

**ANNUAL ACCOUNTS
OF THE BANCO DE ESPAÑA**

2015

BANCO DE ESPAÑA
Eurosistema



ANNUAL ACCOUNTS OF THE BANCO DE ESPAÑA 2015

CONTENTS

1	Introduction	7
2	Balance sheet and profit and loss account	8
3	Notes to the accounts	11
3.1	Accounting policies	11
3.2	Notes to the balance sheet	18
3.3	Notes to the profit and loss account	39
3.4	Changes in capital, reserves, provisions and revaluation accounts	49
3.5	Net financial assets	49
3.6	Risk management	50
4	Specific information required by Article 4.2 of the Law of Autonomy of the Banco de España of June 1994	53
4.1	Loss of profit	53
4.2	Other transactions	53
Annexes		
1	Report of the external auditors	55
2	Report of the Banco de España Audit Committee	57

1 INTRODUCTION

The annual accounts of the Banco de España (“the Bank”) as established by Article 29.1 of its internal rules, approved by a Resolution of the Governing Council of 28 March 2000 (Official State Gazette (*BOE*) of 6 April 2000), comprise the balance sheet, the profit and loss account and the notes to the accounts. The accounts have been prepared in accordance with the internal accounting rules and principles of the Banco de España. These rules and principles are based on the accounting framework established for national central banks (NCBs) of the European System of Central Banks (ESCB)¹, pursuant to Article 26.4 of the Statute of the ESCB on standardisation of accounting and reporting procedures relating to operations undertaken by NCBs. In the cases not regulated by Eurosystem accounting legislation, the Banco de España applies its internal policies based on generally accepted accounting principles adapted to the special characteristics of the operations and functions of a central bank.

In accordance with the provisions of Articles 29 and 32 of its internal rules, the Bank’s annual accounts have been audited by the Internal Audit Department and analysed and examined by the Audit Committee appointed for the purpose by the Bank’s Governing Council. The accounts have also been audited by independent external auditors, as stipulated by Article 29 of the Bank’s internal rules and Article 27 of the Statute of the ESCB.

Under the provisions of Article 4.2 of Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España, it is for the government, upon proposal by the Minister of Economic Affairs and Competitiveness, to approve the Bank’s balance sheet and accounts for the year, which will be sent to Parliament (*Cortes Generales*) for informational purposes. The Governing Council of the Bank, under the provisions of Article 21.g) of the aforementioned Law, is responsible for formulating the Bank’s annual accounts.

Unless otherwise indicated, the figures are expressed in millions of euro. Those relating to 2014 are presented solely for comparison with 2015. To this end, the information for 2014 relating to certain liabilities to other euro area residents denominated in euro has been reorganised, as explained in the related notes to the balance sheet, and to some operating expense items, as explained in the notes to the profit and loss account. Due to rounding, on occasions the totals included in the balance sheet, profit and loss account and notes to the annual accounts may not equal the sum of the individual figures. This document presents the accounts for the year 2015. Section 2 includes the balance sheet and profit and loss account at 31 December 2015; Section 3 contains the notes to the accounts, with the accounting policies that have served as a framework for their preparation, the explanatory notes on the most important aspects of the balance sheet and profit and loss account, the changes in equity, the net financial assets of Banco de España and the management of risk exposures; and Section 4, in compliance with Article 4.2 of the Law of Autonomy, details the loans and transactions agreed on other than an arm’s-length basis or which in any other way entail a loss of profit or losses for the Bank, along with the estimated amount.

Finally, Annexes 1 and 2 include the reports of the external auditors and of the Bank’s Audit Committee on the annual accounts presented in the preceding sections.

¹ Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the ESCB (ECB/2010/20), as amended.

2 BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

BALANCE SHEET OF THE BANCO DE ESPAÑA AS AT 31 DECEMBER 2015

EUR m

	Note number	2015	2014	Change
ASSETS				
1 Gold and gold receivables	1	8,811.34	8,943.01	-131.68
2 Claims on non-euro area residents denominated in foreign currency		40,577.48	32,295.56	8,281.92
2.1 Receivables from the IMF	2	5,205.21	5,433.88	-228.67
2.2 Balances with banks and security investments, external loans and other external assets	3	35,372.27	26,861.69	8,510.59
3 Claims on euro area residents denominated in foreign currency	4	3,857.82	2,800.44	1,057.38
4 Claims on non-euro area residents denominated in euro		306.21	306.89	-0.68
4.1 Balances with banks, security investments and loans	5	306.21	306.89	-0.68
4.2 Claims arising from the credit facility under ERM II		—	—	—
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	6	135,353.02	143,888.80	-8,535.78
5.1 Main refinancing operations		11,679.20	21,579.00	-9,899.80
5.2 Longer-term refinancing operations		123,673.83	122,307.44	1,366.38
5.3 Fine-tuning reverse operations		—	—	—
5.4 Structural reverse operations		—	—	—
5.5 Marginal lending facility		—	—	—
5.6 Credits related to margin calls		—	2.36	-2.36
6 Other claims on euro area credit institutions denominated in euro		2.05	2.47	-0.42
7 Securities of euro area residents denominated in euro	7	161,097.31	88,238.31	72,859.01
7.1 Securities held for monetary policy purposes		109,420.62	26,497.76	82,922.87
7.2 Other securities		51,676.69	61,740.55	-10,063.86
8 General government debt denominated in euro	8	—	971.68	-971.68
9 Intra-Eurosystem claims	9	90,153.48	76,686.08	13,467.40
9.1 Participating interest in ECB		1,312.52	1,312.52	—
9.2 Claims equivalent to the transfer of foreign reserves assets to the ECB		5,123.39	5,123.39	—
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem		83,717.56	70,250.16	13,467.40
9.5 Other claims within the Eurosystem (net)		—	—	—
10 Items in course of settlement		2.24	0.68	1.56
11 Other assets		4,692.51	5,188.06	-495.55
11.2 Tangible and intangible fixed assets	10	276.76	272.37	4.39
11.3 Other financial assets	11	62.71	25.25	37.46
11.4 Off-balance sheet instruments revaluation differences	12	—	60.06	-60.06
11.5 Accruals and prepaid expenses	13	3,142.76	3,190.68	-47.92
11.6 Sundry	14	1,210.29	1,639.70	-429.40
TOTAL ASSETS		444,853.46	359,322.00	85,531.47

BALANCE SHEET OF THE BANCO DE ESPAÑA AS AT 31 DECEMBER 2015 (cont'd)

EUR m

	Note number	2015	2014	Change
LIABILITIES				
1 Banknotes in circulation	15	125,190.22	118,152.21	7,038.01
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	16	27,838.52	17,851.46	9,987.06
2.1 Current accounts (covering the minimum reserve system)		21,238.52	12,631.44	8,607.08
2.2 Deposit facility		6,600.00	5,220.00	1,380.00
2.3 Fixed-term deposits		—	—	—
2.4 Fine-tuning reverse operations		—	—	—
2.5 Deposits related to margin calls		—	0.02	-0.02
3 Other liabilities to euro area credit institutions denominated in euro	17	210.10	0.26	209.85
4 Debt certificates issued (a)		—	—	—
5 Liabilities to other euro area residents denominated in euro		465.88	434.06	31.81
5.1 General government	18	122.11	57.80	64.31
5.2 Other liabilities	19	343.77	376.26	-32.49
6 Liabilities to non-euro area residents denominated in euro	20	82.78	519.68	-436.89
7 Liabilities to euro area residents denominated in foreign currency		1.23	0.86	0.38
8 Liabilities to non-euro area residents denominated in foreign currency		0.93	0.83	0.10
8.1 Deposits, balances and other liabilities		0.93	0.83	0.10
8.2 Liabilities arising from the credit facility under ERM II		—	—	—
9 Counterpart of special drawing rights allocated by the IMF	21	3,598.92	3,371.58	227.34
10 Intra-Eurosystem liabilities	22	254,102.53	189,717.85	64,384.68
10.2 Liabilities related to the issuance of ECB debt certificates		—	—	—
10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem		—	—	—
10.4 Other liabilities within the Eurosystem (net)		254,102.53	189,717.85	64,384.68
11 Items in course of settlement	23	29.39	22.23	7.16
12 Other liabilities		184.10	129.47	54.63
12.1 Off-balance-sheet instruments revaluation differences	24	34.56	—	34.56
12.2 Accruals and income collected in advance	25	13.31	9.93	3.38
12.3 Sundry	26	136.23	119.54	16.69
13 Provisions	27	11,667.08	10,184.62	1,482.45
14 Revaluation accounts	28	17,312.05	14,517.86	2,794.19
15 Capital and reserves		1,899.81	1,899.81	—
15.1 Capital	29	1,000.00	1,000.00	—
15.2 Reserves	30	899.81	899.81	—
16 Profit for the year	31	2,269.92	2,519.22	-249.30
TOTAL LIABILITIES		444,853.46	359,322.00	85,531.47

a ECB balance sheet item only.

