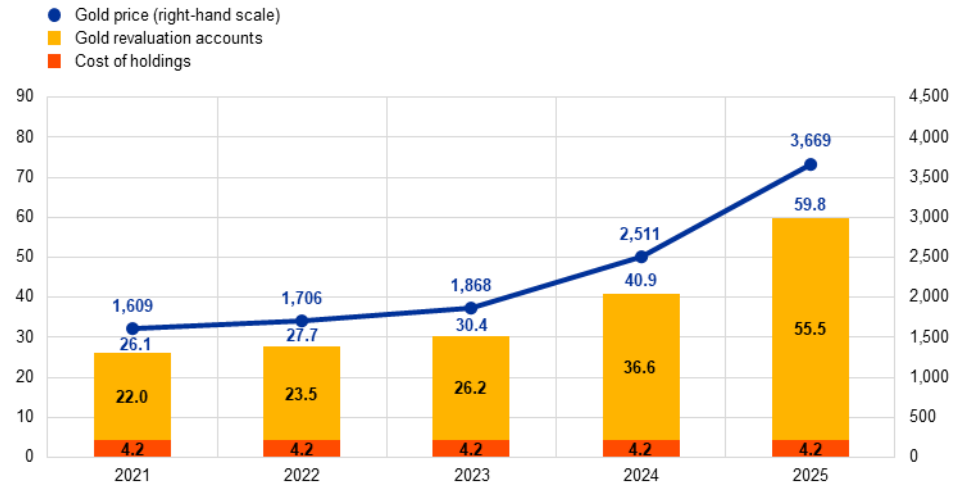
Increase in the value of the ECB's holdings of gold owing to the rise in the market price of gold

The euro equivalent value of the ECB's holdings of gold increased by €18.9 billion to €59.8 billion in 2025 (Chart 4) owing to the rise in the market price of gold in euro terms. This increase also led to an equivalent rise in the ECB's gold revaluation accounts (see Section 1.3.2 "Net equity").

Chart 4

Gold holdings and gold prices

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



Source: ECB.

Note: "Gold revaluation accounts" does not include the contributions of the central banks of the Member States that joined the euro area after 1 January 1999 to the accumulated gold revaluation accounts of the ECB as at the day prior to their entry into the Eurosystem.

€4.8 billion

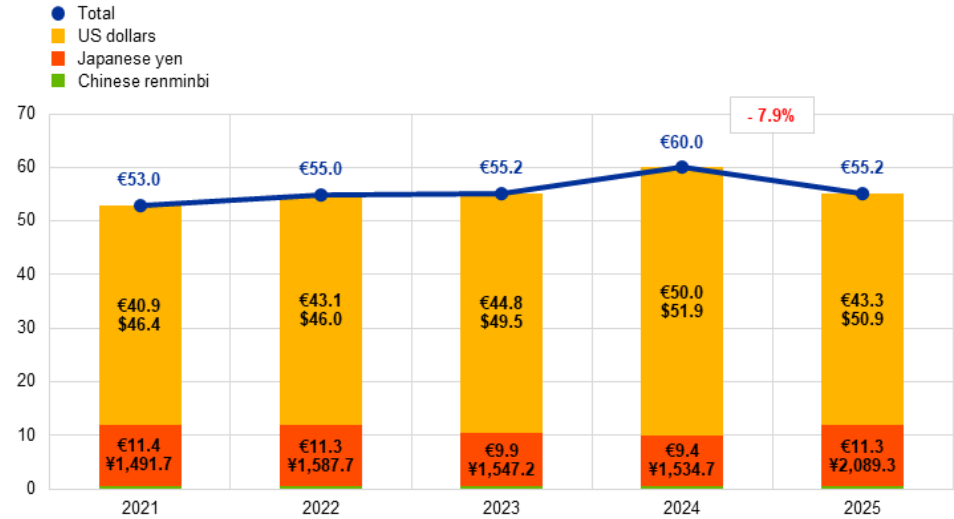
Decrease in the ECB's foreign currency holdings

The ECB's foreign currency holdings of US dollars, Japanese yen and Chinese renminbi decreased in euro terms by €4.8 billion to €55.2 billion in 2025 (Chart 5), mainly owing to the depreciation of the US dollar and Japanese yen against the euro.¹⁵ The depreciation of the US dollar is also reflected in the lower balances in the ECB's revaluation accounts (see Section 1.3.2 "Net equity"), while the depreciation of Japanese yen resulted in an exchange rate write-down recognised in the profit and loss account at the year-end, as the related revaluation accounts had been fully depleted in 2024 (see Section 1.3.3 "Profit and loss account"). Despite this write-down, the holding of Japanese yen increased as a result of a standard rebalancing to align the composition of the ECB's foreign reserves with the target allocation. As part of this rebalancing, during the first quarter of 2025 the ECB sold a small portion of its US dollar holdings and fully reinvested the proceeds in Japanese yen.

¹⁵ The ECB's foreign currency holdings comprise assets included in the balance sheet under "Claims on non-euro area residents denominated in foreign currency – Balances with banks and security investments, external loans and other external assets" and "Claims on euro area residents denominated in foreign currency".

Chart 5
Foreign currency holdings

(EUR billions)



Source: ECB.

The US dollar continues to be the main component of the ECB's foreign currency holdings, accounting for 78% of the total at the end of 2025.

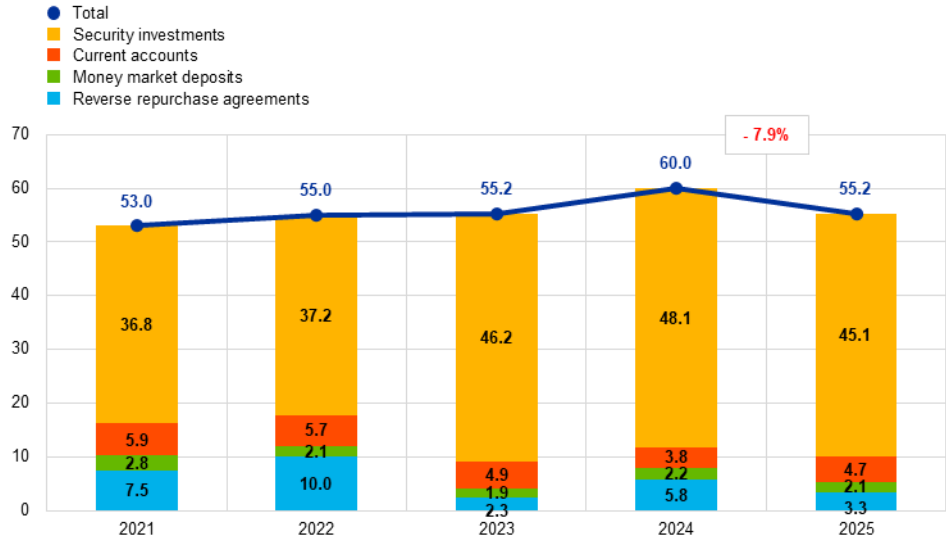
The ECB manages the investment of its foreign currency holdings using a three-step approach. First, a strategic benchmark portfolio is designed by the ECB's risk managers and approved by the Governing Council. Second, the ECB's portfolio managers design the tactical benchmark portfolio, which is approved by the Executive Board. Third, investment operations are conducted in a decentralised manner by the NCBs on a day-to-day basis.

The ECB's foreign currency holdings are invested in securities, reverse repurchase agreements and money market deposits or are held in current accounts (Chart 6). Securities in this portfolio are valued at year-end market prices.

Chart 6

Composition of foreign currency investments

(EUR billions)



Source: ECB.

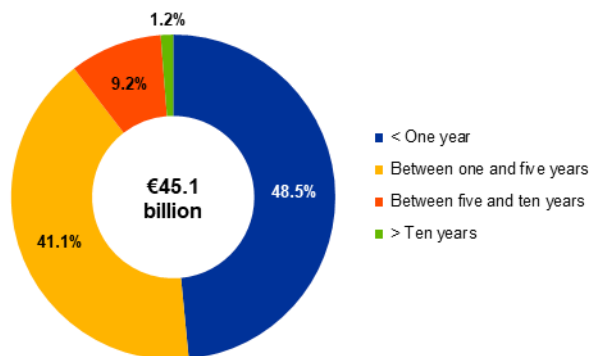
Note: As of 2025, the ECB presents overnight investment of cash balances under "Reverse repurchase agreements" if these funds are part of a repurchase pool. The related balances for the years 2021-24 were reclassified from "Current accounts" to "Reverse repurchase agreements" accordingly.

48%
Foreign currency-denominated securities with a maturity of less than one year

The purpose of the ECB's foreign currency holdings is to finance potential interventions in the foreign exchange market. For this reason, the ECB's foreign currency holdings are managed in accordance with three objectives (in order of priority): liquidity, safety and return. Therefore, almost half of this portfolio comprises securities with short maturities (Chart 7).

Chart 7

Maturity profile of foreign currency-denominated securities

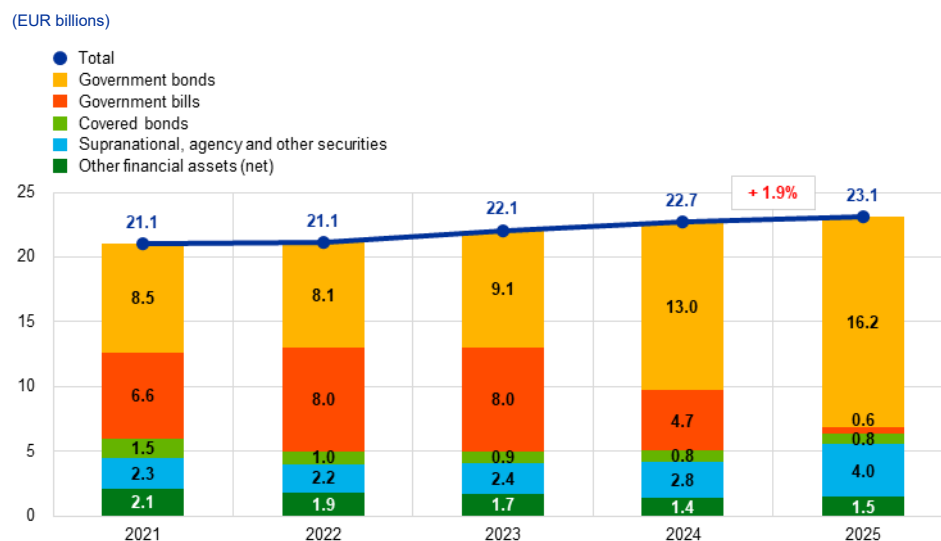


Source: ECB.

The ECB's **own funds portfolio** predominantly consists of investments of its paid-up capital and amounts set aside in the general reserve fund and in the provision for

financial risks.¹⁶ The value of this portfolio increased by €0.4 billion to €23.1 billion in 2025 (Chart 8), primarily owing to the reinvestment of interest income generated on this portfolio.

Chart 8
Own funds portfolio



Source: ECB.

The own funds portfolio consists almost entirely of euro-denominated securities valued at year-end market prices. In 2025 government debt securities accounted for 73% of the total portfolio.

33%
Share of green investments in the
ECB's own funds portfolio

The share of green investments in the own funds portfolio continued to increase, rising from 28% at the end of 2024 to 33% at the end of 2025.¹⁷ The ECB plans to further increase this share over the coming years.¹⁸ In 2021 and 2022 purchases of green bonds in secondary markets were complemented by investments in the euro-denominated green bond investment fund for central banks (EUR BISIP G2) launched by the Bank for International Settlements in January 2021. In October 2024 the ECB started investing a small share of its own funds in equity exchange-traded funds (ETFs) tracking Paris-aligned benchmarks.¹⁹ This diversification enhances the return potential of the ECB's own funds portfolio and further aligns its investments

¹⁶ The own funds portfolio does not necessarily correspond in size to the sum of the ECB's paid-up capital, general reserve fund and provision for financial risks. This is mainly due to the reinvestment of income generated by the portfolio, the valuation of securities at market prices, and specific movements in the general reserve fund and the provision for financial risks.

¹⁷ Defined as the sum of direct green bond holdings and holdings in the EUR BISIP G2 fund as a share of the fixed income component of the own funds portfolio.

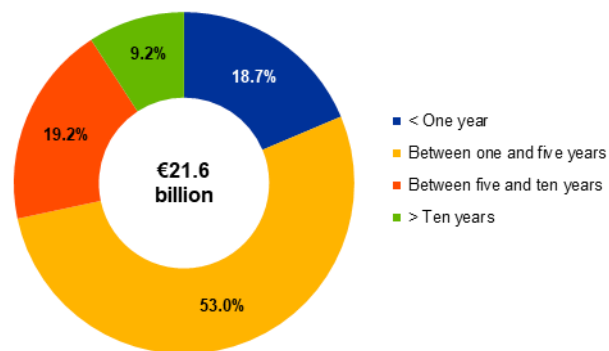
¹⁸ In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures, the ECB prepares annual climate-related financial disclosures with regard to its own funds and pension portfolios. The disclosures for 2024 were published on the ECB's website in June 2025, while the disclosures for 2025 are expected to be published in June 2026.

¹⁹ Paris-aligned benchmarks aim for alignment with the Paris Agreement goal of limiting the increase in global average temperatures to 1.5°C.

with a decarbonisation path consistent with the goals of the Paris Agreement and the European Climate Law.²⁰

The purpose of the own funds portfolio is to provide income to help fund those ECB operating expenses that are not related to the delivery of its supervisory tasks.²¹ It is invested in euro-denominated assets, subject to the limits imposed by its risk control framework. This results in a more diversified maturity structure (Chart 9) compared with the foreign reserves portfolio.

Chart 9
Maturity profile of own funds securities



Source: ECB.

At the end of 2025 the total value of euro **banknotes in circulation** issued by the Eurosystem was €1,619.5 billion, an increase of 2.0% compared with the end of 2024. The ECB has been allocated an 8% share of the total value of euro banknotes in circulation, which amounted to €129.6 billion as at the end of the year. Legally, both the ECB and the NCBs of the euro area have the right to issue euro banknotes. In practice, however, only the NCBs physically issue euro banknotes or withdraw them from circulation. Therefore, the ECB holds **intra-Eurosystem claims** vis-à-vis the euro area NCBs equivalent to the value of the banknotes in circulation allocated to it.

The ECB's **intra-Eurosystem liabilities**, which mainly comprise the net TARGET balance of euro area NCBs vis-à-vis the ECB and the ECB's liabilities with regard to the foreign reserve assets transferred to it by the euro area NCBs when they joined the Eurosystem, decreased by €34.6 billion to €354.1 billion in 2025.

The development of the intra-Eurosystem liabilities is predominantly determined by the evolution of the net TARGET liability. The main factors contributing to the changes in the net TARGET liability over the period 2021-25 were purchases and

€34.6 billion
Decrease in the ECB's net TARGET liability

²⁰ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

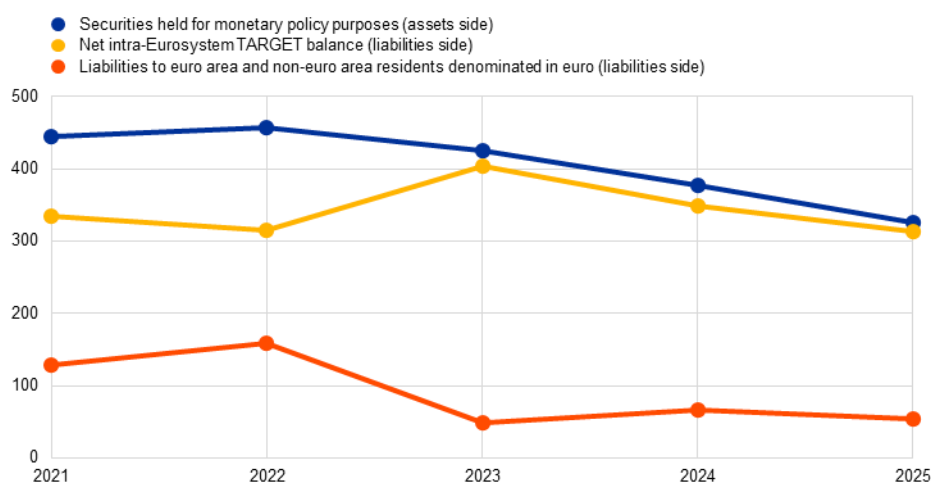
²¹ The expenses incurred by the ECB in the performance of its supervisory tasks are recovered via annual fees levied on supervised entities. Further details on **supervisory fees** can be found on the ECB's banking supervision website.

redemptions of monetary policy securities, which are settled via TARGET accounts, and changes in liabilities to euro area and non-euro area residents denominated in euro (Chart 10). In 2025 the ECB's net TARGET liability decreased by €34.6 billion, mainly owing to cash inflows from redemptions of monetary policy securities, which were partially offset by cash outflows related to (i) the decrease in liabilities to non-euro area residents denominated in euro, and (ii) the interest expense paid on the ECB's net TARGET liability.

Chart 10

Net intra-Eurosystem TARGET balance, liabilities to euro area and non-euro area residents denominated in euro and securities held for monetary policy purposes

(EUR billions)



Source: ECB.

Note: For the purpose of the chart, "Liabilities to euro area and non-euro area residents denominated in euro" consists of "Other liabilities to euro area credit institutions denominated in euro", "Liabilities to other euro area residents denominated in euro" and "Liabilities to non-euro area residents denominated in euro".

In 2025 the ECB's **other liabilities** fell by €16.1 billion to €58.8 billion, mainly owing to a decrease in euro-denominated liabilities to non-euro area residents as a result of lower deposits accepted by the ECB in its role as fiscal agent.²²

1.3.2 Net equity

€60.9 billion
The ECB's net equity

The ECB's net equity consists of its paid-up capital, any amounts held in the provision for financial risks and the general reserve fund, the revaluation accounts, any accumulated losses from previous years and any profit or loss for the year.^{23,24}

At the end of 2025 the ECB's **net equity** totalled €60.9 billion (Chart 11 and Table 2). This was €11.0 billion higher than at the end of 2024 owing to the increase in the revaluation accounts, mainly as a result of the rise in the market price of gold

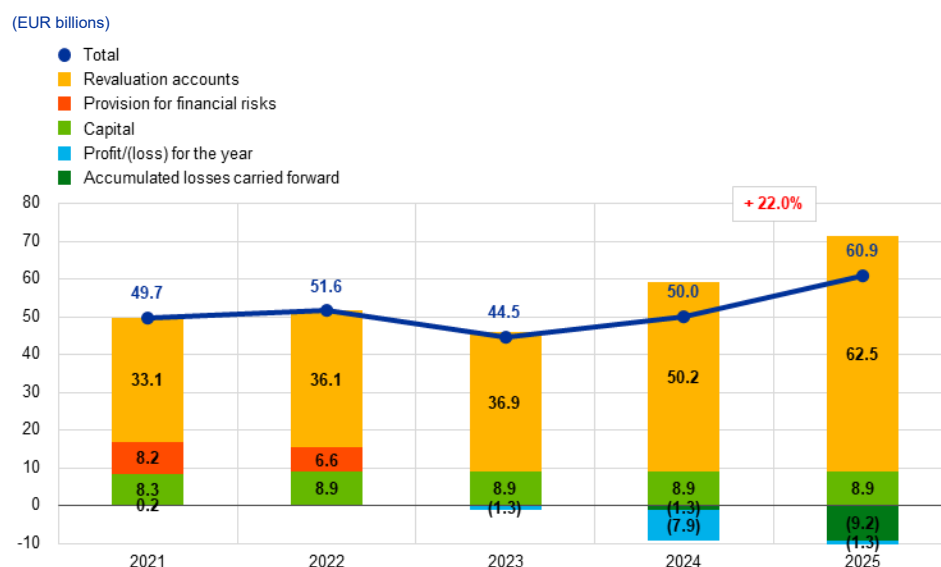
²² In accordance with Article 21 of the [Statute of the ESCB](#), the ECB may act as fiscal agent for Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States.