PROFIT AND LOSS ACCOUNT OF THE BANCO DE ESPAÑA FOR THE YEAR ENDING 31 DECEMBER 2015

EUR m

	Note number	2015	2014	Change
1 Interest income	1	4,167.56	4,395.18	-227.62
2 Interest expense	2	106.63	386.33	-279.70
3 Net interest income (1 – 2)		4,060.93	4,008.84	52.08
4 Realised gains/losses arising from financial operations	3	157.67	23.72	133.95
5 Write-downs on financial assets and positions	4	35.92	4.76	31.16
6 Transfer to/from provisions for financial risks	5	-1,426.35	-1,124.89	-301.46
7 Net result of financial operations, write-downs and risk provisions (4 – 5 + 6)		-1,304.60	-1,105.92	-198.67
8 Fees and commissions income		17.82	17.01	0.81
9 Fees and commissions expense		9.53	9.23	0.30
10 Net income from fees and commissions (8 – 9)	6	8.29	7.78	0.51
11 Income from equity shares and participating interests	7	123.43	115.74	7.69
12 Net result of pooling of monetary income	8	-89.92	41.35	-131.27
13 Other income and losses	9	0.05	19.90	-19.85
14 TOTAL NET INCOME (3 + 7 + 10 + 11 + 12 + 13)		2,798.18	3,087.68	-289.50
15 Staff costs	10	228.36	220.56	7.80
16 Administrative expenses	11	124.21	126.81	-2.60
17 Depreciation of tangible and intangible fixed assets	12	32.56	30.04	2.52
18 Banknote production services	13	60.62	82.51	-21.89
19 Other expenses		3.74	3.46	0.28
20 TOTAL OPERATING EXPENSES (15 + 16 + 17 + 18 + 19)		449.49	463.38	-13.89
21 Transfers and additions to other funds and provisions	14	78.76	105.08	-26.32
22 PROFIT FOR THE YEAR (14 – 20 – 21)	15	2,269.92	2,519.22	-249.30

Countersigned by
The Governor,



LUIS M. LINDE DE CASTRO

The Comptroller,



JAVIER PACIOS RODRÍGUEZ

3 NOTES TO THE ACCOUNTS

3.1 Accounting policies

1 BASIC PRINCIPLES

The annual accounts of the Banco de España present fairly its net worth and financial and economic position. They have been drawn up in accordance with the following accounting principles: prudence, recognition of post-balance-sheet events, going concern, the accruals principle, consistency and comparability, no offset, matching of revenues and expenses, and materiality. These principles conform to those set out in the accounting guides and instructions of the ECB.

2 BASIS OF ACCOUNTING

The annual accounts have been prepared on a historical cost basis, modified as necessary to include market valuation of trading-book securities, gold and the foreign currency position. Futures shall be valued daily at market price and significant participating interests at underlying book value.

Transactions in assets and liabilities are generally recorded on the settlement date, except that forward transactions in foreign currencies are booked at the spot settlement date. If a period-end falls between the trade date and the spot settlement date, both spot and forward foreign currency transactions are recognised at the trade date.

The specific valuation criteria applied to the various assets and liabilities were the following:

Gold

Gold is recorded at acquisition cost¹, which is determined by the cash amount paid in the transaction including any related expense.

The cost of sales is obtained by applying the daily net average cost method. In the event that the cash to be paid or received is specified in a currency other than the euro, it is translated into euro at the mid-market exchange rate two business days before the settlement date.

On the last day of each month, gold stocks are valued at the market price in euro per troy ounce of fine gold. Unrealised gains or losses (except for unrealised losses at year-end) are reflected in an adjustment account and credited or debited, respectively, to a revaluation or loss account.

Unrealised losses existing at the end of the year are taken to the profit and loss account and the average book value is modified. Such losses are considered irreversible in subsequent revaluations.

Sales of gold against foreign currency under repurchase agreements are recorded as off-balance-sheet items, with no effect on the balance sheet. The foreign currency received by way of consideration is recorded on the assets side, with the obligation to repay it being recorded simultaneously on the liabilities side. Possible differences arising between gold delivered spot and that received forward are recorded as if there had been an independent outright sale or purchase at the time of maturity of the transaction.

¹ As at 31 December 1998 its acquisition cost was adjusted to the market price then prevailing and the unrealised gains were credited to revaluation accounts. These gains are subsequently taken to profit and loss when the asset is sold and they can be used to offset unrealised losses.

Foreign currencies

Spot purchases or sales of foreign currencies are recorded at the settlement date, and affect the foreign currency position from that date. Gains and losses on the spot sale of foreign currencies are similarly considered to be realised from the settlement date. Meanwhile, foreign exchange forward purchase and sale transactions are recognised in off-balance-sheet accounts at the spot date of the transaction, affecting the foreign currency position as at that date. The gain or loss on the transaction is also considered to be realised on that date. If a period-end falls between the trade date and the spot settlement date, the transactions have to be recognised at the trade date.

Purchases are recorded at acquisition cost in euro. Purchases and sales of foreign currencies against euro are valued at the exchange rate agreed in the transaction. When foreign currencies are bought and sold against other foreign currencies, the euro valuation is at the mid-market exchange rate of the currency sold on the trade date. Transactions in a foreign currency that do not modify the overall position therein have no effect on the book value of such position.

The cost in euro of foreign currency sold is calculated using the daily net average cost method.

Accrued interest denominated in foreign currency is recorded on a daily basis, generally using the mid-market rate on each day. If the rate on the relevant day is not available, the latest mid-market rate available shall be applied. Accrued interest receivable or payable denominated in foreign currency forms part of the foreign currency position.

Foreign currencies are revalued monthly to market price. This revaluation is performed without netting unrealised gains against unrealised losses on the various currencies. Unrealised gains and losses (except for unrealised losses at year-end) are reflected in adjustment accounts and credited or debited, respectively, to revaluation and loss accounts.

Unrealised losses existing at the end of the year are taken to the profit and loss account for the year, in which case they affect the average cost of the currency in question. Such losses are considered irreversible in subsequent revaluations.

Foreign banknotes

The criteria applied are the same as those indicated in the preceding section for foreign currencies.

Special drawing rights

Special drawing rights (SDRs) and the net position in the International Monetary Fund (IMF) are valued at the year-end SDR market exchange rate by the same methods used for other currencies.

Securities

The Banco de España holds three separate securities portfolios: a trading portfolio, a held-to-maturity portfolio and a monetary policy portfolio (set up in accordance with the ECB Governing Council decisions of 7 May 2009 and 4 June 2009, 9 May 2010, 6 October 2011, 4 September 2014 and 4 March 2015).

In all three cases, the securities are recorded initially at acquisition cost, which is determined by the cash amount paid, less any accrued gross coupon. The Governing Council of the ECB decided in 2014 that the securities in the monetary policy portfolio should be valued at amortised cost (subject to impairment), regardless of whether the intention is to trade with them or to hold them to maturity. The new valuation criteria did not give rise to any adjustments or net financial income in 2014, since these securities had been recorded applying such criteria.

The cost of securities sold or redeemed is determined by the average book value of the security in question. The securities in the held-to-maturity portfolio may not be sold except in exceptional, duly authorised circumstances².

Trading portfolio securities are revalued monthly to market price. This revaluation is carried out without any netting of unrealised gains and losses on different security codes. Unrealised gains and losses (except for unrealised losses at year-end) are reflected in adjustment accounts and credited or debited, respectively, to revaluation and loss accounts. Unrealised losses existing at the end of the year are taken to the profit and loss account. Their amount is credited directly to the securities account, and the average book value - and therefore the internal rate of return - of the security code concerned is modified. Such losses are considered irreversible in subsequent revaluations. The year-end adjustment was made using the market prices on the last day of the year.

Securities within the held-to-maturity portfolio and the monetary policy portfolio are not subject to any periodic valuation, except for recognition, where applicable, of loss of value due to asset impairment.

Any premiums, discounts and coupons that have accrued but are not due are recorded in accruals accounts, using the internal rate of return of each security code for their calculation within each portfolio. These accruals are recorded daily.

The above references to acquisition cost and market prices shall, in the case of securities denominated in foreign currency, be understood to refer to the currency concerned. Accordingly, these amounts will be translated into euro, as stipulated in the "Foreign currencies" section.

Repurchase agreements
involving securities

Reverse repurchase agreements involving securities are recorded on the assets side of the balance sheet as collateralised outward loans for the amount of the loan. Securities acquired under reverse repurchase agreements are not revalued or included in the securities portfolio.

Repurchase agreements involving securities are recorded on the liabilities side of the balance sheet as an inward deposit collateralised by securities, the balancing entry of which is the cash received. Securities sold under this type of agreement remain on the Bank's balance sheet and are treated as if they had remained part of the portfolio from which they were sold. Repurchase agreements involving securities denominated in foreign currencies have no effect on the average cost of the currency position.

In direct loans of securities, repurchase and reverse repurchase agreements conducted simultaneously are accounted for separately, each being recorded according to the valuation rules set forth in the preceding two paragraphs.

Automated security loans (contracts empowering a depository of securities to lend them to a third party in overnight transactions, subject to certain contractual limitations) are not recorded in the balance sheet. The only item accounted for is the income, which is recorded in the profit and loss account. Transactions outstanding at year-end are recorded off-balance sheet.

2 Securities classified as held-to-maturity may be sold before their maturity in any of the following circumstances: a) if the quantity sold is considered not significant in comparison with the total amount of the held-to-maturity securities portfolio; b) if the securities are sold during the month prior to the maturity date; and c) under exceptional circumstances, such as a significant deterioration of the issuer's creditworthiness.

Doubtful debtors	Where there is any reasonable doubt about the recovery of an asset, it is recorded in a special separate account and the relevant provision set aside.
Loans to financial institutions and balances with EU central banks	<p>These are valued at their nominal amount.</p> <p>The ECB establishes the conditions applicable to the monetary policy operations conducted by Eurosystem central banks and the need to obtain adequate collateral for them. Also, Article 32.4 of the Statute of the ESCB and of the ECB stipulates that the Governing Council may decide that national central banks shall be indemnified, in exceptional circumstances, for specific losses arising from monetary policy operations undertaken for the ESCB. Indemnification shall be in a form deemed appropriate by the Governing Council; these amounts may be offset against the national central banks' monetary income.</p>
Loans to the State	In accordance with the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20), they are valued at nominal amount (see Notes 8 and 27 to the balance sheet and Note 5 to the profit and loss account).
Shares and participating interests	<p>The shares in the Bank for International Settlements and the participating interest in the European Central Bank (ECB) are valued at cost.</p> <p>The stake in Imprenta de Billetes, S.A. (IMBISA) shall be valued at its underlying book value. The Banco de España does not prepare consolidated annual accounts in respect of this participating interest, given the non-material nature of the investment vis-à-vis the Bank's balance sheet and profit and loss account.</p>
Tangible and intangible fixed assets	<p>Fixed assets are defined as those non-financial assets owned by the Bank that are intended to be used for a period exceeding 12 months and contribute directly or indirectly to fulfilling its objectives and/or to the probable generation of income in the future and, in addition, their cost can be reliably assessed.</p> <p>Fixed assets are generally valued initially at cost, defined as the amount of the monetary disbursements made or committed to, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner, such as transport, installation, professional fees for legal services, non-refundable taxes and the fair value of other consideration given.</p> <p>Trade discounts and those for defects in assets received are recorded as a reduction in the cost of the related assets. Cash discounts and those for late delivery are recorded in the profit and loss account under other income or, where appropriate, as a reduction in expenses, and do not affect the acquisition cost of the asset purchased.</p> <p>Fixed assets are deemed not to include those assets which, although meeting the conditions to be classed as such, do not generally exceed the amount of €600 (€6,000 in the case of buildings, structures and plant in buildings), although there may be exceptions, normally for control reasons.</p> <p>Only extensions, replacements, rehabilitations and improvements that exceed €6,000 are capitalised, provided also that the elements replaced can be removed from the balance sheet or that they are fully depreciated.</p>

Computer applications developed specifically for the Banco de España the cost of which does not exceed €300,000 are recorded directly as expenses and are not eligible for subsequent capitalisation.

Computer applications developed for the Eurosystem as a whole are recognised as fixed assets for the related acquisition cost, which is normally calculated on the basis of the Banco de España's share of the ECB capital key, applied to the total acquisition cost of the project.

After initial recognition, fixed assets are valued at acquisition cost less accumulated depreciation or amortisation and any impairment losses.

The acquisition cost of a fixed asset, net of its residual value, is depreciated systematically during its useful life on a straight-line monthly basis from the month following that in which it was recognised in the accounts. Generally, all depreciable/amortisable fixed assets are estimated to have a residual value of zero unless there is a deep, liquid market for similar assets from which the residual value may be derived. Land, the art collection and fixed assets in progress are not depreciated.

The depreciation/amortisation rates and estimated useful lives applied to the various fixed assets in 2015 were as follows:

	Depreciation/ Amortisation Rate (%)	Useful life (years)
Buildings and structures	2	50
Renovation work	4	25
Plant in buildings	10	10
Security-related plant in buildings	20	5
Furniture and fittings	10	10
Office machines for the handling of banknotes and coins	10	10
Other office machines	20	5
Computer equipment	25	4
Transport equipment. Cars and motor bikes	25	4
Transport equipment. Trucks and buses	10	10
Libraries	10	10
Other tangible fixed assets	20	5
Computer applications (a)	20	5
Industrial property	—	Number of years of exclusive use

a The amortisation of certain IT applications developed for the Eurosystem as a whole is calculated on the basis of their individual useful life estimated by the Eurosystem.

An asset is impaired when its book value exceeds the recoverable value. In this case, and only if the amounts are significant, an impairment loss is recognised by simultaneously reducing the item's book value and modifying its depreciable/amortisable base.

Banknotes in circulation

The ECB and the NCBs, which together comprise the Eurosystem, have issued euro banknotes since 1 January 2002³. The total value of euro banknotes in circulation is

³ Decision of the European Central Bank of 13 December 2010 on the issue of euro banknotes (ECB/2010/29) (recast), as amended.

recorded by allocating to each Eurosystem NCB, on the last working day of each month, an amount based on the banknote allocation key⁴.

The ECB has been allocated a share of 8% of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to the NCBs and divided amongst them according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed under the item “Banknotes in circulation” on the liability side of their respective balance sheets.

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation also gives rise to remunerated intra-Eurosystem balances. These claims or liabilities, which incur interest⁵, are disclosed under the item “Intra-Eurosystem: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem” (see “Intra-Eurosystem balances” in this section on accounting policies).

From 2002 until 2007, the intra-Eurosystem balances arising from the allocation of euro banknotes were adjusted in order to avoid significant changes in the relative income positions of the NCBs that initially formed part of the Eurosystem as compared with previous years. The adjustments were effected by taking into account the differences between the average value of banknotes in circulation of each NCB in the specified reference period⁶ and the average value of banknotes that would have been allocated to them during that period under the ECB’s capital key. The adjustments were progressively reduced in annual stages until the end of 2007. However, this mechanism has also been applied in the case of new Member States adopting the euro so as to calculate the amount of compensation corresponding to each of them under the aforementioned calculation method, dividing it amongst the other NCBs according to their respective capital keys in the ECB. This adjustment is gradually reduced over a six-year period, being held unchanged during each financial year.

The interest income and expense on intra-Eurosystem balances relating to banknote allocation is cleared through the accounts of the ECB and is disclosed under “Net interest income” in the profit and loss account.

The ECB’s seigniorage income, arising from the euro banknotes in circulation assigned to it and the income from securities purchased under the Securities Markets Programme, the asset-backed securities purchase programme, the third covered bond purchase programme and the secondary markets public sector asset purchase programme, is allocated to the NCBs in the financial year in which it accrues⁷. Settlement of this income takes place on the last working day in January of the following year, in the form of an interim distribution of the income. The Governing Council may decide to reduce the distributable ECB income on euro banknotes in circulation by the costs incurred by the ECB in connection with the issue and handling of banknotes. The ECB Governing Council shall decide whether all or part of the ECB’s income arising from securities purchased under the above programmes and all or part of the ECB’s income on euro banknotes in circulation should be retained to the

4 The banknote allocation key is that which results from applying 92% to the Eurosystem subscribed capital key.

5 Decision of the European Central Bank of 25 November 2010 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (ECB/2010/23) (recast), as amended.

6 The reference period taken has a duration of 24 months and it begins 30 months prior to the euro cash changeover date.

7 Decision of the European Central Bank of 15 December 2014 (ECB/2014/57) on the interim distribution of the ECB’s income (recast), as amended.

extent necessary to ensure that the amount of the distributed income does not exceed the ECB's net profit for that year. The ECB Governing Council may also decide to transfer all or part of this income to an ECB provision for foreign exchange rate, interest rate, credit and gold price risks. The amount distributed to NCBs is shown in the profit and loss account item "Income from equity shares and participating interests" in the year in which this income accrued.

Intra-Eurosystem balances

Intra-Eurosystem balances arise from the Banco de España's participating interest in the ECB, claims equivalent to the reserves transferred to the ECB and the net balance resulting from the transfers issued and received by TARGET2⁸ among the NCBs of the ESCB, including the ECB. They also arise from the balances vis-à-vis the ECB resulting from allocation of euro banknotes within the Eurosystem. In addition, the outcome of the contribution and allocation of monetary income to NCBs and the positions vis-à-vis the ECB owing to the deferral of sundry receipts and payments also give rise to intra-Eurosystem balances.

In the case of TARGET2 operations, the resulting balance is included as an asset or liability, as appropriate, under the balance sheet item "Other claims/liabilities within the Eurosystem (net)". Intra-ESCB balances arising from the allocation of euro banknotes within the Eurosystem are included, depending on their net amount, as an asset or liability under "Net claim/liability related to the allocation of euro banknotes within the Eurosystem" (see "Banknotes in circulation" in this section on accounting policies).

Recognition of income and expenses

Income and expenses are recognised in the period in which they accrue.

Realised gains and realised and unrealised losses are taken to the profit and loss account. To calculate the acquisition cost of items sold, the average cost method is used for securities and the daily net average cost method is used for foreign currencies and gold. The first-in first-out method is used for interest rate futures. In the case of unrealised losses on any item at year-end, its average cost is reduced to the end-of-year market price and/or exchange rate.

Unrealised gains are not recognised as income, but are transferred to a revaluation account.