²³ In this section, "revaluation accounts" includes total revaluation gains on gold, foreign currency, and securities and other instruments but excludes the revaluation account for post-employment benefits.

²⁴ This definition of net equity is used solely for the purpose of preparing the ECB's Annual Accounts.

in euro terms in 2025. The increase in the ECB's net equity was partially offset by the loss incurred in 2025.

Chart 11
The ECB's net equity



Source: ECB.

Note: "Revaluation accounts" includes total revaluation gains on gold, foreign currency, and securities and other instruments but excludes the revaluation account for post-employment benefits.

Table 2
Changes in the ECB's net equity

(EUR millions)

	Capital	Revaluation accounts	Accumulated losses carried forward	Loss for the year	Total net equity
Balance as at 31 December 2024	8,925	50,236	(1,266)	(7,944)	49,951
Loss carried forward			(7,944)	7,944	-
Revaluation accounts					12,247
- Gold		18,860			
- Foreign currency		(6,777)			
- Securities and other instruments		164			
Loss for the year				(1,254)	(1,254)
Balance as at 31 December 2025	8,925	62,483	(9,210)	(1,254)	60,944

46%
Rise in the market price of gold in euro terms

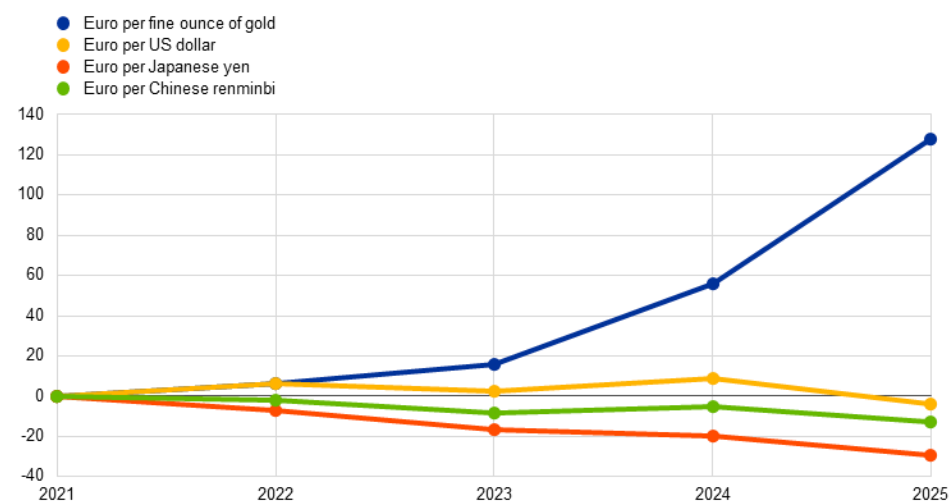
Unrealised gains on gold, foreign currency, and securities and other instruments that are subject to price revaluation are not recognised as income in the profit and loss account but are recorded directly in **revaluation accounts** shown on the liabilities side of the ECB's balance sheet. The balances in these accounts can be used to absorb the impact of any future unfavourable movement in the respective prices and/or exchange rates and thus strengthen the ECB's resilience against the underlying risks. In 2025 the revaluation accounts for gold, foreign currency, and securities and other instruments increased by €12.2 billion to €62.5 billion,

predominantly owing to higher revaluation balances for gold as a result of the rise in the market price of gold in euro terms. This effect was partially offset by the decline in revaluation balances for foreign currencies, predominantly the US dollar, owing to their depreciation against the euro (Chart 12).

Chart 12

The main foreign exchange rates and gold price over the period 2021-25

(percentage changes vis-à-vis 2021; year-end data)



Source: ECB.

In view of its exposure to financial risks (see Section 1.4.1 “Financial risks”), the ECB may set aside a **provision for financial risks** to be used to the extent deemed necessary by the Governing Council to offset losses that arise as a result of this exposure. Since the end of 2023 this provision has stood at zero as it was released in full to cover ECB losses that arose in 2022 and 2023. In the context of the annual review of the size of this provision, the Governing Council may decide to replenish it once the ECB has returned to making a profit and has offset the accumulated losses carried forward from past years.

The ECB’s **loss for the year** was €1.3 billion (see Section 1.3.3 “Profit and loss account”). Like the previous two years, the Governing Council decided to carry the loss forward on the ECB’s balance sheet to be offset against future profits.

1.3.3 Profit and loss account

Throughout the preceding four-year period (Chart 13) the ECB’s result fell year on year. In 2022 and 2023 the reduction in the ECB’s result was primarily due to the materialisation of interest rate risk, as the rise in interest rates in the euro area led to an immediate increase in the interest expense incurred by the ECB on its net TARGET liability, which was remunerated at the rate on the main refinancing

operations (MRO rate).²⁵ At the same time, the income earned on the ECB's assets did not increase to the same extent or at the same pace. This situation continued in 2024, despite policy rate cuts commencing in June of that year, as the interest expense incurred on the net TARGET liability was on average still higher than the interest income earned on assets. In 2025 the ECB's result, though still a loss, was considerably better than in 2024, as the gap between interest rates on interest-bearing assets and those applicable to liabilities narrowed, mainly owing to the lower average remuneration rate on the net TARGET liability, in particular following further policy rate cuts (see Section 1.4.1 "Financial risks").

Profits or losses are side effects of the ECB's primary goal of price stability

The ECB's losses since 2022, which were preceded by a long period of substantial profits, reflect the role and necessary policy actions of the Eurosystem in fulfilling its primary mandate of maintaining price stability. Moreover, the monetary policy measures involved, such as asset purchase programmes, have helped to improve economic outcomes. Until 2022 the ECB's balance sheet expanded significantly, mainly driven by purchases of securities under outright purchase programmes. On the assets side, most monetary policy securities currently held have long maturities and fixed coupons and were purchased during a period when interest rates were very low or zero. These assets are not immediately affected by changes in the key ECB interest rates and continue to generate relatively low interest income. At the same time, the cash settlement of these purchases via TARGET led to a rise in the ECB's net TARGET liability, which is sensitive to changes in the key ECB interest rates. As of 2023, the gradual decline in holdings of monetary policy securities owing to the phasing-out of reinvestments led to a corresponding decrease in the net TARGET liability, resulting in a decline in the interest rate risk (see Section 1.4.1 "Financial risks").

ECB expected to return to profit in 2026 or year after

The ECB is expected to return to profit in 2026 or the year after, although this will depend on future levels of the key ECB interest rates and foreign exchange rates, as well as on the size and composition of the ECB's balance sheet.

In any case, the ECB's financial strength is underlined by its capital and its substantial revaluation accounts, which together amounted to €71.4 billion at the end of 2025 (see Section 1.3.2 "Net equity"), and the ECB remains fully capable of fulfilling its primary objective of maintaining price stability regardless of any losses.²⁶

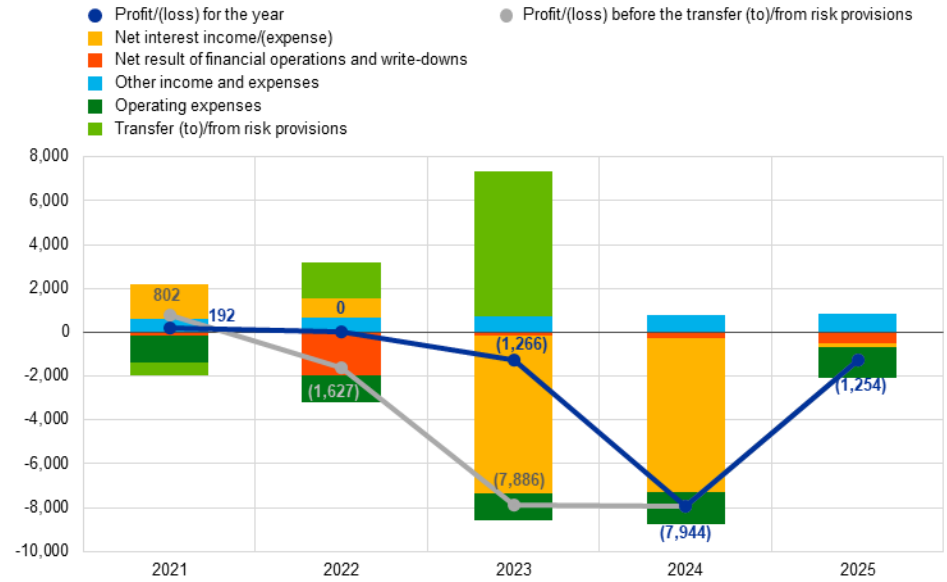
²⁵ On 13 March 2024 the Governing Council decided on [changes to the operational framework for implementing monetary policy](#). In the same context, the Governing Council also decided that from 1 January 2025, the interest rate applied to the deposit facility offered by the Eurosystem would become the basis for the remuneration of (i) claims related to the allocation of euro banknotes within the Eurosystem, (ii) TARGET balances due from/to NCBs, and (iii) liabilities equivalent to the transfer of foreign reserves.

²⁶ In line with Section 1.3.2 "Net equity", "revaluation accounts" includes total revaluation gains on gold, foreign currency, and securities and other instruments but excludes the revaluation account for post-employment benefits.

Chart 13

Main components of the ECB's profit and loss account

(EUR millions)



Source: ECB.

Note: "Other income and expenses" consists of "Net income/(expense) from fees and commissions", "Income from equity instruments and participating interests", "Other income" and "Other expenses".

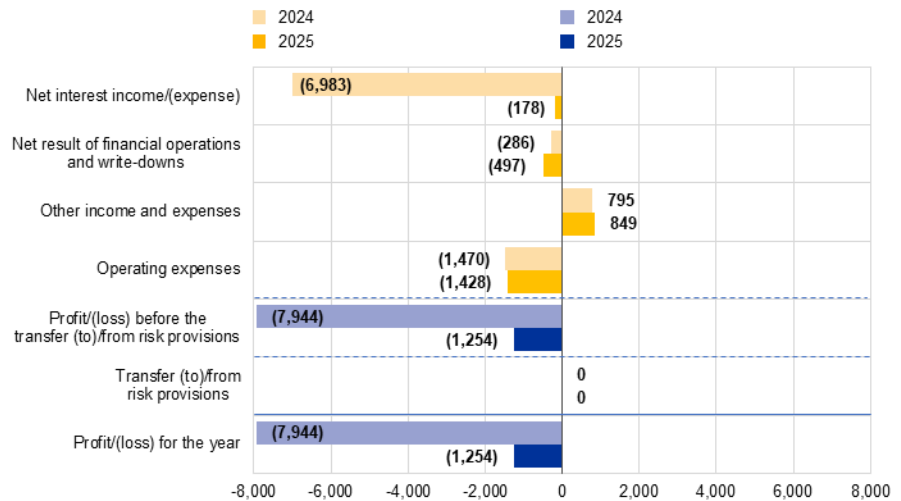
€1,254 million
ECB's loss for 2025

In 2025 the ECB's **loss for the year** amounted to €1,254 million, which was much lower than the loss incurred in 2024 owing to a significant reduction in the net interest expense (Chart 14).

Chart 14

Drivers of the ECB's profit/(loss) for 2024 and 2025

(EUR millions)



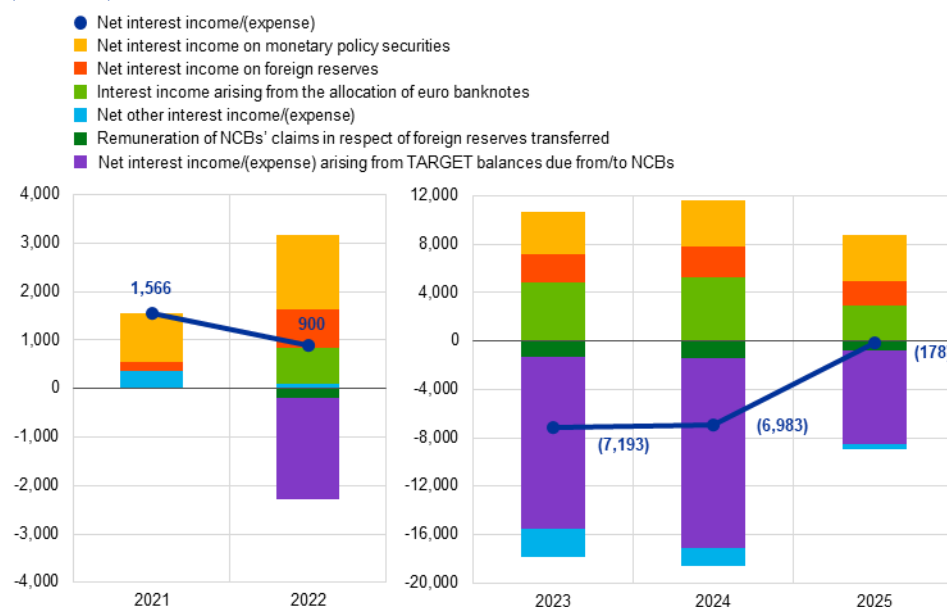
Source: ECB.

Net interest expense mainly resulted from the ECB's net TARGET liability

The ECB's **net interest expense** amounted to €178 million in 2025, compared with €6,983 million in 2024 (Chart 15). The main component remained the significant interest expense arising from the ECB's net TARGET liability, which more than offset the interest income arising from (i) monetary policy securities, (ii) the ECB's claims related to the allocation of euro banknotes within the Eurosystem, and (iii) foreign reserves.

Chart 15
Net interest income/(expense)

(EUR millions)



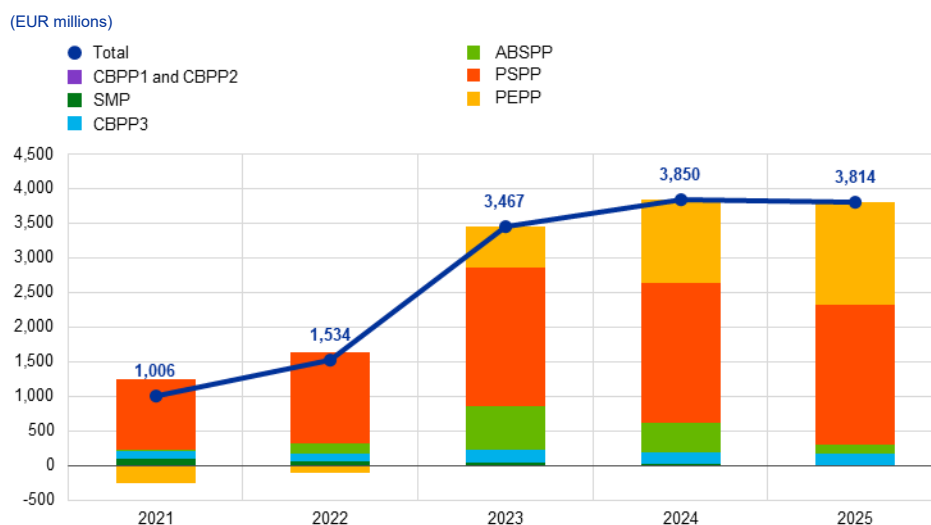
Source: ECB.

Slightly lower interest income from monetary policy securities as a result of lower holdings following the end of reinvestments

Net interest income generated on securities held for monetary policy purposes decreased only slightly, by €36 million to €3,814 million, in 2025 (Chart 16), mainly owing to lower interest income from holdings under the APP (CBPP3, ABSPP and PSPP). Net interest income from APP holdings decreased by €301 million to €2,318 million, mainly owing to lower interest income from holdings under the ABSPP, which fell by €281 million to €137 million as a result of the significant decline in holdings following repayments of securities. Interest income on securities held under the PSPP was €2,022 million, almost the same as in 2024, as the securities held under this portfolio were mostly acquired at low yields and their maturing therefore had only a minor impact on the related interest income. By contrast, the net interest income from securities held under the PEPP rose by €275 million to €1,481 million, which almost entirely offset the decline in income from other monetary policy portfolios and was mainly attributable to the lower premium amortisation expense on public sector securities.

Chart 16

Net interest income/(expense) on securities held for monetary policy purposes



Source: ECB.

Decrease in interest income on the US dollar portfolio

Net interest income on foreign reserves declined by €449 million to €2,089 million, predominantly as a result of lower interest income from securities denominated in US dollars.

2.3%
Average DFR in 2025

Interest income arising from the allocation of euro banknotes to the ECB and interest expense stemming from the remuneration of NCBs' claims in respect of foreign reserves transferred decreased by €2,332 million to €2,900 million and by €659 million to €790 million respectively in 2025. These decreases resulted from the lower average remuneration rate (2.3% in 2025, compared with 4.1% in 2024) following the decline in the key ECB interest rates and, to a lesser extent, the application of the deposit facility rate (DFR) as the basis for remuneration instead of the MRO rate.

€7,706 million
Interest expense resulting from the ECB's net TARGET liability

Largely for the same reason, the **net interest expense arising from TARGET balances due from/to NCBs** decreased by €7,968 million to €7,706 million in 2025. Lower TARGET balances, mainly as a result of maturing monetary policy securities, also contributed to this decrease.

Net other interest expense decreased by €994 million to €485 million in 2025. This was mainly due to a lower interest expense on (i) deposits accepted by the ECB in its role as fiscal agent, (ii) balances of euro area ancillary systems, and (iii) cash received as collateral in securities lending transactions, owing to lower average remuneration rates in 2025 and lower average balances of these three items. These changes were partially offset by lower interest income on the own funds portfolio, mainly owing to lower amortisation on discount bonds.

Net realised exchange rate gains arose mainly from a standard rebalancing of the ECB's foreign reserves

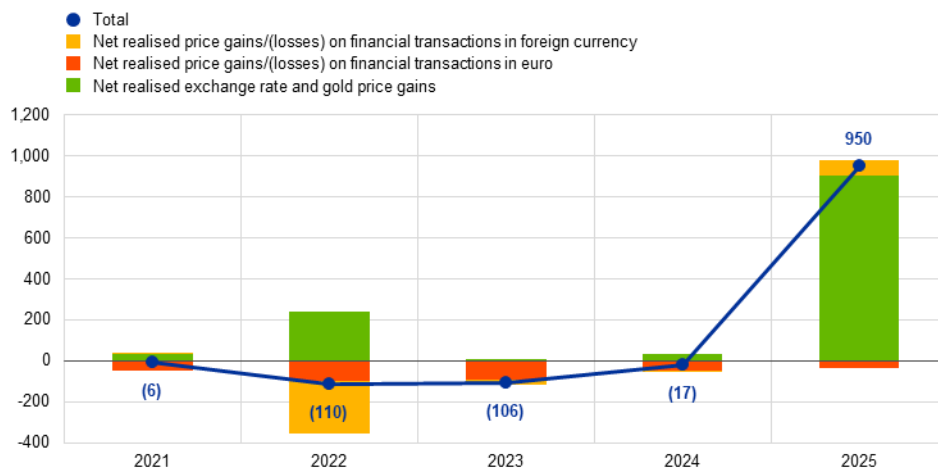
Net realised gains arising from financial operations amounted to €950 million in 2025, compared with a loss of €17 million in 2024 (Chart 17). This is predominantly attributable to the realised exchange rate gains as a result of a standard rebalancing of the composition of the ECB's foreign reserves during the first quarter of 2025 to align with the target allocation. The proceeds from the sale of a small portion of US dollar holdings were fully reinvested in Japanese yen (Chart 18).