Unrealised losses are taken to the profit and loss account if they exceed previous revaluation gains recorded in the corresponding revaluation account, and are not reversed in subsequent years against new unrealised gains. Unrealised losses in any one security or currency or in gold are not netted against unrealised gains in other securities or currencies or in gold.

Premiums or discounts on purchased securities are calculated and shown as reductions of or additions to interest income and accrued over the remaining life of the securities concerned, together with the accrued coupons, according to the effective interest rate method.

Pension Scheme

The Pension Scheme for Bank employees is of the defined-contribution type. The Pension Fund of which this scheme forms part is external and closed-end. Contributions made by the Banco de España on behalf of the employees who joined the Bank after 1 February

⁸ Trans-European Automated Real-time Gross Settlement Express Transfer system.

1986, are eligible to and do participate in the Scheme, are recognised as a current expense in the year to which they relate⁹.

Provisions In application of the principle of prudence, the liabilities side of the balance sheet includes provisions approved by the Executive Commission of the Banco de España which are considered necessary to cover adequately, on objective criteria, the risks derived from the financial positions held and other losses of a diverse nature (see Note 27 on the balance sheet).

Financial derivatives The net position under foreign exchange forward transactions and swaps, and the foreign-exchange gains and losses generated by such position are shown in the balance sheet in item 11.4 on the assets side or item 12.1 on the liabilities side, depending on their sign.

Foreign currency forward positions, which comprise foreign exchange forward transactions and forward legs of foreign exchange swaps, are included in the net foreign currency positions in order to calculate foreign exchange gains and losses. The difference between the spot and forward exchange rates is recorded as interest income or expense, which can be in euro or in foreign currency, in the latter case forming part of the foreign currency position.

The gain or loss on interest rate futures are considered to be realised at the time when they are settled net each day. Since these futures are denominated in foreign currency, such settlements shall affect the foreign currency position on the day on which they take place.

3 SALIENT FEATURES OF THE ESTIMATES MADE These annual accounts were prepared using Bank estimates to quantify some of the assets, liabilities, income, expenses, commitments and, in particular, to quantify provisions recorded in them (see Note 27 to the balance sheet). As regards monetary policy operations, since they are conducted jointly in the Eurosystem, the estimates made by the ESCB are also taken into account (see Notes 6 and 7(a) to the balance sheet).

These estimates are based on the best information available at end-2015, and future events may require them to be changed in the coming financial years. Any such changes would be made prospectively, in accordance with current accounting rules.

4 POST-BALANCE-SHEET EVENTS Assets, liabilities and the profit and loss account are adjusted on the basis of events taking place between the end of the accounting period and date of preparation of the annual accounts, should those events materially affect the Banco de España's year-end financial position. The events occurring after year-end which do not affect the assets and liabilities at that date do not give rise to adjustments thereto, although if they are material they are disclosed in the notes to the accounts.

3.2 Notes to the balance sheet The Banco de España's gold holdings at year-end amounted to €8,811.34 million, consisting of 9.054 million troy ounces¹⁰ of fine gold valued at a market price of €973.23 per ounce. These holdings did not change during the financial year. The value of these holdings is €131.68 million less than in 2014, as a result of the fall in the market price (at end-2014 the price per ounce was €987.77). This decrease is included in the liability revaluation accounts. The cost of the gold holdings is €850.43 million.

1 GOLD AND GOLD RECEIVABLES

⁹ Contributions made by the Banco de España are established at 7.5% of the so-called "regulating salary", consisting of the salary items determined in the Scheme Rules.

¹⁰ One troy ounce is equal to 31.1035 grams.

2 CLAIMS ON NON-EURO AREA
RESIDENTS DENOMINATED
IN FOREIGN CURRENCY.
RECEIVABLES FROM THE IMF

This item has three components:

- a) The position in the International Monetary Fund (IMF) in the reserve tranche. This is the euro equivalent of the SDRs relating to the foreign currencies assigned to the IMF due to Spain's initial quota and successive increases in it and due to the net financing granted to the IMF. Spain's IMF quota is SDR 4,023.40 million. Only the portion disbursed in foreign currency is reflected on the assets side of the balance sheet.
- b) Special drawing rights (allocations). These represent the euro equivalent of the successive allocations of this currency by the IMF and their subsequent drawdown. These allocations are made by the IMF simply for being a member and their balancing entry is recorded in item 9 of the liabilities side of the balance sheet "Counterpart of special drawing rights allocated by the IMF", also denominated in SDRs. The changes in their balance are essentially due to loan agreement transactions with third countries which are paid out of this account and to interest receipts or payments resulting from positions vis-à-vis the IMF.
- c) Other claims on the IMF. These reflect the amount that the Banco de España has provided to the IMF as a contribution to the PRGT¹¹, the NAB¹² and the Bilateral Loan Agreement entered into by the IMF and Spain in 2013. For the PRGT, the Banco de España has made a commitment to contribute, through concessional lending to low-income countries, up to SDR 405 million, the amount drawn down at end-2015 being €273.26 million (SDR 214.69 million). The NAB agreement, concluded to support the IMF's ability to provide financial assistance to its members, entailed a financial commitment of up to SDR 6,702.18 million, of which €817.27 million (SDR 642.10 million) had been drawn down up to end-2015. The bilateral loan agreement entailed a commitment of €14,860 million, none of which has been drawn down.

The SDRs in which claims on the IMF are denominated are valued at the year-end market rate, calculated by the ECB for all the Eurosystem NCBs, of €1 = SDR 0.785669. The SDR is defined in terms of a basket of currencies. Its value is determined as the weighted sum of the exchange rates of four major currencies: the US dollar, the euro, the yen and the pound sterling. The SDR interest rate, which is updated weekly, remained at 0.05% during the year,

The breakdown in 2015 and 2014 is as follows:

EUR m

Type of asset	2015	2014	Change
Reserve tranche position	607.90	930.42	-322.52
Special drawing rights (allocation)	3,506.79	3,232.30	274.49
Other claims on the IMF	1,090.52	1,271.16	-180.64
TOTAL	5,205.21	5,433.88	-228.67

The overall amount of claims on the IMF decreased by €228.67 million with respect to the balance at end-2014.

¹¹ Poverty Reduction and Growth Trust.

¹² New Arrangements to Borrow.

The decrease of €322.52 million in the reserve tranche position account is due to the overall effect of various factors:

- An increase of €52.15 million (SDR 43.74 million) due to the Banco de España's net contributions to the IMF for loans to third countries (Ukraine). These loans were made in euro through TARGET2 payments.
- A decrease of €413.07 million (SDR 346.42 million) due to repayments of loans by debtor countries (Greece, Ireland, Portugal and Bosnia). These collections were in euro.
- An increase of €38.40 million due to the change in the exchange rate of the SDR against the euro.

The "Special drawing rights (allocation)" account increased by €274.49 million due to the overall effect of various factors:

- An increase of €60.37 million (SDR 50.63 million) due to collection of SDRs arising from total or partial repayment of some PRGT loans and to collection of interest on Spain's claims on the IMF.
- Decrease of €7.40 million (SDR 6.21 million) due to SDR sales required by the IMF, to loans disposals under the PRGT IV programme, to transactions under the "Two Way Arrangement" and to payment of interest on Spain's liabilities to the IMF.
- Increase of €221.52 million due to the effect of changes in market exchange rates.

The "Other claims on the IMF" account, which includes loans granted under NAB agreements and under the PRGT programme, decreased by €180.64 million due to the overall effect of certain factors:

- There was a net decrease of €192.10 million (SDR 161.10 million) in NAB loans. The reasons for this decrease were the new NAB loans granted for €150.24 million (SDR 126.00 million) and the total or partial repayments of the first NAB loans granted, for €342.34 million (SDR 287.10 million). These SDR-denominated loans were made through payments in euro.
- A decrease of €57.43 million (SDR 48.16 million) in PRGTs due to total or partial repayments of these loans. These loans are in SDRs.
- An increase of €68.89 million due to the change in the market exchange rate.

3 CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY. BALANCES WITH BANKS AND SECURITY INVESTMENTS, EXTERNAL LOANS AND OTHER EXTERNAL ASSETS

This item includes current accounts, deposits, debt security investments in the trading and held-to-maturity portfolios and other claims on non-euro area residents denominated in foreign currency. The held-to-maturity portfolio consists of securities with fixed payments which the Banco de España intends to hold until maturity.

The total amount as at 31 December 2015 was €35,372.27 million, with the following breakdown:

EUR m

Type of asset	2015	2014	Change
Deposits	1,783.88	489.90	1,293.98
Security investments (a)	33,574.68	26,366.10	7,208.59
Trading portfolio	16,127.41	13,197.82	2,929.59
Held-to-maturity portfolio	17,447.27	13,168.27	4,279.00
Other	13.71	5.69	8.02
TOTAL	35,372.27	26,861.69	8,510.59

a As at 31 December 2015, repurchase agreements were constituted over part of the USD dominated securities portfolio with a market value of USD 5.17 million, under automated security lending contracts with the depositories of these securities.

As at 31 December 2015, 94.11% of these assets were denominated in US dollars and 5.88% in yen. The equivalent value in euro of these US dollar and yen amounts was transferred to the balance sheet at the year-end market exchange rate (€1 = USD 1.0887 and €1 = YEN 131.07). The market value of the held-to-maturity portfolio at end-2015 (which is not recorded on the balance sheet or in the profit and loss account but is provided for comparison purposes only) is €17,475.94 million.

The increase in the balance of this item (€8,510.59 million) was due to the net effect of the factors listed in the following table:

EUR m

Reason for change	Amount
Net investment	4,925.59
Changes of market exchange rates as at 31 December	3,641.18
Changes of securities market prices as at 31 December	-22.90
Accrued interest receivable	-33.12
Other	-0.17
TOTAL	8,510.59

4 CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

This balance sheet item may include current accounts, balances with banks and security investments. As at 31 December 2015, US dollar-denominated time deposits at financial institutions equivalent to €3,306.70 million (USD 3,600 million) were held. The year-end balance also includes a claim arising from reverse operations with Eurosystem credit institutions amounting to €551.12 million (USD 600 million) in connection with the US dollar Term Auction Facility. Under this programme, US dollars were provided by the Federal Reserve to the ECB by means of a temporary reciprocal currency arrangement (swap line) with the aim of offering short-term US dollar funding to Eurosystem counterparties. The ECB simultaneously entered into back-to-back swap transactions with Eurosystem NCBs, which used the resulting funds to conduct liquidity-providing operations with the Eurosystem counterparties in the form of reverse transactions. These back-to-back swap transactions between the ECB and the Eurosystem NCBs resulted in intra-Eurosystem balances reported under "Other liabilities within the Eurosystem (net)".

The increase of €1,057.38 million in this item with respect to the previous year was due to the increase in US dollar-denominated time deposits (506.27 million, as a result of the higher average balance held and of the change in the exchange rate of the US dollar against the euro) and to the aforementioned Banco de España loans to counterparties

within the framework of the exceptional foreign currency liquidity-providing operations granted in 2015 (€551.12 million).

5 CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN EURO. BALANCES WITH BANKS, SECURITY INVESTMENTS AND LOANS

Included here is the balance of current accounts at correspondents and trading and held-to-maturity portfolio securities denominated in euro. The held-to-maturity portfolio consists of fixed-income securities which the Banco de España intends to hold until maturity.

The breakdown is as follows:

EUR m

Type of asset	2015	2014	Change
Deposits	0.09	0.09	—
Security investments	306.12	306.81	-0.68
Trading portfolio	—	—	—
Held-to-maturity portfolio	306.12	306.81	-0.68
TOTAL	306.21	306.89	-0.68

Of the total of this heading (€306.21 million), most (€306.12 million) relates to fixed-income securities included in the held-to-maturity portfolio. This portfolio consists of euro-denominated securities issued by the European Investment Bank. The market value of the held-to-maturity portfolio at end-2015 (which is furnished for information purposes, since it is not reflected in the balance sheet or in the profit and loss account) is €309.33 million. The trading portfolio, as in 2014, had a zero balance at the end of the reporting year.

6 LENDING TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

This item includes the amount of the euro-denominated lending to euro area credit institutions through which monetary policy is implemented. The total amount of these loans in the Eurosystem as a whole is €558,989 million, of which €135,353.02 million are included in the balance sheet of the Banco de España. Pursuant to Article 32.4 of the ESCB/ECB Statute, any counterparty risk that may materialise in monetary policy operations must be shared by all Eurosystem central banks in proportion to their share of the subscribed capital of the ECB according to the capital keys in force when this risk materialises. The losses may only be recognised if the counterparty fails and insufficient funds are received from resolution of the collateral received from the institution. The Governing Council of the ECB has, in certain cases, excluded from risk sharing a portion of the collateral accepted by central banks¹³.

The breakdown by type of transaction is as follows:

EUR m

Type of asset	2015	2014	Change
Main refinancing operations	11,679.20	21,579.00	-9,899.80
Longer-term refinancing operations	123,673.83	122,307.4	41,366.38
Fine-tuning reverse operations	—	—	—
Structural reverse operations	—	—	—
Marginal lending facility	—	—	—
Credits related to margin calls	—	2.36	-2.36
TOTAL	135,353.02	143,888.80	-8,535.78

¹³ The total collateral provided by institutions under loan agreements, valued by Eurosystem rules and applying the related haircuts, amounted to €223,200.90 million at 2015 year-end. Of this amount, €810.47 million relate to collateral excluded from risk sharing.

Throughout 2015, continuing the trend initiated in previous years, there was a decline in the amounts requested in Eurosystem refinancing operations, in line with the normalisation of other sources of funding of credit institutions.

As a result, the balance of this item as at 31 December 2015 is 5.9% lower than that of 2014. The average daily balance of the financing granted during the year decreased by 20.5% (€135,073.36 million in 2015, against €169,963.33 million in 2014).

a. Main refinancing operations

They are executed through liquidity-providing reverse transactions with a weekly frequency and a maturity of one week, normally by means of standard tenders. These operations play a pivotal role in achieving the aims of steering interest rate, managing market liquidity and signalling the monetary policy stance. However, in 2015, continuing the trend initiated in previous years, they were used less than longer-term refinancing operations. In this connection, it should be noted that 18.4% of annual average financing was extended through them. In 2015 these operations were conducted at a fixed rate with allotment of the total amount bid.

The balance of this item at 31 December 2015 was €11,679.20 million (€21,579.00 million at 31 December 2014) and its daily average balance during the year was €24,813.51 million (€24,621.03 million in 2014).

b. Longer-term refinancing operations

These operations aim to provide counterparties with additional longer-term refinancing. The balance of these operations at 2015 year-end was €123,673.83 million (91.4% of the total) and arose mainly from targeted longer-term refinancing operations, maturing in 2018, and aimed at strengthening bank lending to the non-financial private sector. Two such operations were carried in 2014 and an additional four in 2015. The interest rate on these operations in 2015 was the rate on the Eurosystem's main refinancing operations prevailing at the time of allotment. In 2015, operations were also conducted with maturities of three months, at a fixed rate with allotment of the total amount bid.

Compared with the previous year, their balance increased by €1,366.38 million, mainly as a result of the participation of Spanish institutions in the aforementioned targeted longer-term refinancing operations, for the amount of €76,647.75 million. This balance decreased by €74,561.97 million due to the maturing of the last outstanding three-year refinancing operations. In contrast, the average balance decreased (from €145,331.99 million in 2014 to €110,256.52 million in 2015), representing 81.6% of annual average financing from monetary policy operations.

c. Fine-tuning reverse operations

The purpose of these operations is to regulate the market liquidity situation and control interest rates, particularly to smooth the effects on interest rates caused by unexpected market fluctuations. Owing to their nature, their frequency is not standardised.

No fine-tuning reverse operations took place in the Eurosystem in 2015. Their end-2015 balance was zero.

d. Structural reverse operations

These are reverse open-market transactions through standard tenders to enable the Eurosystem to adjust its structural liquidity position vis-à-vis the financial sector.

The end-2015 balance was zero, as it was at the previous year-end. No structural reverse operations took place during the year.

e. Marginal lending facility Counterparties may use the marginal lending facility to obtain overnight liquidity from national central banks at a pre-specified interest rate against eligible assets. This interest rate is penalised with respect to the intervention rate set in the weekly tenders or in main refinancing operations.

The balance at the end of 2015 was zero, with very few operations of this type having taken place.

f. Credits related to margin calls Under Eurosystem rules for monetary policy management, all operations providing liquidity to the banking system must be backed by adequate underlying assets accepted by the system as eligible for use as collateral. If, after daily valuation, the adjusted market value of the assets used as loan collateral has fallen below the lower trigger point set for each security, the counterparty must provide additional assets or cash (see Note 16 to the balance sheet). If the adjusted market value of the underlying assets, following their revaluation, exceeds the amount of the financing obtained from the national central bank plus the variation margin, the counterparty may withdraw an amount of underlying assets equal to that excess (or receive this difference as a cash payment in its account, in the case of reverse repurchase refinancing operations).

In the NCBs that make margin calls by debiting or crediting the accounts of credit institutions, as is the case for the Banco de España, these debits or credits are the balancing entries of the asset-side or liability-side accounts reflecting the changes in these margins. These balance sheet accounts have been remunerated at the deposit facility rate since December 2013 (-0.30% at end-2015).

As at 31 December 2015 this item had a zero balance, down €2.36 million with respect to the previous year. Its average balance also decreased, from €5.94 million in 2014 to €2.24 million in 2015.

7 SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO This item includes the amount of euro-denominated fixed-income securities issued by euro area residents which were acquired by the Banco de España for monetary policy purposes under covered bond purchase programmes¹⁴ (CBPP), the Securities Markets Programme¹⁵ (SMP) and the secondary markets public sector asset purchase programme (PSPP)¹⁶. These securities were recorded at amortised cost (see “Securities” in Section 3.1 “Accounting policies”) and are subject to a yearly impairment test. The balance of this item as at 31 December 2015 was €109,420.62 million. The breakdown, including the market value (which is not recorded on the balance sheet or in the profit and loss account but is provided for comparison purposes only), is as follows:

¹⁴ Decision of the European Central Bank of 2 July 2009 on the implementation of the covered bond purchase programme (ECB/2009/16); Decision of the European Central Bank of 3 November 2011 on the implementation of the second covered bond purchase programme (ECB/2011/17), and Decision of the European Central Bank of 15 October 2014 on the implementation of the third covered bond purchase programme (ECB/2014/40).