Net price gains realised on sales of US dollar-denominated securities, whose market price was positively affected by the decrease in the corresponding US yields during the year (Chart 19), also contributed to the overall result.

Chart 17

Realised gains/(losses) arising from financial operations

(EUR millions)

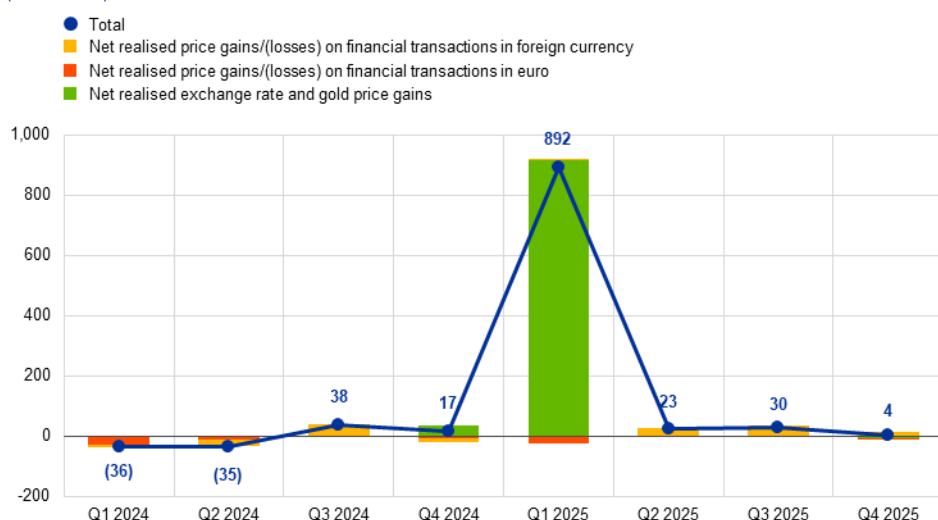


Source: ECB.

Chart 18

Quarterly realised gains/(losses) arising from financial operations in 2024 and 2025

(EUR millions)

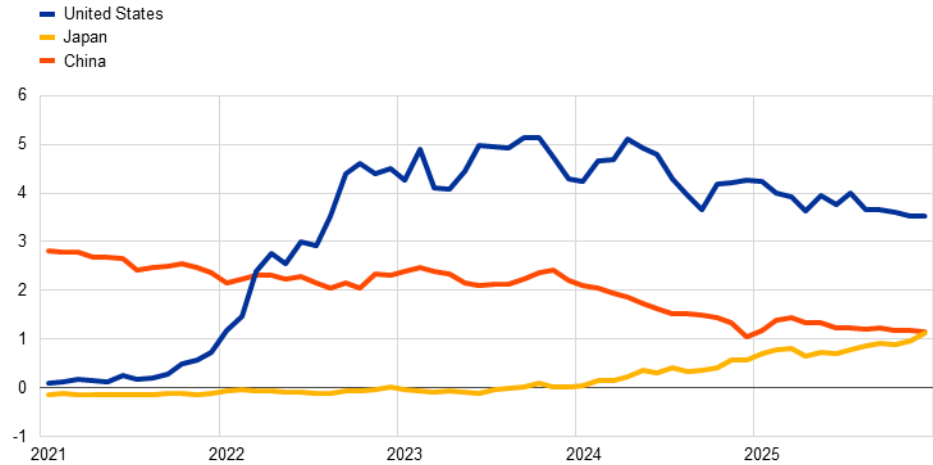


Source: ECB.

Chart 19

Two-year sovereign bond yields in the United States, Japan and China

(percentages per annum; month-end data)



Source: LSEG.

€1,316 million

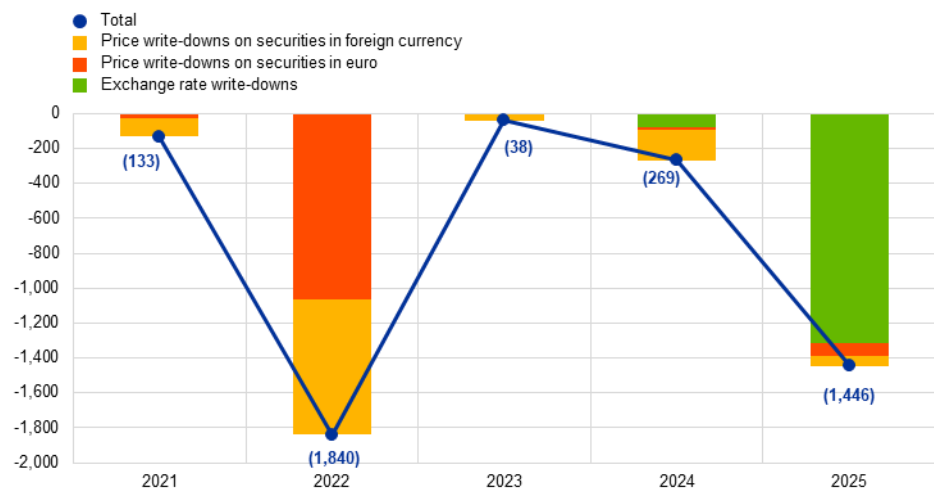
Exchange rate write-downs, mainly on the ECB's holding of Japanese yen

Unrealised revaluation losses are expensed in the form of **write-downs** at the year-end in the ECB's profit and loss account. In 2025 these write-downs amounted to €1,446 million (Chart 20). As a result of the depreciation of foreign currencies against the euro to exchange rates below the acquisition cost, unrealised exchange rate losses amounted to €1,316 million. Most notably, the Japanese yen depreciated 13% year on year, resulting in a €1,229 million write-down on holdings in that currency. There were also unrealised price losses of €130 million owing to a decline in the market value of a number of securities held mainly in the own funds and Japanese yen portfolios.

Chart 20

Write-downs on financial assets and positions

(EUR millions)



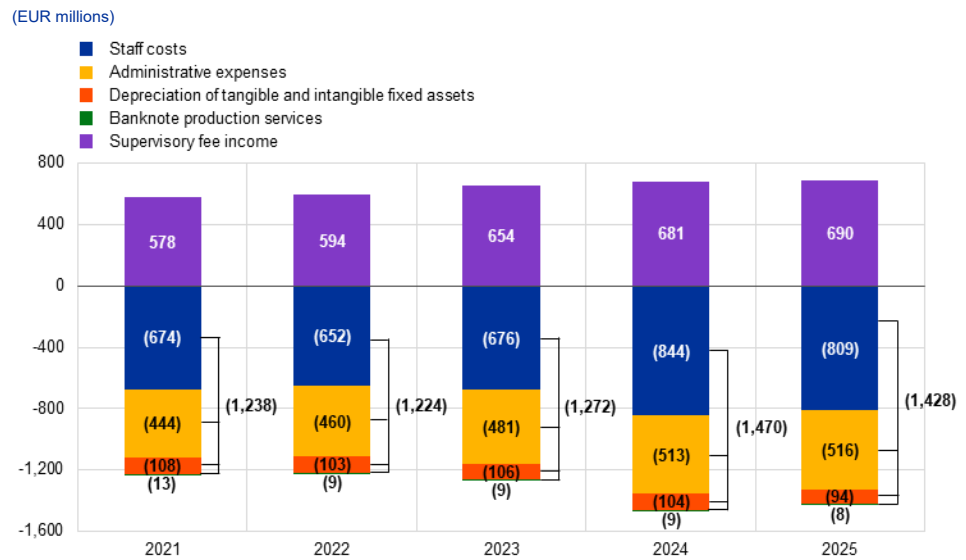
Source: ECB.

The ECB's **total operating expenses**, including depreciation and banknote production services, decreased by €42 million to €1,428 million (Chart 21). This was largely due to lower staff costs in relation to post-employment and other long-term benefits, mainly because the rules governing the ECB's pension plans were amended in 2024 and a related non-recurring cost was recognised in full in the profit and loss account for that year.

€690 million
Supervisory fee income

Banking supervision-related expenses are fully covered by fees levied annually on the supervised entities. Based on the actual expenses incurred by the ECB in the performance of its banking supervision tasks, supervisory fee income for 2025 stood at €690 million.²⁷

Chart 21
Operating expenses and supervisory fee income



Source: ECB.

1.4 Risk management

Risk management is a critical part of the ECB's activities and is conducted through a continuous process of (i) risk identification and assessment, (ii) review of the risk strategy and policies, (iii) implementation of risk-mitigating actions, and (iv) risk monitoring and reporting – all of which are supported by effective methodologies, processes and systems (Figure 2).

²⁷ Supervisory fee income is included under "Other income and expenses" (see Chart 13).

Figure 2
Risk management cycle



The following sections focus on the risks, their sources and the applicable risk control frameworks.

1.4.1 Financial risks

The Executive Board proposes policies and procedures that ensure an appropriate level of protection against the financial risks to which the ECB is exposed. The Risk Management Committee (RMC), which comprises experts from Eurosystem central banks, contributes to the monitoring, measuring and reporting of financial risks related to the balance sheet of the Eurosystem and defines and reviews the associated methodologies and frameworks. In this way, the RMC helps the decision-making bodies to ensure an appropriate level of protection for the Eurosystem.

Financial risks arise from the ECB's operations and associated exposures. The risk control frameworks and limits that the ECB uses to manage its risk profile differ across types of operation, reflecting the policy or investment objectives of the different portfolios and the risk characteristics of the underlying assets.

To monitor and assess the risks, the ECB relies on a number of risk estimation techniques developed by its experts. These techniques are based on a joint market and credit risk simulation framework. The core modelling concepts, techniques and assumptions underlying the risk measures draw on industry standards and available market data. The risks are typically quantified as the

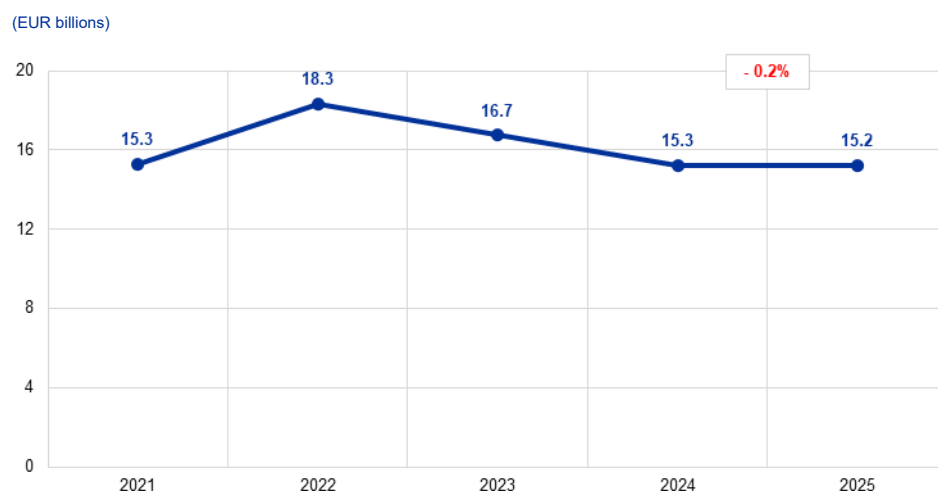
expected shortfall (ES) estimated at the 99% confidence level over a one-year horizon.²⁸ Two approaches are used to calculate risks: (i) the accounting approach, which focuses on the impact on the ECB's profit and loss account, whereby losses are first absorbed by applicable revaluation accounts; and (ii) the financial approach, which focuses on the impact of financial losses on the ECB's overall net equity and does not consider the revaluation accounts as a buffer in the risk calculation. The ECB also calculates other risk measures at different confidence levels, performs sensitivity and stress scenario analyses, and assesses longer-term projections of exposures and income to maintain a comprehensive picture of the risks.²⁹

€15.2 billion
Total risks (ES 99%, accounting approach)

The total risks of the ECB decreased slightly during the year. At the end of 2025 the total financial risks of the ECB's balance sheet, as measured by the ES at the 99% confidence level over a one-year horizon under the accounting approach, stood at €15.2 billion, which was slightly lower than the estimated risks at the end of 2024 (Chart 22). A decrease in risk driven by the decline in the ECB's holdings of public sector securities under the APP and the PEPP was largely offset by increased risks associated with the ECB's foreign reserve holdings and its euro-denominated own funds portfolio.

Chart 22

Total financial risks (ES 99%, accounting approach)



Source: ECB.

Credit risk

Credit risk arises from the ECB's monetary policy portfolios, its euro-denominated own funds portfolio and its foreign reserve holdings. While debt securities held for monetary policy purposes are valued at amortised cost, subject to impairment, and are therefore, in the absence of sales, not subject to price changes associated with credit migrations, they are still subject to credit default risk. Euro-denominated own funds and foreign reserves are valued at market prices and, as

²⁸ The ES is defined as a probability-weighted average loss that occurs in the worst (100-p)% of scenarios, where p denotes the confidence level.

²⁹ Further details on the risk modelling approach can be found in [The financial risk management of the Eurosystem's monetary policy operations](#), ECB, July 2015.

such, are subject to credit migration risk and credit default risk. Credit risk decreased compared with 2024 as a result of the decline in securities held for monetary policy purposes.

Credit risk is mitigated mainly through the application of eligibility criteria, due diligence procedures and limits that differ across portfolios.

Currency and commodity risks

Currency and commodity risks arise from the ECB's foreign currency and gold holdings. The currency risk increased compared with 2024.

In view of the policy role of these assets, the ECB does not hedge the related currency and commodity risks. Instead, these risks are mitigated through the existence of revaluation accounts and the diversification of the holdings across different currencies and gold.

Equity risk

A small share of the ECB's euro-denominated own funds portfolio is invested in equity ETFs tracking Paris-aligned benchmarks, giving rise to equity risk.

Given the small allocation, the equity risk of the ECB is rather marginal. It is mitigated through diversification and applicable revaluation accounts.

Interest rate risk

The ECB's foreign reserve holdings and euro-denominated own funds portfolio are mainly invested in fixed income securities and are subject to mark-to-market interest rate risk, given that they are valued at market prices. Almost half of the ECB's foreign reserves are invested in assets with relatively short maturities (see Chart 7 in Section 1.3.1 "Balance sheet"), while the assets in the own funds portfolio generally have longer maturities (see Chart 9 in Section 1.3.1 "Balance sheet"). The interest rate risk of the ECB's own funds portfolio, as measured under the accounting approach, increased compared with 2024.

The mark-to-market interest rate risk of the ECB is mitigated through asset allocation policies and the revaluation accounts.

The ECB is also subject to interest rate risk arising from mismatches between the interest rate earned on its assets and the interest rate paid on its liabilities, which has an impact on its net interest income. This risk is not directly linked to any particular portfolio but rather to the structure of the ECB's balance sheet as a whole and, in particular, the existence of maturity and yield mismatches between assets and liabilities. Interest rate risk decreased in 2025, reflecting the decline in the ECB's liabilities following the reduction of holdings of securities under the APP and the PEPP. In addition to being measured as part of the ES at the 99% confidence level over a one-year horizon, this risk is monitored by means of projections of the ECB's profitability over a medium to long-term horizon.

This type of risk is managed through asset allocation policies and is further mitigated by the existence of unremunerated liabilities on the ECB's balance sheet.

The materialisation of interest rate risk has led to losses since 2022, and the ECB still incurred a net interest expense in 2025. The net interest expense was significantly lower compared with the previous two years, mainly owing to a

decreasing DFR, which from 1 January 2025 has been the main remuneration rate on the liabilities side. While the ECB is expected to start recording net interest income in the near future, the possibility of further interest losses in the coming years cannot be excluded, given the previously mentioned maturity and yield mismatches between assets and liabilities.

Climate-related risk

The risks associated with climate change are gradually being incorporated into the ECB's risk management framework. In 2022 the Eurosystem conducted the first climate stress test of the Eurosystem balance sheet, which allowed a preliminary estimate of the impact of this risk on the ECB's balance sheet.³⁰ Another climate stress test was conducted in 2024, and climate stress testing will continue to be performed on a regular basis in the coming years.³¹

1.4.2 Operational risk

Operational risk management (ORM) is an integral part of the ECB's governance structure and management processes.³² The Executive Board is responsible for and approves the ECB's ORM policy and framework, and the Operational Risk Committee supports the Executive Board in the performance of its role in overseeing the management of operational risks.³³

The main objective of the ECB's ORM framework is to **contribute to ensuring that the ECB achieves its mission and objectives, while protecting its reputation and assets against loss, misuse and damage.** Under the ORM framework, each business area is responsible for identifying, assessing, responding to, reporting on and monitoring its operational risks, incidents and controls. In this context, the ECB's risk tolerance policy provides guidance on risk response strategies and risk acceptance procedures. It is linked to a five-by-five risk matrix based on impact and likelihood grading scales using quantitative and qualitative criteria.

The environment in which the ECB operates is exposed to increasingly complex and interconnected threats, including geopolitical risks, cybersecurity threats and sustainability challenges. There are a wide range of operational risks associated with the ECB's day-to-day activities. The main areas of concern for the ECB include a wide spectrum of non-financial risks resulting from

³⁰ The results of the stress test for corporate bond holdings are incorporated in climate-related disclosures on corporate bond holdings of euro area NCBs under the CSPP and the PEPP, which the ECB started to publish annually from March 2023 onwards. For more details, see "[Climate-related financial disclosures of the Eurosystem's corporate sector holdings for monetary policy purposes](#)", ECB, March 2023. The general qualitative results of this stress test were also published in the ECB's Economic Bulletin. See "[Results of the 2022 climate risk stress test of the Eurosystem balance sheet](#)", *Economic Bulletin*, Issue 2, ECB, 2023.

³¹ The results of the 2024 climate stress test were published as part of the "[Climate-related financial disclosures of Eurosystem assets held for monetary policy purposes and of the ECB's foreign reserves](#)", ECB, June 2025.

³² Operational risk encompasses all non-financial risks and is defined as the risk of a negative business, reputational and/or financial impact on the ECB resulting from people, the inadequate implementation or failure of internal governance and business processes, the failure of systems on which processes rely, or external events (e.g. natural disasters or external attacks).

³³ Further information about the ECB's [governance structure](#) can be found on the ECB's website.

people, systems, processes, third-party relationships and external events. Consequently, the ECB has put in place processes to facilitate ongoing and effective management of its operational risks and to integrate risk information into the decision-making process. Moreover, the ECB is continuing to focus on enhancing its resilience, taking a broad view of risks and opportunities from an end-to-end perspective, including sustainability aspects. Response structures and contingency plans have been established to ensure the continuity of critical business functions in the event of any disruption or crisis.

1.4.3 Conduct risk

The ECB has a dedicated **Compliance and Governance Office as a key risk management function to strengthen the ECB's governance framework** in order to address conduct risk.³⁴ Its purpose is to support the Executive Board in protecting the integrity and reputation of the ECB, to promote ethical standards of behaviour and to strengthen the ECB's accountability and transparency. An independent Ethics Committee provides advice and guidance to high-level ECB officials on integrity and conduct matters and supports the Governing Council in managing risks at the executive level appropriately and coherently. At the level of the Eurosystem and the Single Supervisory Mechanism, the Ethics and Compliance Committee works towards achieving coherent implementation of the conduct frameworks for NCBs and national competent authorities.

³⁴ Conduct risk management has gained increasing attention in the corporate and public sector and complements financial and operational risk management. For the ECB, conduct risk can be defined as the exposure of the institution to reputational damage, or to financial or other types of harm that negatively affect its interests, as a result of intentional or negligent actions carried out by its high-level officials, employees or contractors that are not in conformance with its ethics, legal and integrity rules, or good governance and good administration standards.