¹⁵ Decision of the European Central Bank of 14 May 2010 establishing a securities markets programme (ECB/2010/5).

¹⁶ Decision of the European Central Bank of 4 March 2015 on a secondary markets public sector asset purchase programme (ECB/2015/10).

EUR m

Monetary Policy Portfolio	2015		2014		Change	
	Amortised Cost	Market Value	Amortised Cost	Market Value	Amortised Cost	Market Value
Covered bond purchase programme	2,545.49	2,707.25	3,337.29	3,597.22	-791.79	-889.97
Second covered bond purchase programme	998.88	1,076.27	1,602.66	1,745.25	-603.78	-668.98
Third covered bond purchase programme	17,749.90	17,548.63	3,663.90	3,687.42	14,086.00	13,861.21
Securities market programme	15,844.21	18,281.41	17,893.91	20,521.11	-2,049.70	-2,239.70
PSPP government securities	51,370.12	51,455.95	—	—	51,370.12	51,455.95
PSPP supranational securities	20,912.02	20,700.98	—	—	20,912.02	20,700.98
TOTAL	109,420.62	111,770.49	26,497.76	29,551.01	82,922.87	82,219.47

The securities purchased under the first and second covered bond purchase programmes were completed in June 2010 and October 2012, respectively. The Securities Markets Programme concluded in September 2012. The decrease in the balances of these portfolios in 2015 is due to the redemption of securities throughout the year.

On 4 September 2014, the ECB Governing Council resolved to initiate the third covered bond purchase programme, in order to improve the monetary policy transmission mechanism and support the provision of credit to the economy. The purchase of euro-denominated covered bonds issued by euro area residents will be completed gradually throughout the euro area, in the form of outright purchases by the ECB and the Eurosystem NCBs. These purchases, which commenced in the second half of October 2014, amounted to €17,749.90 million at end-2015, up €14,086.00 million on the previous year as a result of net purchases made.

On 22 January 2015, the ECB Governing Council decided to expand asset purchases to encompass a secondary market public sector asset purchase programme. This programme aims to enhance monetary and financial conditions, easing borrowing for non-financial firms and households in the euro area, supporting thereby aggregate consumption and investment in the euro area and ultimately contributing to returning inflation to rates that are below, but close to, 2 % over the medium term. Under this programme, the ECB and the Eurosystem NCBs may purchase, on the secondary market, securities issued by euro area central governments, recognised agencies, and European institutions and multilateral development banks. The end-2015 balance of securities issued by central governments and Spanish agencies was €51,370.12 million, and that of securities issued by European institutions was €20,912.02 million.

In the Eurosystem as a whole, the monthly purchases of assets under the CBPP3, ABSPP and PSPP programmes amount to some €60,000 million and will foreseeably continue at least until March 2017.

The ECB Governing Council periodically evaluates the financial risks associated with the securities held under the aforementioned programmes.

As a result of the impairment test conducted on the securities purchased under the covered bond purchase programmes and the secondary market public sector asset purchase programme as at 31 December 2015, the ECB Governing Council decided that there was no evidence of any change in the estimated future cash flows. Hence no impairment losses were recorded on the securities purchased under those programmes.

As regards the impairment test conducted on the securities purchased under the Securities Markets Programme, it was considered that, although there was a delay in June 2015 in the Hellenic Republic's payment obligations vis-à-vis the IMF and the Bank of Greece, this did not affect the expected cash flows and therefore no impairment losses were recorded.

Pursuant to Article 32.4 of the ESCB/ECB Statute, any risks that materialise in the securities included in the Securities Markets Programme, in the third covered bond purchase programme, and in the securities of European institutions purchased under the secondary markets public sector asset purchase programme, shall be shared by all Eurosystem NCBs in proportion to their share of the subscribed capital of the ECB according to the capital keys in force. The total amounts of the securities acquired by all Eurosystem NCBs under the Securities Markets Programme, the third covered bond purchase programme and the securities of European institutions purchased under the secondary markets public sector asset purchase programme were €122,952 million, €143,340 million and €59,760 million, respectively. Of these amounts, €15,844.21 million, €17,749.90 million and €20,912.02 million were included in the balance sheet of the Banco de España.

b. Other securities

This item includes that part of the Bank's trading and held-to-maturity portfolios which consists of euro-denominated fixed-income securities issued by euro area residents that are not held for monetary policy purposes. The held-to-maturity portfolio consists of securities with fixed payments which the Banco de España intends to hold until maturity.

The breakdown of this item is as follows:

EUR m			
Security investments	2015	2014	Change
Trading portfolio	27,616.71	31,748.39	-4,131.68
Held-to-maturity portfolio	24,059.98	29,992.16	-5,932.18
TOTAL	51,676.69	61,740.55	-10,063.86

The balance of this item as at 31 December 2015 was €51,676.69 million¹⁷, of which 53.4% relate to trading portfolio securities and 46.6% to held-to-maturity securities. The market value of the held-to-maturity portfolio at end-2015 (which is furnished for information purposes, since it is not reflected in the balance sheet or in the profit and loss account) is €25,354.37 million. The impairment test conducted on the held-to-maturity portfolio concluded that there was no evidence of impairment at year-end.

Overall, these securities decreased by €10,063.86 million in 2015, of which €4,131.68 million related to the trading portfolio and €5,932.18 million to the held-to-maturity portfolio,

Specifically, the changes were for the reasons reflected in the following table:

¹⁷ As at 31 December 2015, repurchase agreements were constituted over part of the euro-denominated securities portfolio with a market value of €109.75 million, under automated securities lending contracts with the depositories of these securities.

EUR m

Reason for change	Trading portfolio	Held-to maturity portfolio	Total
Net purchase/amortization of securities	-3,187.16	-5,722.04	-8,909.20
Unrealised gains at year-end (a)	-636.01	—	-636.01
Unrealised losses at year-end (a)	—	—	—
Accrued implicit interest	-308.51	-210.14	-518.65
TOTAL	-4,131.68	-5,932.18	-10,063.86

a As stated in Section 3.1 "Accounting policies", no periodic valuation is performed on the held-to-maturity portfolio.

This portfolio includes securities issued by general government and by financial institutions in the euro area. It should be noted that all purchases of debt issued by general government are in the secondary market, none being direct subscriptions of security issues.

8 GENERAL GOVERNMENT
DEBT DENOMINATED
IN EURO

This item includes loans which, by virtue of their respective laws of creation, were granted to the State prior to the entry into force of Law 21/1993 of 29 December 1993 on the State budget for 1994. Initially they were to be repaid at their nominal amount on a straight-line basis over twenty-five years by means of yearly payments as from 1999, inclusive, in accordance with transitional provision seven of the aforementioned law. However, on 26 March 2007 an agreement was entered into with the central government to bring forward the repayment schedule of these loans, such that they mature in full by 2015 at the latest and the Treasury can request early repayment of all or part of them. Loans repaid early are paid by the Treasury at the cash amount of their market value at the time. Since these loans are recorded at their nominal amount, a provision has been set up for possible losses from early repayment (see Note 27 to the balance sheet).

In accordance with this agreement, the last instalments of each loan were received in 2015.

9 INTRA-EUROSISTEM
BALANCES

This heading includes the amounts of the following items:

EUR m

Type of asset	2015	2014	Change
Participating interest in the ECB	1,312.52	1,312.52	—
Claims equivalent to the transfer of foreign reserve assets to the ECB	5,123.39	5,123.39	—
Net claims related to the allocation of euro banknotes within the Eurosystem	83,717.56	70,250.16	13,467.40
TOTAL	90,153.48	76,686.08	13,467.40

a. Participating interest
in the ECB

Pursuant to Article 28 of the ESCB Statute, the ESCB national central banks are the sole subscribers to the capital of the ECB. Subscriptions depend on the participating interests fixed in accordance with Article 29 of the ESCB Statute based on each country's share in the total population and gross domestic product of the ESCB countries per data furnished by the European Commission. These subscriptions must be adjusted every five years or whenever new Member States join the European Union, that is, when their NCBs join the ESCB. Since 1 January 2014, the Banco de España's key for subscription of ECB capital is 8.8409%, and its participating interest in the ECB is €957.03 million.

The capital keys of the NCBs are shown in the the table below:

	ECB's capital key (%)
	As at 31 December 2015
Nationale Bank van België/Banque Nationale de Belgique	2.4778
Deutsche Bundesbank	17.9973
Eesti Pank	0.1928
Central Bank and Financial Services Authority of Ireland	1.1607
Bank of Greece	2.0332
Banco de España	8.8409
Banque de France	14.1792
Banca d'Italia	12.3108
Central Bank of Cyprus	0.1513
Latvijas Banka	0.2821
Lietuvos bankas	0.4132
Banque centrale du Luxembourg	0.2030
Central Bank of Malta	0.0648
De Nederlandsche Bank	4.0035
Oesterreichische Nationalbank	1.9631
Banco de Portugal	1.7434
Banka Slovenije	0.3455
Národná banka Slovenska	0.7725
Suomen Pankki – Finlands Bank	1.2564
Subtotal for euro area NCBs	70.3915
Българска народна банка (Bulgarian National Bank)	0.8590
Česká národní banka	1.6075
Danmarks Nationalbank	1.4873
Hrvatska narodna banka	0.6023
Magyar Nemzeti Bank	1.3798
Narodowy Bank Polski	5.1230
Banca Națională a României	2.6024
Sveriges Riksbank	2.2729
Bank of England	13.6743
Subtotal for non-euro area NCBs	29.6085
TOTAL (a)	100.0000

a Due to the rounding, the subtotals and total may not equal the sum of the individual figures in the table.

This item also includes the participating interest in the rest of ECB equity. This amounted to €355.49 million at 31 December 2015, with no change from the previous year.

b. Claims equivalent to the transfer of foreign reserve assets to the ECB

These represent the ECB's debt to the Banco de España arising from the transfer of foreign reserve assets to the ECB. The claims equivalent to the transferred reserves are denominated in euro at a value fixed from the time of their transfer. They are remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, reduced by 15% to reflect a zero return on the gold component, which at the time accounted for 15% of the total reserves transferred. Their year-end balance of €5,123.39 million is unchanged from the previous year.

c. Net claims related to the allocation of euro banknotes within the Eurosystem

This item, the balance of which amounted to €83,717.56 million at end-2015, consists of the claims and liabilities of the Banco de España vis-à-vis the Eurosystem in relation to the allocation of euro banknotes within the Eurosystem when there is an overall debit balance (see "Banknotes in circulation" and "Intra-Eurosystem balances" in Section 3.1 "Accounting policies").

The increase in 2015 (€13,467.40 million) was basically due to the decrease in banknotes put into circulation by the Banco de España in 2015 (-13.4%, €6,429 million) and the

contrasting rise in the Eurosystem as a whole (6.6%, €66,891 million) (see Note 15 to the balance sheet).

d. Other claims within the Eurosystem (net)

In accordance with Eurosystem rules, since the accounts making up this item have a net credit balance, this information is presented on the liabilities side of the balance sheet (see Note 22 to the balance sheet).

10 OTHER ASSETS. TANGIBLE AND INTANGIBLE FIXED ASSETS

The balance of this item amounted to €276.76 million at end-2015, of which €738.95 million related to cost and €462.19 to million to accumulated depreciation.

The breakdown of this sub-item into its components, together with their accumulated depreciation, is as follows:

EUR m

	2015	2014	Change
Tangible fixed assets	542.73	528.87	13.86
Land and unbuilt plots	5.35	5.35	—
Buildings, structures and renovation work	112.94	111.92	1.02
Plant in buildings	202.11	196.55	5.56
Furniture and fittings	40.23	39.37	0.86
Office machines other than computer equipment	55.39	55.53	-0.14
Computer equipment	68.70	62.09	6.62
Transport equipment	8.31	8.11	0.19
Libraries	4.53	4.76	-0.23
Other tangible fixed assets	5.16	5.14	0.02
Art collection	40.01	40.04	-0.03
Intangible fixed assets	155.90	95.25	60.65
Computer applications	155.85	95.20	60.65
Industrial property	0.06	0.06	—
Fixed assets in progress	40.32	80.18	-39.86
Buildings, plant in buildings and other structures	9.49	8.78	0.70
Computer applications of Banco de España	29.81	25.22	4.59
Computer applications of Eurosystem	0.85	45.37	-44.51
Other fixed assets in progress	0.17	0.81	-0.64
TOTAL	738.95	704.30	34.65

EUR m

	2015	2014	Change
Accumulated depreciation or amortization			
Tangible fixed assets	-371.93	-355.27	-16.67
Buildings, structures and renovation work	-46.67	-44.06	-2.61
Plant in buildings	-168.58	-160.34	-8.24
Furniture and fittings	-34.40	-33.05	-1.35
Office machines other than computer equipment	-47.17	-46.70	-0.47
Computer equipment	-59.13	-55.43	-3.69
Transport equipment	-8.10	-7.95	-0.15
Libraries	-2.96	-3.01	0.05
Other tangible fixed assets	-4.93	-4.73	-0.20
Intangible fixed assets	-90.26	-76.66	-13.60
Computer applications	-90.21	-76.61	-13.60
Industrial property	-0.06	-0.06	—
TOTAL	-462.19	-431.93	-30.27

In 2015, with the launch of the TARGET2-Securities (T2S) platform, €49.93 million were transferred from “Fixed assets in progress” to “Tangible fixed assets”.

The increase in fixed assets in 2015 basically arose from increased investment in the development of certain computer applications and implementation of projects, both for the Eurosystem and locally, and from the acquisition of computer equipment. It was also due to work done to improve the facilities at the Cibeles building. Overall, fixed assets net of depreciation increased with respect to the previous year by €4.39 million.

- 11 OTHER ASSETS. OTHER FINANCIAL ASSETS
- This item includes €62.71 million of financial investments relating mainly to the Banco de España’s participating interest in the Bank for International Settlements (€25.04 million) and in Imprenta de Billetes, S.A. (IMBISA) (€37.45 million), once the unrealised losses at end-2015 had been posted (see Note 9 to the profit and loss account). This company, whose corporate purpose is the production of euro banknotes, was formally incorporated on 2 November 2015 and is 80%-owned by the Banco de España.
- 12 OTHER ASSETS. OFF-BALANCE SHEET INSTRUMENTS REVALUATION DIFFERENCES
- This item includes the amount of the net debtor position arising from foreign-exchange forward and swap transactions valued at the exchange rates prevailing at the end of the year. When the position is a creditor one, it is recorded under the same heading in liability item 12.1 (see Note 24 to the balance sheet).
- 13 OTHER ASSETS. ACCRUALS AND PREPAID EXPENSES
- The main components of this item, the balance of which amounts to €3,142.76 million, are as follows:

EUR m	2015	2014	Change
Accrued interest arising from securities acquisitions and accrued coupon interest receivable	3,015.05	2,025.50	989.55
Trading portfolio	673.71	752.64	-78.94
Denominated in foreign currency	53.39	39.71	13.68
Denominated in euro	620.32	712.93	-92.61
Held-to-maturity portfolio	635.85	742.41	-106.56
Denominated in foreign currency	103.06	80.74	22.32
Denominated in euro	532.78	661.67	-128.89
Held for monetary policy purposes	1,705.49	530.45	1,175.05
Other accrued interest receivable	122.17	1,160.12	-1,037.95
On monetary policy operations	98.91	1,140.23	-1,041.33
On intra-Eurosystem claims arising from banknotes adjustments	10.60	8.70	1.90
On claims equivalent to the transfer of foreign reserves to the ECB	2.21	7.20	-5.00
On foreign currency deposits	5.23	2.18	3.05
On swaps	3.57	0.72	2.85
On negative remuneration of general government deposits	0.81	0.18	0.63
Claims on the IMF	0.62	0.79	-0.17
Other	0.23	0.11	0.12
Accrued commissions receivable and prepaid expenses	5.54	5.06	0.48
TOTAL	3,142.76	3,190.68	-47.92

As can be seen in the above table, the most significant items are accrued interest arising from securities purchases and accrued coupon interest receivable denominated in euro arising from the trading portfolio (€673.71 million), from the held-to maturity portfolio (€635.85 million) and

from monetary policy operations (€1,705.49 million). Overall, this interest increased by €989.55 million as compared with the previous year, mainly due to the increase in the balance of the monetary policy portfolio resulting from the ECB asset purchase programme. In contrast, the accrued interest receivable on monetary policy operations decreased by €1,041.33 million, as a result of the maturing of the last outstanding three-year refinancing operations at the beginning of 2015. At end-2014, these operations had a significant amount of accrued interest.

14 OTHER ASSETS. SUNDRY

The most significant components of this item, which totals €1,210.29 million, are the transfer to the Treasury on 1 December 2015 of €1,007.86 million, equivalent to 70% of the Bank's profits earned to 30 September 2015, adjusted in line with the projected performance of profits up to year-end (see Note 15 to the profit and loss account), which was €405.29 million lower than in the previous year, and the home loans and repayable advances granted to Bank employees, the balance of which, at €176.44 million, was down by €3.26 million from 2014.

15 BANKNOTES
IN CIRCULATION

The balance of banknotes in circulation (€125,190.22 million) represents the Banco de España's share in the total euro banknotes in circulation (see "Banknotes in circulation" in Section 3.1 "Accounting Policies") according to the Eurosystem euro banknote allocation key, which went from 11.6230% of the total issue by all central banks in 2014 to 11.5550% in 2015. This key is obtained by taking the Eurosystem capital key and deducting the 8% of the total corresponding to the ECB. The changes in the capital key were the result of Lithuania joining the euro area on 1 January 2015.

This balance was €7,038.01 million higher than in the previous year because of the greater volume of euro banknotes in circulation in the Eurosystem. The difference between the balance of the banknotes allocated as per the balance sheet and those put into circulation by the Banco de España (€41,472.66 million) is recorded in an adjustment account under this heading, with a balancing entry in item 9.4 on the assets side of the balance sheet.