2 Financial statements of the ECB

2.1 Balance sheet as at 31 December 2025

Assets

(EUR millions)

	Note number	2025	2024
Gold and gold receivables	1	59,754	40,895
Claims on non-euro area residents denominated in foreign currency	2	54,764	58,117
Receivables from the IMF	2.1	1,772	2,227
Balances with banks and security investments, external loans and other external assets	2.2	52,992	55,890
Claims on euro area residents denominated in foreign currency	2.2	2,236	4,094
Other claims on euro area credit institutions denominated in euro	3	1	2
Securities of euro area residents denominated in euro	4	325,265	376,781
Securities held for monetary policy purposes	4.1	325,265	376,781
Intra-Eurosystem claims	5	129,563	127,067
Claims related to the allocation of euro banknotes within the Eurosystem	5.1	129,563	127,067
Other assets	6	31,756	33,644
Tangible and intangible fixed assets	6.1	1,055	971
Other financial assets	6.2	23,211	22,781
Off-balance-sheet instruments revaluation differences	6.3	273	681
Accruals and prepaid expenses	6.4	7,108	9,158
Sundry	6.5	110	53
Total assets		603,339	640,600

Note: Totals in the financial statements and in the tables included in the notes may not add up due to rounding. The figures 0 and (0) indicate positive or negative amounts rounded to zero, while a dash (-) indicates zero.

Liabilities

(EUR millions)

	Note number	2025	2024
Banknotes in circulation	7	129,563	127,067
Other liabilities to euro area credit institutions denominated in euro	8	489	2,388
Liabilities to other euro area residents denominated in euro	9	26,022	24,554
General government	9.1	74	73
Other liabilities	9.2	25,947	24,482
Liabilities to non-euro area residents denominated in euro	10	26,846	39,859
Intra-Eurosystem liabilities	11	354,060	388,676
Liabilities equivalent to the transfer of foreign reserves	11.1	40,562	40,562
Liabilities related to TARGET (net)	11.2	313,491	348,074
Other liabilities within the Eurosystem (net)	11.3	8	40
Other liabilities	12	4,745	7,615
Off-balance-sheet instruments revaluation differences	12.1	0	-
Accruals and income collected in advance	12.2	3,661	6,288
Sundry	12.3	1,084	1,327
Provisions	13	84	72
Other provisions	13.1	84	72
Revaluation accounts	14	63,068	50,653
Capital and reserves	15	8,925	8,925
Capital	15.1	8,925	8,925
Accumulated losses carried forward	16	(9,210)	(1,266)
Profit/(loss) for the year		(1,254)	(7,944)
Total liabilities		603,339	640,600

2.2 Profit and loss account for the year ending 31 December 2025

(EUR millions)

	Note number	2025	2024
Net interest income/(expense)	22	(178)	(6,983)
Interest income		39,328	66,898
Interest expense		(39,507)	(73,881)
Net result of financial operations and write-downs		(497)	(286)
Realised gains/(losses) arising from financial operations	23	950	(17)
Write-downs on financial assets and positions	24	(1,446)	(269)
Net income/(expense) from fees and commissions	25	700	674
Income from equity instruments and participating interests	26	14	1
Other income	27	135	119
Staff costs	28	(809)	(844)
Administrative expenses	29	(516)	(513)
Depreciation of tangible and intangible fixed assets		(94)	(104)
Banknote production services	30	(8)	(9)
Profit/(loss) before the transfer (to)/from risk provisions		(1,254)	(7,944)
Transfer (to)/from risk provisions	31	-	-
Profit/(loss) for the year		(1,254)	(7,944)

Frankfurt am Main, 17 February 2026

European Central Bank

Christine Lagarde
President

2.3 Accounting policies

Form and presentation of the financial statements

The financial statements of the ECB have been drawn up in accordance with the following accounting policies,³⁵ which, in the view of the Governing Council of the ECB, achieve a fair presentation of the financial statements, reflecting at the same time the nature of central bank activities.

Accounting principles

The following accounting principles have been applied: economic reality and transparency, prudence, materiality, consistency and comparability, going concern, the accruals principle and recognition of post-balance-sheet events.

Recognition of assets and liabilities

An asset or liability is only recognised in the balance sheet when it is probable that any associated future economic benefit will flow to or from the ECB, substantially all of the associated risks and rewards have been transferred to the ECB, and the cost or value of the asset or the amount of the obligation can be measured reliably.

Basis of accounting

The accounts have been prepared on a historical cost basis, modified to include the market valuation of marketable securities (other than debt securities currently held for monetary policy purposes), gold and all other on-balance-sheet and off-balance-sheet assets and liabilities denominated in foreign currency.

Transactions in financial assets and liabilities are reflected in the accounts on the basis of the date on which they were settled.

With the exception of spot transactions in securities, transactions in financial instruments denominated in foreign currency are recorded in off-balance-sheet accounts on the trade date. At the settlement date, the off-balance-sheet entries are reversed, and transactions are booked on-balance-sheet. Purchases and sales of

³⁵ The detailed accounting policies of the ECB are laid down in [Decision \(EU\) 2024/2938 of the European Central Bank of 14 November 2024 on the annual accounts of the European Central Bank \(ECB/2024/32\)](#) (OJ L, 2024/2938, 11.12.2024).

In order to ensure the harmonised accounting and financial reporting of Eurosystem operations, the above-mentioned Decision is based on [Guideline \(EU\) 2024/2941 of the European Central Bank of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks \(ECB/2024/31\)](#) (OJ L, 2024/2941, 11.12.2024).

These policies, which are reviewed and updated regularly as deemed appropriate, are consistent with the provisions of Article 26.4 of the Statute of the ESCB, which require a harmonised approach to the rules governing the accounting and financial reporting of Eurosystem operations.

foreign currency affect the net foreign currency position on the trade date, and realised results arising from sales are also calculated on that date. Accrued interest, premiums and discounts related to financial instruments denominated in foreign currency are calculated and recorded daily, and the foreign currency position is also affected daily by these accruals.

Gold and foreign currency assets and liabilities

Assets and liabilities denominated in foreign currency are translated into euro at the exchange rate prevailing on the balance sheet date. Income and expenses are translated at the exchange rate prevailing on the recording date. The revaluation of foreign exchange assets and liabilities, including on-balance-sheet and off-balance-sheet instruments, is performed on a currency-by-currency basis.

Revaluation to the market price for assets and liabilities denominated in foreign currency is treated separately from the exchange rate revaluation.

Gold is valued at the market price prevailing at the balance sheet date. No distinction is made between the price and currency revaluation differences for gold. Instead, a single gold valuation is accounted for on the basis of the price in euro per fine ounce of gold, which, for the year ending 31 December 2025, was derived from the exchange rate of the euro against the US dollar on 31 December 2025.

The special drawing right (SDR) is defined in terms of a basket of currencies and its value is determined by the weighted sum of the exchange rates of five major currencies (the US dollar, euro, Chinese renminbi, Japanese yen and pound sterling). The ECB's holdings of SDRs were translated into euro using the exchange rate of the euro against the SDR as at 31 December 2025.

Securities

Securities held for monetary policy purposes

Debt securities currently held for monetary policy purposes are accounted for at amortised cost, subject to impairment.

Other securities

Marketable securities (other than debt securities currently held for monetary policy purposes) and similar assets are valued either at the mid-market prices or on the basis of the relevant yield curves prevailing on the balance sheet date, on a security-by-security basis. Options embedded in securities are not separated for valuation purposes. For the year ending 31 December 2025, mid-market prices on 30 December 2025 were used.

Marketable investment funds are revalued on a net basis at fund level, using their net asset value. No netting is applied between unrealised gains and losses in different investment funds.

Illiquid equity shares and any other equity instruments held as permanent investments are valued at cost, subject to impairment.

Income recognition

Income and expenses are recognised in the period in which they are earned or incurred.³⁶ Realised gains and losses resulting from the sale of foreign currency, gold and securities are recorded in the profit and loss account. Such realised gains and losses are calculated by reference to the average cost of the respective asset.

Unrealised gains are not recognised as income but are transferred directly to a revaluation account.

Unrealised losses are recorded in the profit and loss account if, at the year-end, they exceed previous revaluation gains accumulated in the corresponding revaluation account. Such unrealised losses in any one security or currency or in gold holdings are not netted against unrealised gains in other securities, currencies or gold. In the event of such unrealised losses in any item being recorded in the profit and loss account, the average cost of that item is reduced to the year-end exchange rate or market price.

Impairment losses are recorded in the profit and loss account and are not reversed in subsequent years unless the impairment decreases and the decrease can be attributed to an observable event that occurred after the impairment was first recorded.

Premiums or discounts arising on securities are amortised over the securities' remaining contractual life.

Reverse transactions

Reverse transactions are operations whereby the ECB buys or sells assets under a repurchase agreement.

Under a repurchase agreement, securities are sold for cash with a simultaneous agreement to repurchase them from the counterparty at an agreed price on a set future date. Repurchase agreements are recorded as collateralised deposits on the liabilities side of the balance sheet. Securities sold under such an agreement remain on the balance sheet of the ECB.

Under a reverse repurchase agreement, securities are bought for cash with a simultaneous agreement to sell them back to the counterparty at an agreed price on a set future date. Reverse repurchase agreements are recorded as collateralised loans on the assets side of the balance sheet, but are not included in the ECB's security holdings.

³⁶ A minimum threshold of €100,000 applies for administrative accruals and provisions.

Reverse transactions (including securities lending transactions) conducted under a programme offered by specialised institutions are only recorded in the balance sheet when collateral has been provided in the form of cash and this cash remains uninvested.

Off-balance-sheet instruments

Currency instruments, comprising foreign exchange forward transactions, forward legs of foreign exchange swaps and other currency instruments involving an exchange of one currency for another at a future date, are included in the net foreign currency position for the purpose of calculating average cost and foreign exchange gains and losses.

Interest rate instruments are revalued on an item-by-item basis. Daily changes in the variation margin of open interest rate futures contracts are recorded in the profit and loss account.

The valuation of forward transactions in securities is carried out based on generally accepted valuation methods using observable market prices and rates, as well as discount factors from the settlement dates to the valuation date.

Fixed assets

Fixed assets, including intangible assets but excluding land and works of art, are valued at cost less depreciation. Land and works of art are valued at cost. The ECB's main building is valued at cost less depreciation, subject to impairment. For the depreciation of the ECB's main building, costs are assigned to the appropriate asset components, which are depreciated in accordance with their estimated useful lives. Depreciation is calculated on a straight-line basis over the expected useful life of the asset, beginning in the quarter after the asset becomes available for use. The expected useful lives of the main asset classes are as follows:

Buildings	20, 25 or 50 years
Plant in buildings	10 or 15 years
IT hardware and software	4 years
Technical equipment	4, 10 or 15 years
Furniture	10 years
Motor vehicles	4 years

The depreciation period for capitalised refurbishment expenditure relating to the ECB's existing rented premises is adjusted to take account of any events that have an impact on the expected useful life of the asset concerned.

The ECB performs an annual impairment test of its main building and right-of-use assets relating to office buildings (see “Leases” below). If an impairment indicator is identified, and it is assessed that the asset may be impaired, the recoverable amount is estimated. An impairment loss is recorded in the profit and loss account if the recoverable amount is less than the net book value.

Fixed assets costing less than €10,000 are written off in the year of acquisition.

Fixed assets that comply with the capitalisation criteria, but are still under construction or development, are recorded under “Assets under construction”. The related costs are transferred to the relevant fixed asset classes once the assets are available for use.

Leases

The ECB acts both as a lessee and a sub-lessor.

The ECB as a lessee

For all leases for which the ECB is a lessee and which involve a tangible asset, the related right-of-use asset and lease liability are recognised in the balance sheet at the lease commencement date, i.e. once the asset is available for use, and are included under the relevant fixed asset classes in “Tangible and intangible fixed assets” and under “Sundry” (liabilities) respectively. Where leases comply with the capitalisation criteria, but the asset involved is still under construction or adaptation, the costs incurred before the lease commencement date are recorded under “Assets under construction”.

Right-of-use assets are valued at cost less depreciation. In addition, right-of-use assets relating to office buildings are subject to impairment (for more information on the annual impairment test, see “Fixed assets” above). Depreciation is calculated on a straight-line basis from the lease commencement date to either the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the future lease payments (comprising only lease components), discounted using the ECB’s incremental borrowing rate. Subsequently, the lease liability is measured at amortised cost using the effective interest method. The related interest expense is recorded under “Interest expense” in the profit and loss account. When there is a change in future lease payments arising from a change in an index or other reassessment of the existing contract, the lease liability is remeasured. Any such remeasurement results in a corresponding adjustment to the carrying amount of the right-of-use asset.

Short-term leases with a duration of 12 months or less and leases of low-value assets below €10,000 (consistent with the threshold used for the recognition of fixed assets) are recorded as an expense in the profit and loss account.

The ECB as a sub-lessor

For all leases for which the ECB is a sub-lessor, the ECB grants to third parties the right to use the underlying asset (or a part of such asset), while the lease between the original lessor and the ECB (head lease) remains in effect. The sub-lease is classified as a finance or operating lease³⁷ by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

The sub-leases for which the ECB is a sub-lessor are classified as a finance lease. For such leases, the ECB derecognises from “Tangible and intangible fixed assets” the right-of-use asset relating to the head lease (or a part of such asset) that is transferred to the sub-lessee and recognises a sub-lease receivable under “Sundry” (assets). The lease liability relating to the head lease remains unaffected by the sub-lease.

At the lease commencement date, the sub-lease receivable is initially measured at the present value of the future lease payments accruing to the ECB, discounted using the discount rate used for the head lease. Subsequently, the sub-lease receivable is measured at amortised cost using the effective interest method. The related interest income is recorded under “Interest income” in the profit and loss account.

Post-employment and other long-term benefits

Overview of arrangements

The ECB operates defined benefit plans for its staff and the members of the Executive Board, as well as for the members of the Supervisory Board employed by the ECB.

The staff pension plan is funded by assets held in a long-term employee benefit fund. This comprises a defined benefit pillar and a defined contribution pillar. The ECB and staff members both make compulsory contributions to the defined benefit pillar of the plan. Staff members can make additional voluntary contributions to a defined contribution pillar. At retirement, staff members can convert the accumulated value of their defined contribution account into an additional annuity.³⁸

For members of the Executive Board and the members of the Supervisory Board employed by the ECB, unfunded arrangements are in place for post-employment and other long-term benefits (including pensions). For staff, unfunded arrangements are in place for post-employment and other long-term benefits (other than pensions).

Net defined benefit liability

The liability recognised under “Sundry” (liabilities) in the balance sheet in respect of the defined benefit plans, including other long-term benefits, is the present value of

³⁷ A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, otherwise it is classified as an operating lease.

³⁸ This annuity is included in the defined benefit obligation from that point on.

the defined benefit obligation at the balance sheet date, less the fair value of plan assets.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. This is done by discounting the estimated future cash flows using a rate which is based on market yields at the balance sheet date of high-quality euro-denominated corporate bonds that have similar terms to maturity to the related obligation.

Actuarial gains and losses can arise from experience adjustments (where actual outcomes are different from the actuarial assumptions previously made) and changes in actuarial assumptions.

Net defined benefit cost

The net defined benefit cost is split into components reported in the profit and loss account and remeasurements in respect of post-employment benefits shown in the balance sheet under “Revaluation accounts”.

The net amount charged to the profit and loss account comprises:

1. the current service cost of the defined benefits accruing for the year;
2. the past service cost, if any, of the defined benefits resulting from a plan amendment;
3. the net interest cost at the discount rate on the net defined benefit liability;
4. remeasurements in respect of other long-term benefits.

The net amount shown under “Revaluation accounts” comprises the following items:

1. actuarial gains and losses in respect of post-employment benefits;
2. the actual return on plan assets, excluding amounts included in the net interest on the net defined benefit liability.

These amounts are determined annually by independent actuaries.

Intra-ESCB/intra-Eurosystem balances

Intra-ESCB balances result primarily from cross-border payments in the European Union (EU) that are settled in central bank money in euro. These transactions are for the most part initiated by private entities (e.g. credit institutions, corporations and individuals). They are settled in TARGET – the Trans-European Automated Real-time Gross settlement Express Transfer system – and give rise to bilateral balances in the TARGET accounts of EU central banks. Payments conducted by the ECB and the national central banks (NCBs) also affect these accounts. All settlements are automatically aggregated and adjusted to form part of a single position for each NCB vis-à-vis the ECB. These positions in the books of the ECB represent the net claim or liability of each NCB against the rest of the European System of Central Banks

(ESCB). The movements in TARGET accounts are reflected in the accounting records of the ECB and the NCBs on a daily basis.

Intra-Eurosystem balances of euro area NCBs vis-à-vis the ECB arising from TARGET are presented in the balance sheet of the ECB as a single net asset or liability position under either “Claims related to TARGET (net)” or “Liabilities related to TARGET (net)”. Intra-ESCB balances of non-euro area NCBs vis-à-vis the ECB, arising from their participation in TARGET, are disclosed under “Liabilities to non-euro area residents denominated in euro”.³⁹

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are included as a single net asset under “Claims related to the allocation of euro banknotes within the Eurosystem” (see “Banknotes in circulation” below).

Intra-Eurosystem balances arising from the transfer of foreign reserve assets to the ECB by NCBs joining the Eurosystem are denominated in euro and reported under “Liabilities equivalent to the transfer of foreign reserves”.

Other intra-Eurosystem balances denominated in euro (e.g. the ECB’s interim profit distribution to NCBs, if any) are presented in the balance sheet of the ECB as a single net asset or liability position under either “Other claims within the Eurosystem (net)” or “Other liabilities within the Eurosystem (net)”.

Banknotes in circulation

The ECB and the euro area NCBs, which together constitute the Eurosystem, issue euro banknotes.⁴⁰ The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with the banknote allocation key.⁴¹

The ECB has been allocated an 8% share of the total value of euro banknotes in circulation, which is disclosed in the balance sheet under the liability item “Banknotes in circulation”. The ECB’s share in total euro banknotes in circulation is backed by claims on the NCBs. These claims, which bear interest,⁴² are disclosed under “Claims related to the allocation of euro banknotes within the Eurosystem” (see “Intra-ESCB/intra-Eurosystem balances” above). Interest income on these claims is included in the profit and loss account under “Interest income”.

³⁹ As at 31 December 2025 the non-euro area NCBs participating in TARGET were Българска народна банка (Bulgarian National Bank), Danmarks Nationalbank, Narodowy Bank Polski and Banca Națională a României.

⁴⁰ [Decision of the European Central Bank of 13 December 2010 on the issue of euro banknotes \(ECB/2010/29\) \(2011/67/EU\)](#) (OJ L 35, 9.2.2011, p. 26), as amended. The [unofficial consolidated text](#) with the list of amendments is also available.

⁴¹ The “banknote allocation key” reflects the percentages that result from taking into account the ECB’s share in the total euro banknote issue and applying the subscribed capital key to the NCBs’ share in that total.

⁴² [Decision \(EU\) 2016/2248 of the European Central Bank of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro \(ECB/2016/36\)](#) (OJ L 347, 20.12.2016, p. 26), as amended. The [unofficial consolidated text](#) with the list of amendments is also available.

Provision for financial risks

The Governing Council may decide to transfer all or part of the ECB's income to a provision for financial risks. This provision can be used to the extent deemed necessary by the Governing Council to offset losses that arise as a result of exposures to financial risks. The size of and continuing requirement for the provision for financial risks is reviewed annually, based on the ECB's assessment of its exposure to these risks and taking a range of factors into account, unless its size is zero and, at the same time, there is no ECB income to be transferred to it.⁴³

Interim profit distribution

An amount that is equal to the sum of the ECB's income on euro banknotes in circulation and income arising from the debt securities held for monetary policy purposes purchased under (i) the Securities Markets Programme, (ii) the third covered bond purchase programme, (iii) the asset-backed securities purchase programme, (iv) the public sector purchase programme, and (v) the pandemic emergency purchase programme is distributed in January of the following year by means of an interim profit distribution, unless otherwise decided by the Governing Council.⁴⁴ Any such decision is taken where, on the basis of a reasoned estimate prepared by the Executive Board, the Governing Council expects that the ECB will have an overall annual loss or will make an annual profit that is less than this income. The Governing Council may also decide to transfer all or part of this income to a provision for financial risks (see "Provision for financial risks" above).

Furthermore, the Governing Council may decide to reduce the amount of the income on euro banknotes in circulation to be distributed in January by the amount of the costs incurred by the ECB in connection with the issue and handling of euro banknotes.

Post-balance-sheet events

The values of assets and liabilities are adjusted for events that occur between the annual balance sheet date and the date on which the Executive Board authorises the submission of the ECB's Annual Accounts to the Governing Council for approval, if such events materially affect the condition of assets and liabilities at the balance sheet date.

Important post-balance-sheet events that do not affect the condition of assets and liabilities at the balance sheet date are disclosed in the notes.

⁴³ Since the end of 2023, this provision has stood at zero, as it was released in full to cover ECB losses that arose in 2022 and 2023.

⁴⁴ [Decision \(EU\) 2015/298 of the European Central Bank of 15 December 2014 on the interim distribution of the income of the ECB \(ECB/2014/57\)](#) (OJ L 53, 25.2.2015, p. 24), as amended. The [unofficial consolidated text](#) with the list of amendments is also available.

Changes to accounting policies

In 2025 there were no changes to the accounting policies applied by the ECB.

Other issues

On 13 March 2024 the Governing Council decided on changes to the operational framework for implementing monetary policy.⁴⁵ In the same context, the Governing Council also decided that from 1 January 2025 the interest rate applied to the deposit facility offered by the Eurosystem would become the basis for the remuneration of (i) claims related to the allocation of euro banknotes within the Eurosystem, (ii) TARGET balances due from/to NCBs, and (iii) liabilities equivalent to the transfer of foreign reserves. Up until year-end 2024, the basis for such remuneration was the interest rate used by the Eurosystem in its tenders for main refinancing operations.

Appointment of external auditor

In accordance with Article 27 of the Statute of the ESCB, and on the basis of a recommendation of the Governing Council, the Council of the EU approved the appointment of Forvis Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg (Federal Republic of Germany) as the external auditor of the ECB for a five-year period up to the end of the financial year 2029. This five-year period may be extended for up to two additional financial years.

2.4 Notes to the balance sheet

Note 1 – Gold and gold receivables

The ECB's holdings of gold were as follows:

	2025	2024
Quantity		
Ounces of fine gold ¹	16,285,778	16,285,778
Price		
US dollars per fine ounce of gold	4,311.200	2,608.750
US dollars per euro	1.1750	1.0389
Market value (EUR millions)	59,754	40,895

¹) This corresponds to 506.5 tonnes for both 2025 and 2024.

⁴⁵ See the [press release](#) of 13 March 2024 on the Governing Council's decisions.

The increase in the euro equivalent value of the ECB's gold holdings was due to the rise in the market price of gold in euro terms (see "Gold and foreign currency assets and liabilities" in Section 2.3 "Accounting policies" and note 14 "Revaluation accounts").

Note 2 – Claims on non-euro area and euro area residents denominated in foreign currency

Note 2.1 – Receivables from the IMF

This item represents the ECB's holdings of SDRs, which amounted to €1,772 million as at 31 December 2025 (2024: €2,227 million). The holdings arise as the result of a two-way SDR buying and selling voluntary trading arrangement with the International Monetary Fund (IMF), whereby the IMF is authorised to arrange sales or purchases of SDRs against euro, on behalf of the ECB, within minimum and maximum holding levels. For accounting purposes, SDRs are treated as a foreign currency (see "Gold and foreign currency assets and liabilities" in Section 2.3 "Accounting policies"). The ECB's holdings of SDRs decreased in 2025 mainly as a result of transactions that took place in the context of the voluntary trading agreement mentioned above. Furthermore, the depreciation of the SDR against the euro during 2025 contributed to the decrease in the euro equivalent value of these holdings.

Note 2.2 – Balances with banks and security investments, external loans and other external assets; and claims on euro area residents denominated in foreign currency

These two items consist of balances with banks and loans denominated in foreign currency, and investments in securities denominated in US dollars, Japanese yen and Chinese renminbi.

The components of this item were as follows:

(EUR millions)

	2025	2024	Change
Claims on non-euro area residents			
Current accounts ¹	4,685	3,809	876
Money market deposits	1,384	737	647
Reverse repurchase agreements	1,777	3,209	(1,432)
Security investments	45,146	48,135	(2,989)
Total claims on non-euro area residents	52,992	55,890	(2,899)
Claims on euro area residents			
Current accounts	25	17	8
Money market deposits	670	1,464	(794)
Reverse repurchase agreements	1,541	2,613	(1,072)
Total claims on euro area residents	2,236	4,094	(1,858)
Total	55,228	59,985	(4,757)

1) As of 2025, the ECB presents overnight investment of cash balances under "Reverse repurchase agreements" if these funds are part of a repurchase pool. The related balances of €2,968 million at the end of 2024 were reclassified from "Current accounts" to "Reverse repurchase agreements" accordingly.

The total value of these items decreased in 2025, mainly owing to the depreciation of the US dollar and the Japanese yen against the euro. This decrease was partially offset, mainly by the income earned during the year on the US dollar portfolio.

Net foreign currency holdings⁴⁶ were as follows:

(foreign currency, millions)

	2025	2024
US dollars	53,316	55,047
Japanese yen	1,715,294	1,087,826
Chinese renminbi	4,802	4,694

During the first quarter of 2025 the ECB sold a small portion of its US dollar holdings and fully reinvested the proceeds in Japanese yen. This was part of a standard rebalancing of the composition of its foreign reserves to align with the target allocation.

No foreign exchange interventions took place during 2025.

⁴⁶ These holdings comprise assets minus liabilities denominated in the given foreign currency that are subject to foreign currency revaluation. They are included under "Claims on non-euro area residents denominated in foreign currency", "Claims on euro area residents denominated in foreign currency", "Accruals and prepaid expenses", "Off-balance-sheet instruments revaluation differences" (liabilities side) and "Accruals and income collected in advance" and take into account foreign exchange forward and swap transactions included in off-balance-sheet items. Price gains on financial instruments denominated in foreign currency arising from revaluations are not included.

Note 3 – Other claims on euro area credit institutions denominated in euro

As at 31 December 2025 this item consisted of current account balances with euro area residents amounting to €1 million (2024: €2 million).

Note 4 – Securities of euro area residents denominated in euro

Note 4.1 – Securities held for monetary policy purposes

As at 31 December 2025 this item consisted of debt securities acquired by the ECB under the Securities Markets Programme (SMP), the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP) and the pandemic emergency purchase programme (PEPP).

	Start date	End date ¹	Decision	Universe of eligible securities ²
Securities Markets Programme (SMP)				
SMP	May 2010	September 2012	ECB/2010/5	Public and private debt securities issued in the euro area ³
Asset purchase programme (APP)				
CBPP3	October 2014	June 2023	ECB/2020/8, as amended	Covered bonds of euro area residents
ABSPP	November 2014	June 2023	ECB/2014/45, as amended	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
PSPP	March 2015	June 2023	ECB/2020/9	Bonds issued by euro area central, regional or local governments or recognised agencies as well as by international organisations and multilateral development banks located in the euro area
CSPP⁴	June 2016	June 2023	ECB/2016/16, as amended	Bonds and commercial paper issued by non-bank corporations established in the euro area
Pandemic emergency purchase programme (PEPP)				
PEPP	March 2020	December 2024	ECB/2020/17, as amended	All asset categories eligible under the APP

1) For the SMP, "End date" refers to the termination date of the programme, while for the APP and PEPP it denotes the final date of purchases.

2) Further eligibility criteria for the individual programmes can be found in the relevant Governing Council decisions.

3) Only public debt securities issued by five euro area treasuries were purchased under the SMP.

4) The ECB did not acquire any securities under the corporate sector purchase programme (CSPP).

In 2025 the asset purchase programme (APP)⁴⁷ and PEPP⁴⁸ portfolios continued to decline at a measured and predictable pace, as the Eurosystem no longer reinvested the principal payments from maturing securities.

The debt securities purchased by the ECB under these programmes are accounted for at amortised cost, subject to impairment (see "Securities" in Section 2.3 "Accounting policies").

⁴⁷ Further details on the [asset purchase programme](#) can be found on the ECB's website.

⁴⁸ Further details on the [pandemic emergency purchase programme](#) can be found on the ECB's website.

The amortised cost of the debt securities held by the ECB and their market value⁴⁹ (which is not recorded in the balance sheet or the profit and loss account, and is provided for comparison purposes only) were as follows:

(EUR millions)

	2025		2024		Change	
	Amortised cost	Market value	Amortised cost	Market value	Amortised cost	Market value
SMP	185	190	286	298	(101)	(108)
APP						
CBPP3	17,326	15,953	20,437	18,844	(3,111)	(2,891)
ABSPP	3,038	3,006	7,047	6,979	(4,010)	(3,973)
PSPP – government/agency securities	166,126	149,387	192,664	175,885	(26,539)	(26,498)
Total APP	186,490	168,345	220,149	201,708	(33,659)	(33,362)
PEPP						
PEPP – covered bonds	786	710	867	781	(80)	(71)
PEPP – government/agency securities	137,804	121,407	155,480	138,927	(17,676)	(17,520)
Total PEPP	138,590	122,118	156,347	139,709	(17,756)	(17,591)
Total	325,265	290,653	376,781	341,714	(51,516)	(51,061)

The changes during the year in the amortised cost of the debt securities held by the ECB were as follows:

⁴⁹ Market values are indicative and calculated on the basis of market quotes. When market quotes are not available, market prices are estimated using internal Eurosystem models.

(EUR millions)

	2024	Purchases ¹	Redemptions	Net discount/ (premium) ²	2025
SMP	286	-	(105)	4	185
APP					
CBPP3	20,437	-	(3,102)	(9)	17,326
ABSPP	7,047	-	(3,978)	(32)	3,038
PSPP – government/agency securities	192,664	(102)	(25,328)	(1,108)	166,126
Total APP	220,149	(102)	(32,408)	(1,149)	186,490
PEPP					
PEPP – covered bonds	867	-	(81)	1	786
PEPP – government/agency securities	155,480	-	(16,545)	(1,131)	137,804
Total PEPP	156,347	-	(16,626)	(1,131)	138,590
Total	376,781	(102)	(49,139)	(2,275)	325,265

1) For the APP, following the discontinuation of reinvestments, this column may show negative amounts resulting from sales of securities conducted primarily to ensure compliance with the risk control framework.

2) "Net discount/(premium)" includes net realised gains/(losses), if any.

The Governing Council assesses on a regular basis the financial risks associated with the securities held under these programmes.

In this context, impairment tests are conducted on an annual basis using year-end data and approved by the Governing Council. In these tests, impairment indicators are assessed separately for each programme. In cases where impairment indicators are observed, further analysis is performed to confirm that the cash flows of the underlying securities have not been affected by an impairment event. Based on the results of this year's impairment tests, no losses have been recorded by the ECB for the debt securities held in its monetary policy portfolios in 2025.

The amortised cost⁵⁰ of the securities held by the Eurosystem was as follows:

⁵⁰ Except for equity shares received by a Eurosystem NCB in 2024 as a result of a corporate restructuring, which were accounted for at market value. These equity shares were sold in 2025.

(EUR millions)

	2025			2024		
	ECB	Euro area NCBs	Total Eurosystem	ECB	Euro area NCBs	Total Eurosystem
SMP	185	521	706	286	1,050	1,336
APP						
CBPP3	17,326	193,147	210,473	20,437	232,571	253,009
ABSPP	3,038	-	3,038	7,047	-	7,047
PSPP – government/agency securities	166,126	1,495,709	1,661,835	192,664	1,704,258	1,896,922
PSPP – supranational securities	-	197,845	197,845	-	227,808	227,808
CSPP	-	248,543	248,543	-	288,377	288,377
Total APP	186,490	2,135,245	2,321,734	220,149	2,453,015	2,673,164
PEPP						
PEPP – covered bonds	786	4,339	5,125	867	5,097	5,964
PEPP – government/agency securities	137,804	1,090,166	1,227,970	155,480	1,243,391	1,398,871
PEPP – supranational securities	-	148,959	148,959	-	158,931	158,931
PEPP – corporate sector securities	-	40,965	40,965	-	45,105	45,105
Total PEPP	138,590	1,284,429	1,423,019	156,347	1,452,524	1,608,871
Total	325,265	3,420,194	3,745,459	376,781	3,906,590	4,283,371

Note: “Euro area NCBs” figures are preliminary and may be subject to revision, which would also result in an equivalent change in the “Total Eurosystem” figures.

Note 5 – Intra-Eurosystem claims

Note 5.1 – Claims related to the allocation of euro banknotes within the Eurosystem

This item consists of the claims of the ECB vis-à-vis the euro area NCBs relating to the allocation of euro banknotes within the Eurosystem (see “Banknotes in circulation” in Section 2.3 “Accounting policies”). As at 31 December 2025 the total amounted to €129,563 million (2024: €127,067 million). Since 1 January 2025 the remuneration of these claims has been calculated on a daily basis at the latest available interest rate applied to the deposit facility offered by the Eurosystem. Until that date, such remuneration was calculated at the latest available interest rate used by the Eurosystem in its tenders for main refinancing operations (see “Other issues” in Section 2.3 “Accounting policies” and note 22.2 “Interest income arising from the claims related to the allocation of euro banknotes within the Eurosystem”).

Note 6 – Other assets

Note 6.1 – Tangible and intangible fixed assets

Tangible and intangible fixed assets were as follows:

(EUR millions)

	2025	2024	Change
Cost			
Land and buildings	1,004	1,015	(11)
Right-of-use buildings	332	352	(20)
Plant in buildings	222	222	(0)
IT hardware and software	141	142	(1)
Technical equipment, furniture and motor vehicles	117	114	3
Right-of-use equipment	0	1	(1)
Assets under construction	0	10	(9)
Other fixed assets	11	11	(0)
Total cost	1,827	1,866	(39)
Accumulated depreciation			
Land and buildings	(256)	(251)	(5)
Right-of-use buildings	(102)	(243)	141
Plant in buildings	(172)	(160)	(12)
IT hardware and software	(137)	(135)	(2)
Technical equipment, furniture and motor vehicles	(102)	(102)	0
Right-of-use equipment	(0)	(1)	1
Other fixed assets	(4)	(4)	(0)
Total accumulated depreciation	(772)	(895)	123
Total net book value	1,055	971	84

In 2025 the ECB recognised a new leased office building under “Right-of-use buildings”. The related increase in the cost for this asset class was more than offset by the derecognition of another leased office building when its lease term ended, which also led to a corresponding decrease in the related accumulated depreciation.

An impairment test was conducted on the ECB’s main building and right-of-use office buildings at the end of the year and no impairment loss was identified.

Note 6.2 – Other financial assets

This item comprises mainly the ECB’s own funds portfolio, which predominantly consists of investments of the ECB’s paid-up capital as well as of amounts set aside

in the general reserve fund and in the provision for financial risks. It also includes 3,211 shares in the Bank for International Settlements (BIS) at an acquisition cost of €42 million and other current accounts denominated in euro.

The components of this item were as follows:

(EUR millions)

	2025	2024	Change
Current accounts in euro	41	45	(4)
Securities denominated in euro	21,612	21,269	343
Reverse repurchase agreements in euro	1,516	1,425	91
Other financial assets	42	42	(0)
Total	23,211	22,781	430

The net increase in this item in 2025 was primarily due to the reinvestment of interest income generated on the ECB's own funds portfolio.

Note 6.3 – Off-balance-sheet instruments revaluation differences

This item is composed primarily of valuation changes in swap and forward transactions in foreign currency that were outstanding on 31 December 2025 (see note 20 “Foreign exchange swap and forward transactions”). These valuation changes amounted to €273 million (2024: €681 million). They are the result of the translation of such transactions into their euro equivalents at the exchange rates prevailing on the balance sheet date, compared with the euro values resulting from the translation of the transactions at the average cost of the respective foreign currency on that date (see “Off-balance-sheet instruments” and “Gold and foreign currency assets and liabilities” in Section 2.3 “Accounting policies”).

Note 6.4 – Accruals and prepaid expenses

Accruals and prepaid expenses were as follows:

(EUR millions)

	2025	2024	Change
Accrued interest on TARGET balances due from NCBs	2,207	3,656	(1,449)
Accrued interest on claims related to the allocation of euro banknotes within the Eurosystem	651	1,093	(442)
Accrued interest on securities	3,386	3,519	(133)
Accrued income related to supervisory tasks	690	681	9
Other accruals and prepaid expenses	175	210	(35)
Total	7,108	9,158	(2,050)

As at 31 December 2025 this item included accrued coupon interest on securities, including outstanding interest paid at acquisition (see note 2.2 “Balances with banks and security investments, external loans and other external assets; and claims on euro area residents denominated in foreign currency”, note 4.1 “Securities held for monetary policy purposes” and note 6.2 “Other financial assets”).

It also included accrued interest receivable on TARGET balances due from euro area NCBs for December 2025 (see note 11.2 “Liabilities related to TARGET (net)”) and accrued interest receivable from euro area NCBs for the final quarter of 2025 in respect of the ECB’s claims related to the allocation of euro banknotes within the Eurosystem (see note 5.1 “Claims related to the allocation of euro banknotes within the Eurosystem”). These amounts were settled in January 2026.

Accrued income related to supervisory tasks corresponds to the supervisory fees to be received for the fee period 2025 that will be collected in 2026 (see note 25 “Net income/(expense) from fees and commissions”).⁵¹

The remainder of this item mainly included (i) accrued income from ESCB projects and services (see note 27 “Other income”), (ii) miscellaneous prepayments, and (iii) accrued interest income on other financial instruments.

Note 6.5 – Sundry

As at 31 December 2025 this item amounted to €110 million (2024: €53 million), comprising mainly balances with a value of €78 million (2024: €24 million) related to swap and forward transactions in foreign currency outstanding on 31 December 2025 (see note 20 “Foreign exchange swap and forward transactions”). These balances arose from the translation of such transactions into their euro equivalents at the respective currency’s average cost at the balance sheet date compared with the euro values at which the transactions were initially recorded (see “Off-balance-sheet instruments” in Section 2.3 “Accounting policies”).

⁵¹ Further details on [supervisory fees](#) can be found on the ECB’s banking supervision website.

It also included receivables in relation to ESCB projects and services (see note 27 “Other income”) and balances in respect of recoverable value added tax.

Note 7 – Banknotes in circulation

This item consists of the ECB’s share (8%) of total euro banknotes in circulation (see “Banknotes in circulation” in Section 2.3 “Accounting policies”), which amounted to €129,563 million as at 31 December 2025 (2024: €127,067 million).

Note 8 – Other liabilities to euro area credit institutions denominated in euro

The Eurosystem central banks are permitted to accept cash as collateral in their PSPP and public sector PEPP securities lending facilities without having to reinvest it. In the case of the ECB, these operations are conducted via specialised institutions.

This item includes the balances arising from such outstanding lending transactions conducted with euro area credit institutions. Since the cash received in TARGET accounts as collateral remained uninvested at year-end, these transactions were recorded in the balance sheet (see “Reverse transactions” in Section 2.3 “Accounting policies” and note 17 “Securities lending programmes”).⁵²

Note 9 – Liabilities to other euro area residents denominated in euro

Note 9.1 – General government

As at 31 December 2025 this item consisted of deposits of the European Financial Stability Facility (EFSF) amounting to €74 million (2024: €73 million). In accordance with Article 21 of the Statute of the ESCB, the ECB may act as fiscal agent for Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States.

⁵² Securities lending transactions that do not result in uninvested cash collateral at year-end are recorded in off-balance-sheet accounts (see note 17 “Securities lending programmes”).

Note 9.2 – Other liabilities

As at 31 December 2025 this item amounted to €25,947 million (2024: €24,482 million), comprising balances of the euro area ancillary systems⁵³ connected to TARGET through the TARGET-ECB component.

Note 10 – Liabilities to non-euro area residents denominated in euro

Liabilities to non-euro area residents denominated in euro were as follows:

(EUR millions)

	2025	2024	Change
TARGET balances of non-euro area NCBS and ancillary systems	2,671	2,908	(236)
Cash received as collateral in securities lending transactions	188	2,062	(1,874)
Deposits accepted by the ECB in its role as fiscal agent	23,576	33,823	(10,246)
Liquidity-providing swap arrangements	410	1,067	(656)
Total	26,846	39,859	(13,013)

As at 31 December 2025 the largest component of this item was deposits accepted by the ECB in its role as fiscal agent for the European Commission, relating to the administration of EU borrowing and lending activities (see note 21 “Administration of borrowing and lending operations”).

This item also included TARGET balances, consisting of balances of non-euro area NCBS vis-à-vis the ECB (see “Intra-ESCB/intra-Eurosystem balances” in Section 2.3 “Accounting policies”) and balances of the non-euro area ancillary systems connected to TARGET through the TARGET-ECB component.

Furthermore, it included a balance arising from the standing reciprocal currency arrangement with the Federal Reserve System. Under this arrangement, US dollars are provided by the Federal Reserve Bank of New York to the ECB by means of swap transactions, with the aim of allowing short-term US dollar funding to be offered to Eurosystem counterparties. The ECB simultaneously enters into back-to-back swap transactions with euro area NCBS, which use the resulting funds to conduct US dollar liquidity-providing operations with Eurosystem counterparties in the form of reverse transactions. The back-to-back swap transactions result in intra-Eurosystem balances between the ECB and the euro area NCBS. Furthermore, the swap

⁵³ Ancillary systems are financial market infrastructures that have been granted access to the TARGET-ECB component by the Governing Council, provided they fulfil the requirements defined in [Decision \(EU\) 2022/911 of the European Central Bank of 19 April 2022 concerning the terms and conditions of TARGET-ECB and repealing Decision ECB/2007/7 \(ECB/2022/22\)](#) (OJ L 163, 17.6.2022, p. 1), as amended. The [unofficial consolidated text](#) with the list of amendments is also available. Depending on the managing entity, the ancillary systems are considered either euro area residents (see note 9.2 “Other liabilities”) or non-euro area residents (see note 10 “Liabilities to non-euro area residents denominated in euro”). Further details on [ancillary systems](#) can be found on the ECB’s website.

transactions conducted by the ECB with the Federal Reserve Bank of New York and the euro area NCBs result in forward claims and liabilities that are recorded in off-balance-sheet accounts (see note 20 “Foreign exchange swap and forward transactions”).

The remainder of this item consisted of balances arising from outstanding PSPP and public sector PEPP securities lending transactions conducted with non-euro area credit institutions. Since the cash received in TARGET accounts as collateral remained uninvested at year-end, these transactions were recorded in the balance sheet (see “Reverse transactions” in Section 2.3 “Accounting policies” and note 17 “Securities lending programmes”).

Note 11 – Intra-Eurosystem liabilities

Note 11.1 – Liabilities equivalent to the transfer of foreign reserves

These are the liabilities to euro area NCBs arising from the transfer of foreign reserve assets to the ECB when those NCBs joined the Eurosystem. In line with Article 30.2 of the Statute of the ESCB, these contributions are fixed in proportion to the NCBs’ shares in the subscribed capital of the ECB. No changes occurred in 2025.

The liabilities to euro area NCBs arising from the transfer of foreign reserve assets to the ECB were as follows:

(EUR millions)

	Since 1 January 2024
Nationale Bank van België/Banque Nationale de Belgique (Belgium)	1,488
Deutsche Bundesbank (Germany)	10,802
Eesti Pank (Estonia)	121
Central Bank of Ireland (Ireland)	884
Bank of Greece (Greece)	916
Banco de España (Spain)	4,796
Banque de France (France)	8,114
Hrvatska narodna banka (Croatia)	314
Banca d'Italia (Italy)	6,498
Central Bank of Cyprus (Cyprus)	89
Latvijas Banka (Latvia)	157
Lietuvos bankas (Lithuania)	239
Banque centrale du Luxembourg (Luxembourg)	148
Central Bank of Malta (Malta)	52
De Nederlandsche Bank (Netherlands)	2,396
Oesterreichische Nationalbank (Austria)	1,199
Banco de Portugal (Portugal)	943
Banka Slovenije (Slovenia)	200
Národná banka Slovenska (Slovakia)	466
Suomen Pankki – Finlands Bank (Finland)	737
Total	40,562

Since 1 January 2025 the remuneration of these liabilities has been calculated on a daily basis at the latest available interest rate applied to the deposit facility offered by the Eurosystem, adjusted to reflect a zero return on the gold component. Until that date, such remuneration was calculated at the latest available interest rate used by the Eurosystem in its tenders for main refinancing operations, also adjusted to reflect a zero return on the gold component (see “Other issues” in Section 2.3 “Accounting policies” and note 22.3 “Remuneration of NCBs’ claims in respect of foreign reserves transferred”).

Note 11.2 – Liabilities related to TARGET (net)

This item consists of the TARGET balances of euro area NCBs vis-à-vis the ECB (see “Intra-ESCB/intra-Eurosystem balances” in Section 2.3 “Accounting policies”), which were as follows:

(EUR millions)

	2025	2024
Due to euro area NCBs in respect of TARGET	1,545,403	1,593,185
Due from euro area NCBs in respect of TARGET	(1,231,912)	(1,245,111)
Net TARGET liability	313,491	348,074

The decrease in the net TARGET liability was mainly attributable to the cash inflows as a result of the maturing of securities under the APP and the PEPP, which were settled via TARGET accounts (see note 4.1 “Securities held for monetary policy purposes”). The impact of this factor was partially offset, mainly by the cash outflows resulting from (i) lower deposits accepted by the ECB in its role as fiscal agent for the European Commission, relating to the administration of EU borrowing and lending activities (see note 10 “Liabilities to non-euro area residents denominated in euro”); and (ii) interest expense paid on the ECB’s net TARGET liability (see note 22.5 “Net interest expense arising from TARGET balances due from/to NCBs”).

With the exception of balances arising from back-to-back swap transactions in connection with US dollar liquidity-providing operations, since 1 January 2025 the remuneration of TARGET positions held by euro area NCBs vis-à-vis the ECB has been calculated on a daily basis at the latest available interest rate applied to the deposit facility offered by the Eurosystem. Until that date, such remuneration was calculated at the latest available interest rate used by the Eurosystem in its tenders for main refinancing operations (see “Other issues” in Section 2.3 “Accounting policies” and note 22.5 “Net interest expense arising from TARGET balances due from/to NCBs”).

Note 11.3 – Other liabilities within the Eurosystem (net)

As at 31 December 2025 this item amounted to €8 million (2024: €40 million). It included deposits accepted by the ECB in its role as fiscal agent for the European Commission relating to the administration of EU borrowing and lending activities (see note 21 “Administration of borrowing and lending operations”).

It also included a correspondent account used for processing administrative payments of the ECB.

Note 12 – Other liabilities

Note 12.1 – Off-balance-sheet instruments revaluation differences

This item included valuation changes in forward transactions in securities denominated in foreign currency that were outstanding on 31 December 2025 (see

note 19 “Forward transactions in securities”). These valuation changes amounted to €0.2 million and were primarily a result of the decline in the forward market price of the securities. The remaining valuation changes were related to the translation of such transactions into their euro equivalents at the exchange rates prevailing on the balance sheet date, compared with the euro values resulting from the translation of the transactions at the average cost of the respective foreign currency on that date (see “Off-balance-sheet instruments” and “Gold and foreign currency assets and liabilities” in Section 2.3 “Accounting policies”). As at 31 December 2024 there were no balances under this item.

Note 12.2 – Accruals and income collected in advance

Accruals and income collected in advance were as follows:

(EUR millions)

	2025	2024	Change
Accrued interest on TARGET balances due to NCBs	2,743	4,636	(1,892)
Accrued interest on NCBs' claims in respect of foreign reserves transferred to the ECB	790	1,448	(659)
Accrued interest on deposits accepted by the ECB in its role as fiscal agent	45	103	(58)
Other accruals and deferred income	83	101	(18)
Total	3,661	6,288	(2,627)

As at 31 December 2025 the two main components of this item were accrued interest payable on TARGET balances due to NCBs for December 2025 (see note 10 “Liabilities to non-euro area residents denominated in euro” and note 11.2 “Liabilities related to TARGET (net)”) and accrued interest payable to euro area NCBs for 2025 in respect of their claims relating to foreign reserves transferred to the ECB (see note 11.1 “Liabilities equivalent to the transfer of foreign reserves”). These amounts were settled in January 2026.

This item also included accrued interest payable on deposits accepted by the ECB in its role as fiscal agent (see note 9.1 “General government”, note 10 “Liabilities to non-euro area residents denominated in euro” and note 11.3 “Other liabilities within the Eurosystem (net)”).

The remainder of this item comprised (i) accrued interest payable on balances of the euro area ancillary systems connected to TARGET through the TARGET-ECB component (see note 9.2 “Other liabilities”), and (ii) miscellaneous accruals and deferred income.

Note 12.3 – Sundry

As at 31 December 2025 this item stood at €1,084 million (2024: €1,327 million). The total included balances amounting to €286 million (2024: €574 million) related to swap and forward transactions in foreign currency that were outstanding on 31 December 2025 (see note 20 “Foreign exchange swap and forward transactions”). These balances arose from the translation of such transactions into their euro equivalents at the respective currency’s average cost on the balance sheet date, compared with the euro values at which the transactions were initially recorded (see “Off-balance-sheet instruments” in Section 2.3 “Accounting policies”).

The item also included a lease liability of €227 million (2024: €110 million) (see “Leases” in Section 2.3 “Accounting policies”).

The remainder of this item mainly included (i) liabilities in relation to ESCB services, and (ii) liabilities arising under the ECB’s medical and long-term care plans for staff as well as for the members of the Executive Board and the members of the Supervisory Board employed by the ECB.

In addition, this item included the ECB’s net defined benefit liability in respect of the post-employment and other long-term benefits of its staff,⁵⁴ the members of the Executive Board and the members of the Supervisory Board employed by the ECB.

Post-employment and other long-term benefits

Balance sheet

The amounts recognised under “Sundry” (liabilities) in the balance sheet in respect of post-employment and other long-term benefits were as follows:

(EUR millions)

	2025			2024		
	Staff	Boards	Total	Staff	Boards	Total
Defined benefit obligation	2,948	42	2,990	2,712	37	2,749
Fair value of plan assets	(2,604)	-	(2,604)	(2,253)	-	(2,253)
Net defined benefit liability included under “Sundry” (liabilities)	344	42	386	459	37	496

Note: The columns labelled “Boards” report amounts in respect of both the Executive Board and the Supervisory Board.

As at 31 December 2025 the present value of the defined benefit obligation vis-à-vis staff amounted to €2,948 million (2024: €2,712 million), including unfunded benefits amounting to €356 million (2024: €293 million) relating to post-employment benefits other than pensions and to other long-term benefits. The present value of the defined benefit obligation vis-à-vis the members of the Executive Board and the members of

⁵⁴ The defined benefit pillar of the plan reflects only the compulsory contributions made by the ECB and staff. Voluntary contributions made by staff in a defined contribution pillar in 2025 amounted to €296 million (2024: €266 million). These contributions are invested in the plan assets and give rise to a corresponding obligation of equal value.

the Supervisory Board of €42 million (2024: €37 million) relates solely to unfunded arrangements in place for post-employment and other long-term benefits.

Remeasurements of the ECB's net defined benefit liability in respect of post-employment benefits are recognised in the balance sheet under "Revaluation accounts". As at 31 December 2025 the remeasurement gains under that item amounted to €585 million (2024: €416 million) (see note 14 "Revaluation accounts").

Changes in the defined benefit obligation, plan assets and remeasurement results

Changes in the present value of the defined benefit obligation were as follows:

(EUR millions)

	2025			2024		
	Staff	Boards	Total	Staff	Boards	Total
Opening defined benefit obligation	2,712	37	2,749	2,458	35	2,493
Current service cost	128	2	130	121	3	123
Past service cost	0	0	0	119	1	120
Interest cost on the obligation	99	1	101	85	1	86
Contributions paid by plan participants ¹	40	0	41	38	0	38
Benefits paid	(39)	(3)	(42)	(31)	(3)	(34)
Remeasurement (gains)/losses	7	4	11	(77)	0	(77)
Closing defined benefit obligation	2,948	42	2,990	2,712	37	2,749

Note: The columns labelled "Boards" report amounts in respect of both the Executive Board and the Supervisory Board.

1) Net total including compulsory contributions and transfers into/out of the plans. The compulsory contributions paid by staff amount to 7.4% of their basic salary, while those paid by the ECB amount to 20.7%.

The remeasurement losses on the defined benefit obligation arose in 2025 as a result of the experience adjustments reflecting the difference between the actuarial assumptions made in the previous year's report and actual experience. The resulting losses were partially offset by remeasurement gains stemming mainly from the increase in the discount rate used for the actuarial valuation from 3.6% in 2024 to 3.9% in 2025.

The past service cost recognised in 2024 related to the current contributors and pensioners and resulted from an amendment to the rules governing the ECB's pension plans introduced in that year, according to which the annual increase of pensions aligns with the annual general salary adjustments for ECB employees starting from 2025.

Changes in the fair value of plan assets in the defined benefit pillar relating to staff were as follows:

(EUR millions)

	2025	2024
Opening fair value of plan assets	2,253	1,983
Interest income on plan assets	83	69
Remeasurement gains	166	104
Contributions paid by employer	88	81
Contributions paid by plan participants	40	38
Benefits paid	(26)	(21)
Closing fair value of plan assets	2,604	2,253

The remeasurement gains on plan assets in 2025 reflect the fact that the actual return on the fund assets was higher than the estimated interest income on plan assets, which was based on the discount rate of 3.6% used for the actuarial valuation in 2024.

Changes in the remeasurement results were as follows:

(EUR millions)

	2025	2024
Opening remeasurement gains	416	238
Gains on plan assets	166	104
Gains/(losses) on obligation	(11)	77
(Gains)/losses recognised in the profit and loss account	14	(2)
Closing remeasurement gains included under "Revaluation accounts"	585	416

Profit and loss account

The amounts recognised in the profit and loss account were as follows:

(EUR millions)

	2025			2024		
	Staff	Boards	Total	Staff	Boards	Total
Current service cost	128	2	130	121	3	123
Past service cost	0	0	0	119	1	120
Net interest on the net defined benefit liability	16	1	18	16	1	17
- Interest cost on the obligation	99	1	101	85	1	86
- Interest income on plan assets	(83)	-	(83)	(69)	-	(69)
Remeasurement (gains)/losses on other long-term benefits	14	0	14	(2)	0	(2)
Total included in "Staff costs"	159	3	162	253	5	258

Note: The columns labelled "Boards" report amounts in respect of both the Executive Board and the Supervisory Board.

The amounts recognised in the profit and loss account for the current service cost, interest cost on the obligation and interest income on plan assets are estimated using the assumptions that applied in the preceding year. The applicable discount rate rose from 3.4% to 3.6%, as used for the actuarial valuations in 2023 and 2024 respectively. The higher balances and the higher discount rate led to an increase of the interest cost on the obligation and interest income on plan assets. The current service cost increased marginally in 2025, resulting mainly from the amendment to the rules governing the ECB's pension plans in 2024.

The past service cost resulting from this amendment was recognised in full in the profit and loss account for 2024, which was the year in which the amendment decision was taken.

Key assumptions

When preparing the valuations referred to in this note, the independent actuaries used assumptions which the Executive Board has accepted for the purposes of accounting and disclosure. The principal assumptions used for the purposes of calculating the liability for post-employment and other long-term benefits were as follows:

(%)

	2025	2024
Discount rate	3.90	3.60
Expected return on unit funds of members ¹	4.90	4.60
Future general salary increases ²	2.00	2.00
Future pension increases ³	2.00	2.00

1) These assumptions were used to calculate the part of the ECB's defined benefit obligation which is funded by assets with an underlying capital guarantee.

2) In addition, allowance is made for prospective individual salary increases of up to 1.8% per annum, depending on the age of the plan participants.

3) In accordance with the ECB's pension plan rules, pensions will be increased annually. In 2024 these rules were amended to align the annual increase in pensions with the annual general salary adjustments for ECB employees starting from 2025. Prior to this amendment, the annual increase in pensions was also linked to the general salary adjustment, but subject to further conditions.

Note 13 – Provisions

Note 13.1 – Other provisions

As at 31 December 2025 this item comprised administrative provisions amounting to €84 million (2024: €72 million).

Note 14 – Revaluation accounts

This item consists mainly of revaluation balances arising from unrealised gains on assets, liabilities and off-balance-sheet instruments (see "Gold and foreign currency assets and liabilities", "Securities", "Income recognition" and "Off-balance-sheet

instruments” in Section 2.3 “Accounting policies”).⁵⁵ It also includes remeasurements of the ECB’s net defined benefit liability in respect of post-employment benefits (see “Post-employment and other long-term benefits” in Section 2.3 “Accounting policies” and note 12.3 “Sundry”).

Revaluation accounts were as follows:

(EUR millions)

	2025	2024	Change
Gold	55,957	37,097	18,860
Foreign currency	6,042	12,819	(6,777)
- US dollars	6,042	12,717	(6,675)
- Chinese renminbi	-	30	(30)
- SDRs	-	72	(72)
- Others	-	0	(0)
Securities and other instruments	484	320	164
Net defined benefit liability in respect of post-employment benefits	585	416	169
Total	63,068	50,653	12,415

The revaluation accounts increased in 2025 due predominantly to the rise in the market price of gold in euro terms. The increase was partially offset by a decline in the revaluation accounts related to foreign currency, mainly owing to the depreciation of the US dollar against the euro.

The exchange rates used for year-end revaluation of main foreign currencies and gold were as follows:

Exchange rates	2025	2024
US dollars per euro	1.1750	1.0389
Japanese yen per euro	184.09	163.06
Chinese renminbi per euro	8.2262	7.5833
Euro per SDR	1.1656	1.2544
Euro per fine ounce of gold	3,669.106	2,511.069

⁵⁵ The unrealised losses exceeding at year-end previous revaluation gains accumulated in the corresponding revaluation account are recorded as write-downs in the profit and loss account (see note 24 “Write-downs on financial assets and positions”).

Note 15 – Capital and reserves

Note 15.1 – Capital

The ECB's capital key

Pursuant to Article 29 of the Statute of the ESCB, the weightings assigned to the NCBs of EU Member States in the key for subscription of the ECB's capital are determined according to the shares of the respective Member State in the total population and gross domestic product of the EU, in equal measure. These weights are adjusted every five years and whenever there is a change in the number of NCBs that contribute to the ECB's capital.

Capital of the ECB

The capital key is applied to the ECB's subscribed capital of €10,825 million to determine the share of subscribed capital for each NCB.

The euro area NCBs have fully paid up their share of subscribed capital, while the non-euro area NCBs have paid up 3.75% of their subscribed capital as a contribution to the operational costs of the ECB. Non-euro area NCBs are not entitled to receive any share of the distributable profits of the ECB, nor are they liable to cover any loss of the ECB.

No changes occurred in 2025. The following table shows the capital key, subscribed capital and paid-up capital:

	Since 1 January 2024		
	Capital key (%)	Subscribed capital (EUR millions)	Paid-up capital (EUR millions)
Nationale Bank van België/ Banque Nationale de Belgique (Belgium)	3.0005	325	325
Deutsche Bundesbank (Germany)	21.7749	2,357	2,357
Eesti Pank (Estonia)	0.2437	26	26
Central Bank of Ireland (Ireland)	1.7811	193	193
Bank of Greece (Greece)	1.8474	200	200
Banco de España (Spain)	9.6690	1,047	1,047
Banque de France (France)	16.3575	1,771	1,771
Hrvatska narodna banka (Croatia)	0.6329	69	69
Banca d'Italia (Italy)	13.0993	1,418	1,418
Central Bank of Cyprus (Cyprus)	0.1802	20	20
Latvijas Banka (Latvia)	0.3169	34	34
Lietuvos bankas (Lithuania)	0.4826	52	52
Banque centrale du Luxembourg (Luxembourg)	0.2976	32	32
Central Bank of Malta (Malta)	0.1053	11	11
De Nederlandsche Bank (Netherlands)	4.8306	523	523
Oesterreichische Nationalbank (Austria)	2.4175	262	262
Banco de Portugal (Portugal)	1.9014	206	206
Banka Slovenije (Slovenia)	0.4041	44	44
Národná banka Slovenska (Slovakia)	0.9403	102	102
Suomen Pankki – Finlands Bank (Finland)	1.4853	161	161
Subtotal for euro area NCBs	81.7681	8,851	8,851
Българска народна банка (Bulgarian National Bank) (Bulgaria)	0.9783	106	4
Česká národní banka (Czech Republic)	1.9623	212	8
Danmarks Nationalbank (Denmark)	1.7797	193	7
Magyar Nemzeti Bank (Hungary)	1.5819	171	6
Narodowy Bank Polski (Poland)	6.0968	660	25
Banca Națională a României (Romania)	2.8888	313	12
Sveriges Riksbank (Sweden)	2.9441	319	12
Subtotal for non-euro area NCBs	18.2319	1,974	74
Total	100.0000	10,825	8,925

Note 16 – Accumulated losses carried forward

As at 31 December 2025 this item amounted to €9,210 million (2024: €1,266 million). It comprised the ECB's losses for 2023 and 2024, which, following a decision by the Governing Council, were carried forward on the ECB's balance sheet to be offset against future profits.

2.5 Off-balance-sheet instruments

Note 17 – Securities lending programmes

As part of the management of the ECB's own funds, the ECB has a securities lending programme agreement in place under which specialised institutions enter into securities lending transactions on behalf of the ECB. In accordance with the Governing Council's decisions, the ECB has also made securities held for monetary policy purposes available for lending.⁵⁶

Depending on the collateral received, securities lending operations are recorded in (i) off-balance-sheet accounts, when conducted against securities collateral; or (ii) on-balance-sheet accounts, when conducted against cash that remains uninvested at the end of the year (see note 8 "Other liabilities to euro area credit institutions denominated in euro" and note 10 "Liabilities to non-euro area residents denominated in euro").

The market value of the securities lent and the corresponding collateral was as follows:

(EUR millions)

	2025	2024
Securities lent against securities collateral ¹	(27,727)	(37,393)
<i>of which related to securities held for monetary policy purposes</i>	<i>(19,387)</i>	<i>(28,585)</i>
Securities lent against cash collateral	(650)	(4,273)
<i>of which related to securities held for monetary policy purposes</i>	<i>(650)</i>	<i>(4,273)</i>
Market value of securities lent	(28,377)	(41,666)
Securities collateral ¹	28,972	38,970
<i>of which related to securities held for monetary policy purposes</i>	<i>20,144</i>	<i>29,761</i>
Cash collateral ²	677	4,450
<i>of which related to securities held for monetary policy purposes</i>	<i>677</i>	<i>4,450</i>
Market value of collateral	29,649	43,420

1) This amount is recorded in off-balance-sheet accounts.

2) This amount is recorded in on-balance-sheet accounts under "Other liabilities to euro area credit institutions denominated in euro" and "Liabilities to non-euro area residents denominated in euro".

⁵⁶ Further details on [securities lending](#) can be found on the ECB's website.

Note 18 – Interest rate futures

Foreign currency interest rate futures transactions were conducted in the context of the management of the ECB's foreign reserves. The following transactions, translated at year-end foreign exchange rates, were outstanding at year-end:

(EUR millions)

	2025 Contract value	2024 Contract value	Change
Foreign currency interest rate futures			
Purchases	880	382	498
Sales	105	734	(629)

Note 19 – Forward transactions in securities

Forward transactions in securities were conducted in the context of the management of the ECB's foreign reserves. The following transactions, translated at year-end foreign exchange rates, were outstanding at year-end:

(EUR millions)

	2025	2024	Change
Forward transactions in securities			
Purchases	1,248	-	1,248
Sales	51	-	51

Note 20 – Foreign exchange swap and forward transactions

Management of foreign reserves

Foreign exchange swap and forward transactions were conducted in the context of the management of the ECB's foreign reserves. The following claims and liabilities resulting from these transactions, translated at year-end foreign exchange rates, were outstanding at year-end:

(EUR millions)

	2025	2024	Change
Foreign exchange swap and forward transactions			
Claims	2,102	2,873	(771)
Liabilities	2,038	2,742	(704)

Liquidity-providing swap arrangements

The ECB is part of a swap line network of central banks and has in place reciprocal swap arrangements with the Bank of Canada, the Bank of Japan, the Swiss National Bank, the Bank of England and the Federal Reserve System. It also holds a reciprocal swap line with the People's Bank of China. These swap arrangements allow for the provision of (i) liquidity in any of the respective currencies of the above central banks to euro area banks, or (ii) euro liquidity to financial institutions in the jurisdictions of the above central banks. Furthermore, swap agreements are also in place with Danmarks Nationalbank and Sveriges Riksbank for the provision of euro liquidity to financial institutions in their jurisdictions. The above arrangements are aimed at preventing tensions in international funding markets from hampering the effectiveness of euro area monetary policy transmission.⁵⁷

US dollar-denominated claims and liabilities with a maturity date in 2026 arose in connection with the provision of US dollar liquidity to Eurosystem counterparties (see note 10 “Liabilities to non-euro area residents denominated in euro”).

Note 21 – Administration of borrowing and lending operations

The ECB acts as a fiscal agent for the European Commission for the administration of EU borrowing and lending activities.⁵⁸ In 2025 the ECB was responsible for the administration of accounts and the processing of payments relating to the following EU programmes:

EU borrowing and lending activities

The medium-term financial assistance facility (MTFA)

The European Financial Stabilisation Mechanism (EFSM)

The loan facility agreement for Greece

The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE)

The Next Generation EU (NGEU) programme

The Ukraine Loan Cooperation Mechanism (ULCM)

The Ukraine Facility

Macro-financial assistance (MFA)

The Reform and Growth Facility for the Western Balkans

Moreover, the ECB acts as a paying agent for the European Commission in relation to its EU Issuance Service.

⁵⁷ Further details on the ECB's [liquidity-providing swap arrangements](#) can be found on the ECB's website. The repo lines also described on this website are operated by euro area NCBs and therefore not considered in the ECB's Annual Accounts.

⁵⁸ In accordance with Article 21 of the Statute of the ESCB, the ECB may act as fiscal agent for Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States.

2.6 Notes to the profit and loss account

Note 22 – Net interest income/(expense)

The net interest expense was as follows:

(EUR millions)

	2025	2024	Change
Foreign reserves	2,089	2,537	(448)
Securities held for monetary policy purposes	3,814	3,850	(36)
Lending of securities held for monetary policy purposes	17	32	(15)
Claims related to the allocation of euro banknotes within the Eurosystem	2,900	5,232	(2,332)
TARGET balances due from NCBs	29,896	54,542	(24,645)
Own funds	611	703	(92)
Other	1	3	(2)
Total interest income	39,328	66,898	(27,569)
Foreign reserves	(0)	(0)	(0)
Lending of securities held for monetary policy purposes ¹	(26)	(137)	111
NCBs' claims in respect of foreign reserves transferred	(790)	(1,448)	659
TARGET balances due to NCBs	(37,603)	(70,216)	32,613
Deposits accepted by the ECB in its role as fiscal agent	(601)	(1,219)	618
Other	(488)	(861)	374
Total interest expense	(39,507)	(73,881)	34,374
Net interest expense	(178)	(6,983)	6,805

1) This item comprises the interest expense on cash received as collateral.

Note 22.1 – Net interest income on foreign reserves

The net interest income on the ECB's foreign reserves, broken down by instrument type, was as follows:

(EUR millions)

	2025	2024	Change
Current accounts	55	85	(30)
Money market deposits	123	149	(26)
Repurchase agreements	(0)	(0)	(0)
Reverse repurchase agreements	229	225	4
Securities	1,591	1,936	(345)
Forward and swap transactions in foreign currencies	90	142	(51)
Net interest income on foreign reserves	2,089	2,537	(449)

The net interest income on the ECB's foreign reserves, broken down by foreign currency, was as follows:

(EUR millions)

	2025	2024	Change
US dollars	1,961	2,434	(472)
Japanese yen	64	9	56
Chinese renminbi	9	12	(3)
SDRs	53	83	(29)
Other	0	0	(0)
Net interest income on foreign reserves	2,089	2,537	(449)

Note 22.2 – Interest income arising from the claims related to the allocation of euro banknotes within the Eurosystem

In 2025 the interest income relating to the ECB's 8% share of the total value of euro banknotes in circulation (see "Banknotes in circulation" in Section 2.3 "Accounting policies" and note 5.1 "Claims related to the allocation of euro banknotes within the Eurosystem") amounted to €2,900 million (2024: €5,232 million). The decline was due to the lower average remuneration rate (2025: 2.3%, 2024: 4.1%), resulting mainly from the decrease in the key ECB interest rates in 2025 and, to a lesser extent, from the application of the deposit facility rate as the remuneration rate instead of the rate on the main refinancing operations (see "Other issues" in Section 2.3 "Accounting policies").

Note 22.3 – Remuneration of NCBs' claims in respect of foreign reserves transferred

In 2025 the remuneration expense arising from euro area NCBs' claims in respect of the foreign reserves transferred to the ECB (see note 11.1 "Liabilities equivalent to

the transfer of foreign reserves”) amounted to €790 million (2024: €1,448 million). The decline was due to the lower average remuneration rate (2025: 2.3%, 2024: 4.1%), adjusted to reflect a zero return on the gold component, resulting mainly from the decrease in the key ECB interest rates in 2025 and, to a lesser extent, from the application of the deposit facility rate as the basis for remuneration instead of the rate on the main refinancing operations (see “Other issues” in Section 2.3 “Accounting policies”).

Note 22.4 – Net interest income on securities held for monetary policy purposes

The net interest income on securities held for monetary policy purposes was as follows:

(EUR millions)

	2025	2024	Change
SMP¹	15	24	(9)
APP			
CBPP3	159	178	(20)
ABSPP	137	419	(281)
PSPP – government/agency securities	2,022	2,022	(0)
Total APP	2,318	2,619	(301)
PEPP			
PEPP – covered bonds	6	6	0
PEPP – government/agency securities	1,475	1,201	274
Total PEPP	1,481	1,206	275
Net interest income on securities held for monetary policy purposes	3,814	3,850	(36)

1) The ECB's net interest income on SMP holdings of Greek government bonds amounted to €14 million (2024: €18 million).

Note 22.5 – Net interest expense arising from TARGET balances due from/to NCBs

The net interest expense arising from TARGET balances due from/to NCBs was as follows:

(EUR millions)

	2025	2024	Change
Interest income arising from TARGET balances due from NCBs	29,896	54,542	(24,645)
- Euro area NCBs	29,896	54,542	(24,645)
Interest expense arising from TARGET balances due to NCBs	(37,603)	(70,216)	32,613
- Euro area NCBs	(37,586)	(70,150)	32,564
- Non-euro area NCBs	(17)	(66)	49
Net interest expense arising from TARGET balances due from/to NCBs	(7,706)	(15,674)	7,968

The decline was predominantly due to the lower average remuneration rate (2025: 2.3%, 2024: 4.1%), resulting mainly from the decrease in the key ECB interest rates in 2025 and, to a lesser extent, from the application of the deposit facility rate as the remuneration rate instead of the rate on the main refinancing operations (see “Other issues” in Section 2.3 “Accounting policies”). Lower TARGET balances, resulting mainly from maturing monetary policy securities, also contributed to this decrease.

Note 23 – Realised gains/(losses) arising from financial operations

Realised gains and losses arising from financial operations were as follows:

(EUR millions)

	2025	2024	Change
Net realised price gains/(losses)	45	(53)	98
Net realised exchange rate and gold price gains	905	36	869
Net realised gains/(losses) arising from financial operations	950	(17)	967

The net realised price result includes realised gains and losses on securities and interest rate futures. The net realised price gains in 2025 were mainly driven by the price gains realised on the sale of US dollar-denominated securities whose market price had increased as a result of a decrease in the corresponding yields.

The net realised exchange rate gains in 2025 resulted predominantly from a standard rebalancing of the composition of the ECB’s foreign reserves during the first quarter of 2025 to align with the target allocation. The ECB sold a small portion of its US dollar holdings and fully reinvested the proceeds in Japanese yen.

Realised gains and losses arising from financial operations, broken down by currency and quarter, were as follows:

(EUR millions)

	2025					2024				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Net realised price gains/(losses)										
US dollars	11	29	39	17	97	(10)	(23)	38	(13)	(8)
Japanese yen	(8)	(4)	(7)	(5)	(23)	(0)	(2)	(0)	(2)	(4)
Chinese renminbi	1	0	1	1	4	1	1	3	1	7
Euro	(26)	(2)	(2)	(1)	(32)	(27)	(11)	(3)	(6)	(48)
Subtotal	(22)	23	31	12	45	(36)	(35)	38	(20)	(53)
Net realised exchange rate and gold price gains/(losses)										
US dollars	909	0	0	0	909	(0)	(0)	0	37	37
Japanese yen	0	(0)	(0)	(8)	(8)	(0)	(0)	(0)	(0)	(1)
Chinese renminbi	0	0	0	(0)	(0)	0	(0)	(0)	(0)	(0)
Other	5	0	(1)	(0)	4	0	0	0	0	0
Subtotal	914	(0)	(1)	(8)	905	(0)	(0)	0	36	36
Total	892	23	30	4	950	(36)	(35)	38	17	(17)

Note 24 – Write-downs on financial assets and positions

Write-downs on financial assets and positions were as follows:

(EUR millions)

	2025	2024	Change
Unrealised price losses on securities	(130)	(187)	57
Unrealised exchange rate losses	(1,316)	(81)	(1,235)
Write-downs on financial assets and positions	(1,446)	(269)	(1,178)

The market value of a number of securities, mainly held in the own funds and Japanese yen portfolios, declined alongside an increase in the corresponding yields in 2025. This resulted in unrealised price losses at year-end.

The unrealised exchange rate losses arose from all of the ECB's foreign currency holdings except for the US dollar holding, with €1,229 million coming from the holding of Japanese yen. The average acquisition cost of these holdings was written down to the 2025 year-end exchange rate owing to the depreciation of these currencies against the euro to a level lower than their average cost.

Note 25 – Net income/(expense) from fees and commissions

The net income related to fees and commissions was as follows:

(EUR millions)

	2025	2024	Change
Income from fees and commissions	719	697	22
Expenses relating to fees and commissions	(19)	(22)	3
Net income from fees and commissions	700	674	26

Income under this item consists primarily of supervisory fees. Expenses comprise predominantly custody fees.

Income and expenses related to supervisory tasks

The income related to supervisory tasks was as follows:

(EUR millions)

	2025	2024	Change
Income from supervisory fees	690	681	9
- <i>Fee income from significant entities or significant groups</i>	659	651	8
- <i>Fee income from less significant entities or less significant groups</i>	31	29	2
Administrative penalties imposed	29	16	13
Income related to banking supervision tasks	718	696	22

Banking supervision-related income mainly comprises income from supervisory fees levied annually on supervised entities in order to recover the annual expenditure incurred by the ECB in the performance of its supervisory tasks.

Banking supervision-related expenses result from the direct supervision of significant entities, the oversight of the supervision of less significant entities and the performance of horizontal tasks and specialised services. They consist of the direct expenses of the ECB's supervisory function and the relevant expenses arising from support areas needed to fulfil the ECB's supervisory responsibilities. This reflects their services in relation to premises and facilities; human resources; information technology (IT); legal, audit and administration; communication and translation; and other activities.

The actual annual expenses relating to the ECB's supervisory tasks increased due to the biennial EU-wide stress tests which took place in 2025,⁵⁹ the new mandate

⁵⁹ Further details on [stress tests](#) can be found on the ECB's banking supervision website.

introduced by the Digital Operational Resilience Act (DORA)⁶⁰ and continued investment into IT systems dedicated to banking supervision.

In order to determine the amount of the fees to be paid by the supervised entities, the actual annual expenditure is adjusted for amounts reimbursed to/received from individual banks for previous fee periods and other adjustments, including interest received on late payments.⁶¹ Taking into account an adjustment corresponding to interest received on late payments as well as net reimbursements to individual banks for previous fee periods, the annual supervisory fees to be levied on the supervised entities for the fee period 2025 amounted to €690 million (see note 6.4 “Accruals and prepaid expenses”). This total is almost equal to the actual annual expenses.⁶² The individual supervisory fees will be invoiced in the second quarter of 2026.⁶³

The ECB is also entitled to impose administrative penalties on supervised entities for failure to comply with applicable EU banking law on prudential requirements (including ECB supervisory decisions). The related income is not considered in the calculation of the annual supervisory fees, nor are reimbursements of such penalties in the event that previous sanction decisions are amended or annulled. Instead, the related amounts are recorded in the ECB’s profit and loss account.

Note 26 – Income from equity instruments and participating interests

The income from equity instruments and participating interests stood at €14 million in 2025 (2024: €1 million). The total included dividends received on the equity exchange-traded funds held in the ECB’s own fund portfolio and on the shares in the BIS held by the ECB (see note 6.2 “Other financial assets”).

Note 27 – Other income

Miscellaneous other income stood at €135 million in 2025 (2024: €119 million). The total arose mainly from contributions of participating NCBs to costs incurred by the ECB in connection with ESCB projects and services.

⁶⁰ [Regulation \(EU\) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations \(EC\) No 1060/2009, \(EU\) No 648/2012, \(EU\) No 600/2014, \(EU\) No 909/2014 and \(EU\) 2016/1011](#) (OJ L 333, 27.12.2022, p. 1).

⁶¹ See Article 5(3) of [Regulation \(EU\) No 1163/2014 of the European Central Bank of 22 October 2014 on supervisory fees \(ECB/2014/41\)](#) (OJ L 311, 31.10.2014, p. 23), as amended. The [unofficial consolidated text](#) with the list of amendments is also available.

⁶² The ECB decision on the total amount of annual supervisory fees for 2025 will be adopted and subsequently published in mid-March 2026.

⁶³ Further details on [supervisory fees](#) can be found on the ECB’s banking supervision website.

Note 28 – Staff costs

Staff costs were as follows:

(EUR millions)

	2025	2024	Change
Salaries and allowances	619	560	59
Staff insurance	29	26	2
Post-employment and other long-term benefits	162	258	(96)
Staff costs	809	844	(34)

The average number of employees in 2025, expressed in full-time equivalents (FTEs),⁶⁴ amounted to 4,388 (2024: 4,297), of whom 388 (2024: 386) were managerial staff.

Costs in relation to post-employment and other long-term benefits were lower in 2025 mainly because a non-recurring past service cost was charged in 2024 in relation to an amendment to the rules governing the ECB's pension plans. In accordance with the ECB's relevant accounting rules for pensions, this cost was recognised in full in the profit and loss account for 2024 when the decision was taken. Salaries and allowances increased in 2025 in line with the planned higher average number of staff employed by the ECB and the regular salary adjustments.

ECB remuneration of the Executive and Supervisory Boards

Members of the Executive Board and the members of the Supervisory Board employed by the ECB receive a basic salary and a residence allowance (15% of basic salary). In the case of the President, a residence is provided in lieu of a residence allowance. Members of the Executive Board and the Chair of the Supervisory Board also receive a representation allowance.⁶⁵ Subject to the Conditions of Employment for Staff of the European Central Bank,⁶⁶ members of both boards may be entitled to household, child, education and other allowances, depending on their individual circumstances. Salaries are subject to a tax for the benefit of the EU, as well as to deductions in respect of contributions to the pension, medical, long-term care and accident insurance schemes. Allowances are non-taxable and non-pensionable.

⁶⁴ A full-time equivalent (FTE) is a unit equivalent to one employee working full-time for one year. Staff with permanent, fixed or short-term contracts and participants in the ECB's Graduate Programme are included in proportion to their hours worked. Staff on maternity or long-term leave are also included, while staff on unpaid leave are excluded.

⁶⁵ The representation allowance is 21% of basic salary for the President, 12% of basic salary for the Vice-President, 9% of basic salary for the other Executive Board members and 12% of basic salary for the Chair of the Supervisory Board.

⁶⁶ The [Conditions of Employment for Staff of the European Central Bank](#) can be found on the ECB's website.

In 2025 the basic salaries of the members of the Executive Board and the members of the Supervisory Board employed by the ECB (i.e. excluding representatives of national supervisors) were as follows:⁶⁷

(EUR)

	2025	2024
Total Executive Board	2,320,416	2,197,332
Christine Lagarde (President)	492,204	466,092
Luis de Guindos (Vice-President)	421,908	399,528
Piero Cipollone (Board Member)	351,576	332,928
Frank Elderson (Board Member)	351,576	332,928
Philip R. Lane (Board Member)	351,576	332,928
Isabel Schnabel (Board Member)	351,576	332,928
Total Supervisory Board (members employed by the ECB)¹	1,604,632	1,364,558
<i>of which:</i>		
<i>Claudia Buch (Chair of the Supervisory Board)</i>	<i>351,576</i>	<i>332,928</i>
Total	3,925,048	3,561,890

¹ The total figure includes the remuneration of the Chair of the Supervisory Board and the ECB members. Frank Elderson does not receive any additional remuneration in his role as Vice-Chair of the Supervisory Board. The totals for 2024 were affected by a gap between the end and start of the terms of office of two members of the Supervisory Board and their successors.

Total allowances paid to members of both boards and the ECB's contributions to medical, long-term care and accident insurance schemes on their behalf amounted to €1,320,276 (2024: €1,254,013).

Transitional payments may be made to former members of both boards for a limited period after the end of their terms of office. In 2025 these payments, including related allowances and the ECB's contributions to the medical, long-term care and accident insurance schemes, totalled €1,039,478 (2024: €552,772). These payments increased in 2025 as most of the board members received them for the entire year, whereas in 2024 some of these members only received them for a few months.

Pension-related payments, including post-employment allowances, and contributions to the medical, long-term care and accident insurance schemes for former board members and their dependants amounted to €2,005,333 (2024: €2,185,215).⁶⁸ In 2025, similar to 2024, this amount included a lump sum payment to one former board member upon departure in lieu of future pension payments.

⁶⁷ Amounts are presented gross, i.e. before any deductions of tax for the benefit of the EU.

⁶⁸ These pension-related payments reduced the defined benefit obligation recognised in the balance sheet. For the net amount charged to the profit and loss account in relation to the pension arrangements for current members of the Executive Board and the current members of the Supervisory Board employed by the ECB, see note 12.3 "Sundry".

Note 29 – Administrative expenses

Administrative expenses were as follows:

(EUR millions)

	2025	2024	Change
Rent, property maintenance and utilities	62	57	5
Staff-related expenses	69	74	(5)
IT-related expenses	170	153	17
External services	142	162	(20)
Other expenses	73	67	6
Administrative expenses	516	513	4

The slight rise in administrative expenses in 2025 was driven mainly by higher spending on IT services and projects (“IT-related expenses”). The decrease in “External services” was mainly due to lower expenses related to financial advisory and other consultancy services and a reallocation of costs to IT-related expenses due to evolving IT delivery models.

Note 30 – Banknote production services

In 2025 this expense amounted to €8 million (2024: €9 million). The total arose predominantly from the cross-border transportation of euro banknotes (i) between banknote printing works and NCBs, for the delivery of new banknotes; and (ii) between NCBs, for the compensation of shortages with surplus stocks. These costs are borne centrally by the ECB.

Note 31 – Transfer (to)/from risk provisions

The provision for financial risks (see “Provision for financial risks” in Section 2.3 “Accounting policies”) was released in full to cover losses in 2022 and 2023 arising from exposures to financial risks. As no transfers to this provision have occurred in the subsequent years, this provision has stood at zero since the end of 2023.

2.7 Post-balance-sheet events

Note 32 – Bulgaria’s accession to the euro area

Pursuant to Council Decision (EU) 2025/1407 of 8 July 2025,⁶⁹ taken in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, Bulgaria adopted the single currency on 1 January 2026. In accordance with Article 48.1 of the Statute of the ESCB and the legal acts adopted by the Governing Council on 31 December 2025,⁷⁰ Българска народна банка (Bulgarian National Bank) paid up an amount of €102 million with effect from 1 January 2026, which is the remainder of its capital subscription to the ECB. In accordance with Article 48.1, in conjunction with Article 30.1, of the Statute of the ESCB, the Bulgarian National Bank transferred foreign reserve assets with a total value equivalent to €1,483 million to the ECB with effect from 1 January 2026. These foreign reserve assets comprised US dollars in the form of cash (85%) and gold (15%).

The Bulgarian National Bank was credited with claims in respect of the paid-up capital and foreign reserve assets equivalent to the amounts transferred. The latter is to be treated in the same way as the existing claims of the other euro area NCBs (see note 11.1 “Liabilities equivalent to the transfer of foreign reserves”).

⁶⁹ Council Decision (EU) 2025/1407 of 8 July 2025 on the adoption by Bulgaria of the euro on 1 January 2026 (OJ L, 2025/1407, 14.7.2025).

⁷⁰ Decision EU 2026/115 of the European Central Bank of 31 December 2025 on the paying-up of capital, transfer of foreign reserve assets and contributions by Българска народна банка (Bulgarian National Bank) to the European Central Bank’s reserves and provisions (ECB/2025/44) (OJ L, 2026/115, 15.1.2026); Agreement between Българска народна банка (Bulgarian National Bank) and the European Central Bank regarding the claim credited to Българска народна банка (Bulgarian National Bank) by the European Central Bank under Article 30.3 of the Statute of the European System of Central Banks and of the European Central Bank (OJ C, C/2026/497, 22.1.2026).

2.8 Financial statements 2021-25

Balance sheet

Assets

(EUR millions)

	2021	2022	2023	2024	2025
Gold and gold receivables	26,121	27,689	30,419	40,895	59,754
Claims on non-euro area residents denominated in foreign currency	51,433	55,603	55,876	58,117	54,764
Receivables from the IMF	1,234	1,759	2,083	2,227	1,772
Balances with banks and security investments, external loans and other external assets	50,199	53,844	53,793	55,890	52,992
Claims on euro area residents denominated in foreign currency	2,776	1,159	1,450	4,094	2,236
Claims on non-euro area residents denominated in euro	3,070	-	-	-	-
Balances with banks, security investments and loans	3,070	-	-	-	-
Other claims on euro area credit institutions denominated in euro	38	12	17	2	1
Securities of euro area residents denominated in euro	445,384	457,271	425,349	376,781	325,265
Securities held for monetary policy purposes	445,384	457,271	425,349	376,781	325,265
Intra-Eurosystem claims	123,551	125,763	125,378	127,067	129,563
Claims related to the allocation of euro banknotes within the Eurosystem	123,551	125,763	125,378	127,067	129,563
Other assets	27,765	31,355	34,739	33,644	31,756
Tangible and intangible fixed assets	1,189	1,105	1,023	971	1,055
Other financial assets	21,152	21,213	22,172	22,781	23,211
Off-balance-sheet instruments revaluation differences	620	783	552	681	273
Accruals and prepaid expenses	4,055	7,815	10,905	9,158	7,108
Sundry	749	438	88	53	110
Total assets	680,140	698,853	673,229	640,600	603,339

Liabilities

(EUR millions)

	2021	2022	2023	2024	2025
Banknotes in circulation	123,551	125,763	125,378	127,067	129,563
Other liabilities to euro area credit institutions denominated in euro	9,473	17,734	4,699	2,388	489
Liabilities to other euro area residents denominated in euro	7,604	63,863	20,622	24,554	26,022
General government	3,200	48,520	143	73	74
Other liabilities	4,404	15,343	20,479	24,482	25,947
Liabilities to non-euro area residents denominated in euro	112,492	78,108	23,111	39,859	26,846
Liabilities to non-euro area residents denominated in foreign currency	-	-	24	-	-
Deposits, balances and other liabilities	-	-	24	-	-
Intra-Eurosystem liabilities	375,136	355,474	445,048	388,676	354,060
Liabilities equivalent to the transfer of foreign reserves	40,344	40,344	40,671	40,562	40,562
Liabilities related to TARGET (net)	334,618	315,090	404,336	348,074	313,491
Other liabilities within the Eurosystem (net)	174	41	40	40	8
Other liabilities	2,877	5,908	9,498	7,615	4,745
Off-balance-sheet instruments revaluation differences	568	430	68	-	0
Accruals and income collected in advance	32	3,915	8,030	6,288	3,661
Sundry	2,277	1,562	1,401	1,327	1,084
Provisions	8,268	6,636	67	72	84
Risk provisions	8,194	6,566	-	-	-
Other provisions	74	69	67	72	84
Revaluation accounts	32,277	36,487	37,099	50,653	63,068
Capital and reserves	8,270	8,880	8,948	8,925	8,925
Capital	8,270	8,880	8,948	8,925	8,925
Accumulated losses carried forward	-	-	-	(1,266)	(9,210)
Profit/(loss) for the year	192	-	(1,266)	(7,944)	(1,254)
Total liabilities	680,140	698,853	673,229	640,600	603,339

Note: In order to ensure comparability, the layout of the balance sheet for the years 2021-23 has been adjusted to match the layout introduced in 2024. Furthermore, since the item "Profit/(loss) for the year" has been included as a standalone negative item on the liabilities side of the balance sheet, the amounts for "Total assets" and "Total liabilities" in 2023 have been adjusted accordingly. Further details on these changes can be found under "Changes to presentation in the financial statements" in Section 2.3 "Accounting policies" of the ECB's Annual Accounts 2024.

Profit and loss account

(EUR millions)

	2021	2022	2023	2024	2025
Net interest income/(expense)	1,566	900	(7,193)	(6,983)	(178)
Interest income	1,575	12,314	63,723	66,898	39,328
Interest expense	(9)	(11,414)	(70,916)	(73,881)	(39,507)
Net result of financial operations and write-downs	(139)	(1,950)	(144)	(286)	(497)
Realised gains/(losses) arising from financial operations	(6)	(110)	(106)	(17)	950
Write-downs on financial assets and positions	(133)	(1,840)	(38)	(269)	(1,446)
Net income/(expense) from fees and commissions	559	585	650	674	700
Income from equity instruments and participating interests	2	1	1	1	14
Other income	56	61	72	119	135
Staff costs	(674)	(652)	(676)	(844)	(809)
Administrative expenses	(444)	(460)	(481)	(513)	(516)
Depreciation of tangible and intangible fixed assets	(108)	(103)	(106)	(104)	(94)
Banknote production services	(13)	(9)	(9)	(9)	(8)
Other expenses	(5)	-	-	-	-
Profit/(loss) before the transfer (to)/from risk provisions	802	(1,627)	(7,886)	(7,944)	(1,254)
Transfer (to)/from risk provisions	(610)	1,627	6,620	-	-
Profit/(loss) for the year	192	-	(1,266)	(7,944)	(1,254)
Profit distribution	192	-	-	-	-

Note: In order to ensure comparability, the layout of the profit and loss account for the years 2021-23 has been adjusted to match the layout introduced in 2024. Furthermore, the amounts shown under the sub-items "Interest income" and "Interest expense" have been restated in line with the interest income and expense netting rationale applied from 2024. Further details on these changes can be found under "Changes to presentation in the financial statements" in Section 2.3 "Accounting policies" of the [ECB's Annual Accounts 2024](#).

3 Independent auditor's report



To the President and Governing Council
of the European Central Bank
Frankfurt am Main

Report on the Audit of the ECB's Financial Statements 2025

Opinion

We have audited the Financial Statements of the European Central Bank (ECB) for the year ended 31 December 2025 – included in the ECB's Annual Accounts – which comprise the balance sheet, the profit and loss account, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the ECB as at 31 December 2025 and of the results of its financial operations for the year then ended in accordance with the principles established by the Governing Council, which are laid down in Decision (EU) 2024/2938 of the European Central Bank of 14 November 2024 on the annual accounts of the European Central Bank (ECB/2024/32), which is based on Guideline (EU) 2024/2941 of the European Central Bank of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2024/31).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the ECB in accordance with the German ethical requirements that are relevant to our audit of the Financial Statements, which are consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The ECB's Executive Board ("Executive Board") is responsible for the other information included in the ECB's Annual Accounts. The other information comprises all the information included in the ECB's Annual Accounts except the Financial Statements of the ECB and our auditor's report.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the Executive Board and those charged with Governance for the Financial Statements

The Executive Board is responsible for the preparation and fair presentation of the Financial Statements in accordance with the principles established by the Governing Council, which are laid down in Decision (EU) 2024/2938 of the European Central Bank of 14 November 2024 on the annual accounts of the European Central Bank (ECB/2024/32), which is based on Guideline (EU) 2024/2941 of the European Central Bank of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2024/31), and for such internal control as the Executive Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Executive Board is responsible for assessing the ECB's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the ECB's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ECB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ECB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 17 February 2026

Forvis Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft



Markus Morfeld
Wirtschaftsprüfer



Christina Fernholz
Wirtschaftsprüferin

4 Note on profit distribution/allocation of losses

This note is not part of the financial statements of the ECB for the year 2025.

Pursuant to Article 33 of the Statute of the ESCB, the net profit of the ECB is to be transferred in the following order:

1. an amount to be determined by the Governing Council, which may not exceed 20% of the net profit, is to be transferred to the general reserve fund, subject to a limit equal to 100% of the capital;
2. the remaining net profit is to be distributed to the shareholders of the ECB in proportion to their paid-up shares.⁷¹

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 of the relevant financial year in proportion and up to the amounts allocated to the NCBs in accordance with Article 32.5 of the Statute of the ESCB.⁷²

The ECB's loss for 2025 was €1,254 million, compared with a loss of €7,944 million in 2024. Following a decision by the Governing Council, this loss will be carried forward on the ECB's balance sheet and offset against future profits.

⁷¹ Non-euro area NCBs are not entitled to receive any share of the distributable profits of the ECB, nor are they liable to cover any loss of the ECB.

⁷² Under Article 32.5 of the Statute of the ESCB, the sum of the NCBs' monetary income is to be allocated to the NCBs in proportion to their paid-up shares in the capital of the ECB.

Consolidated balance sheet of the Eurosystem as at 31 December 2025

Assets

(EUR millions)

	31 December 2025	31 December 2024
1 Gold and gold receivables	1,274,398	872,156
2 Claims on non-euro area residents denominated in foreign currency	500,943	522,440
2.1 Receivables from the IMF	224,115	236,843
2.2 Balances with banks and security investments, external loans and other external assets	276,828	285,598
3 Claims on euro area residents denominated in foreign currency	16,822	16,015
4 Claims on non-euro area residents denominated in euro	33,941	20,132
4.1 Balances with banks, security investments and loans	33,941	20,132
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	36,707	34,221
5.1 Main refinancing operations	24,958	16,979
5.2 Longer-term refinancing operations	11,749	17,194
5.3 Fine-tuning reverse operations	0	0
5.4 Structural reverse operations	0	0
5.5 Marginal lending facility	0	48
5.6 Credits related to margin calls	0	0
6 Other claims on euro area credit institutions denominated in euro	22,453	36,292
7 Securities of euro area residents denominated in euro	4,063,958	4,532,962
7.1 Securities held for monetary policy purposes	3,745,459	4,283,371
7.2 Other securities	318,499	249,591
8 General government debt denominated in euro	19,700	20,394
9 Other assets	324,401	365,924
Total assets	6,293,325	6,420,536

Liabilities

(EUR millions)

	31 December 2025	31 December 2024
1 Banknotes in circulation	1,619,535	1,588,344
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	2,600,602	2,991,283
2.1 Current accounts (covering the minimum reserve system)	200,757	192,273
2.2 Deposit facility	2,399,845	2,799,010
2.3 Fixed-term deposits	0	0
2.4 Fine-tuning reverse operations	0	0
2.5 Deposits related to margin calls	0	0
3 Other liabilities to euro area credit institutions denominated in euro	11,634	27,869
4 Debt certificates issued	0	0
5 Liabilities to other euro area residents denominated in euro	215,729	203,849
5.1 General government	102,418	122,023
5.2 Other liabilities	113,310	81,826
6 Liabilities to non-euro area residents denominated in euro	171,578	242,367
7 Liabilities to euro area residents denominated in foreign currency	16,161	11,274
8 Liabilities to non-euro area residents denominated in foreign currency	2,558	603
8.1 Deposits, balances and other liabilities	2,558	603
8.2 Liabilities arising from the credit facility under ERM II	0	0
9 Counterpart of special drawing rights allocated by the IMF	169,868	182,810
10 Other liabilities	209,668	218,667
11 Revaluation accounts	1,239,057	872,322
12 Capital and reserves	36,935	81,148
Total liabilities	6,293,325	6,420,536

Notes: Based on provisional year-end data. The final annual consolidated balance sheet of the Eurosystem will be published in June. Totals/sub-totals may not add up due to rounding.

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

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