The composition of the banknotes put into circulation in net terms by the Banco de España as at end-2015 is as follows:

Series	Figures in thousands of pieces	Millions of euro
€ 500	68,208	34,104.18
€ 200	10,142	2,028.33
€ 100	-13,023	-1,302.25
€ 50	920,718	46,035.90
€ 20	-1,414,706	-28,294.12
€ 10	-1,052,749	-10,527.49
€ 5	-114,379	-571.90
Euro Banknotes put into circulation by Banco de España		41,472.66
Net claim related to the allocation of euro banknotes within the Eurosystem		83,717.56
Banknotes in circulation		125,190.22

16 LIABILITIES TO EURO AREA
CREDIT INSTITUTIONS
RELATED TO MONETARY
POLICY OPERATIONS
DENOMINATED IN EURO

The overall balance of the different types of deposit held by credit institutions with the Banco de España amounted to €27,838.52 million at end-2015, €9,987.06 million more than in the previous year. This rise was basically due to the notable increase in the balance of credit institution current accounts (including minimum reserves) and, to a lesser degree, in the deposit facility.

The breakdown and the amounts in both reporting years are as follows:

EUR m	Type of liability	2015	2014	Change
	Current accounts (covering the minimum reserve system)	21,238.52	12,631.44	8,607.08
	Deposit facility	6,600.00	5,220.00	1,380.00
	Fixed-term deposits	—	—	—
	Fine-tuning reverse operations	—	—	—
	Deposits related to margin calls	—	0.02	-0.02
	TOTAL	27,838.52	17,851.46	9,987.06

The first component, which includes the total current accounts held by credit institutions at the Banco de España, in which they maintain the minimum reserves required for monetary policy implementation purposes, underwent an increase of €8,607.08 million (68.14%). Its average balance also increased during the year, rising from €11,886.42 million in 2014 to €13,075 million in 2015 (10%). The balances maintained to meet minimum reserve requirements are remunerated at the average of the marginal interest rate on main refinancing operations in the period. According to the Decision of the ECB (ECB/2014/23) on the remuneration of deposits, balances and holdings of excess reserves, reserve holdings exceeding the required minimum reserves shall be remunerated at zero per cent or the deposit facility rate, whichever is lower¹⁸.

The “Deposit facility” item, which includes overnight deposits remunerated at a fixed interest rate (lower than the interest rate on main refinancing operations), increased from €5,220.00 million in 2014 to €6,600.00 million in 2015. However, the average balance decreased (€219.89 million in 2015 compared with €1,190.72 million in 2014). Following the ECB Governing Council’s decision, these deposits have been remunerated at a negative interest rate since 11 June 2014.

The balance of fixed-term deposits was zero as at 31 December 2015. They are fine-tuning operations (liquidity withdrawals) that take the form of deposits. During 2015, the Eurosystem did not carry out any operations of this type.

The other captions in this item relate to fine tuning reverse operations, aimed at the withdrawal of liquidity, and deposits related to margin calls. As at 31 December 2015, fine tuning reverse operations had a zero balance, while institutions’ deposits related to margin calls (see Note 6(e) to the balance sheet) did not represent a significant amount.

17 OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

This item includes the deposits held by credit institutions at the Banco de España which are not related to monetary policy operations.

Its balance of €210.10 million at end-2015 related practically in its entirety to a deposit of a credit institution which had been frozen to ensure compliance with the legal limit on mortgage-backed securities issuance.

¹⁸ The ECB Governing Council resolved to apply a negative interest rate on the deposit facility as from 11 June 2014. As at 31 December 2015, this rate was -0.30%.

18 LIABILITIES TO OTHER EURO
AREA RESIDENTS
DENOMINATED IN EURO.
GENERAL GOVERNMENT

This item includes the deposits held by general government with the Banco de España. The outstanding balance at year-end was €122.11 million, which breaks down as follows:

EUR m	2015	2014	Change
Central government (State)	100.41	18.29	82.12
Treasury current account	11.33	9.59	1.74
Other central government agencies and similar bodies	89.08	8.70	80.38
Territorial government	13.73	12.95	0.78
Regional (autonomous) governments, administrative agencies and similar bodies	12.90	12.13	0.77
Local government	0.82	0.81	0.01
Social security funds	7.98	26.57	-18.59
Social Security System	7.98	26.19	-18.21
Other	—	0.38	-0.38
TOTAL	122.11	57.80	64.31

Included here for 2015 are the current accounts of the Deposit Guarantee Fund, which were previously recorded under the heading “5.2 . Liabilities to other euro area residents denominated in euro. Other liabilities”. The amounts of these accounts at end-2014 (€3.19 million) were reclassified for comparison purposes.

The increase in this item (€64.31 million) was due mainly to the higher balances, compared with 2014, held by central government (€82.12 million), which was partially offset by the lower balance held by social security funds (€18.59 million). As regards average balances, there was an increase in those held by central government (€4,412.77 million in 2015 against €445.60 million in 2014), partly offset by the decrease in the average balances held by regional and local government (€48.27 million in 2015 against €210.03 million in 2014) and by social security funds (€172.04 million in 2015 against €1,208.39 in 2014).

Part of the balances held by central government are subject to an assignment to credit institutions through an auction conducted on behalf of the Treasury. The balances shown in the balance sheet relate to the amounts which have not been assigned.

19 LIABILITIES TO OTHER EURO
AREA RESIDENTS
DENOMINATED IN EURO.
OTHER LIABILITIES

Included here are the current accounts of financial institutions other than credit institutions, such as financial intermediaries associated with securities markets settlement, other intermediaries in the book-entry debt market, etc., as well as the current accounts of non-administrative public and autonomous agencies of the State, the current accounts of employees and pensioners and other accounts of legal entities classified in “Other resident non-financial sectors”.

The current accounts of the Deposit Guarantee Fund, which were included under this heading in 2014, are now recorded under heading 5.1 “Liabilities to other euro area residents denominated in euro. General government”. The amount relating to 2014 which was reclassified was €3.19 million.

The balance of €343.77 million at end-2015 was €32.49 million lower than at end-2014, mainly as a result of the decrease in the balances held by Stock Exchange Governing Companies, which was partially offset by the increase in the deposits held by special-purpose companies in which Banco de España has a participating interest (IMBISA).

20	LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO	This item includes basically the euro-denominated accounts held by international organisations, non-Eurosystem monetary authorities and central banks to which reserve management services are provided. The balance of €82.78 million was €436.89 million lower than a year earlier, mainly due to a decrease in deposits of the central banks to which reserve management services are provided (€419.34 million).
21	COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF	This item of €3,598.92 million shows the equivalent amount of the special drawing rights (SDRs) allocated to Spain by the IMF, the balancing entry to the initial allocation of SDRs recorded in item 2.1 on the assets side of the balance sheet. The total amount of this item increased by €227.34 million with respect to the previous year, due to the variation in the exchange rate.
22	INTRA-EUROSISTEM BALANCES	This item, which as at 31 December 2015 had a balance of €254,102.53 million, comprises the following two sub-items:
a.	Net liabilities related to the allocation of euro banknotes within the Eurosystem	In accordance with Eurosystem rules, since the accounts making up this item have a net debit balance, this information is presented on the assets side of the balance sheet (see Note 9 to the balance sheet).
b.	Other liabilities within the Eurosystem (net)	The balance of €254,102.53 million as at 31 December 2015 represents the sum of three components: 1) the position of the Banco de España vis-à-vis the ECB in respect of the transfers issued and received through TARGET2 by the ESCB national central banks, including the ECB, plus the balances held with Eurosystem central banks through correspondent accounts; 2) the position vis-à-vis the ECB in respect of the pooling and allocation of monetary income within the Eurosystem pending settlement; and 3) the Banco de España's position vis-à-vis the ECB in respect of any amounts receivable or refundable, basically in respect of the seigniorage income relating to euro banknotes issued by the ECB and of the income on 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) and the secondary markets public sector asset purchase programme (PSPP) .

The breakdown of the balance of this item is as follows:

EUR m

Type of liability	2015	2014	Change
Position BdE versus BCE for transfer made and received through TARGET2 and correspondent	254,114.61	189,865.41	64,249.20
Position with BCE by the contribution and allocation of monetary income	89.92	-41.35	131.27
Dividend from banknote seigniorage and SMP, CBPP3, ABSPP & PSPP income	-102.00	-106.21	4.21
TOTAL	254,102.53	189,717.85	64,384.68

Regarding the first component, the year-end net transfers via TARGET2 had a credit balance of €254,114.63 million, while the correspondent accounts showed a debit balance of €0.02 million. The remuneration of this position is calculated daily at the marginal interest rate of Eurosystem main refinancing operations. Its average balance increased during the year from €212,381.75 million in 2014 to €219,963.42 million in 2015, mainly as a result of the financing of the securities purchased by the Banco de España under the PSPP portfolio.

The second component, that is, the position vis-à-vis the ECB in respect of the annual pooling and allocation of monetary income within the Eurosystem national central banks, had a credit balance of €89.92 million at year-end (see “Net result of pooling of monetary income” in Note 8 to the profit and loss account).

Finally, in 2015 the ECB Governing Council resolved to distribute all the income obtained from the seigniorage of euro banknotes and from securities purchased under the SMP, CBPP3, ABSPP and PSPP¹⁹. The amount corresponding to the Banco de España was recorded as 2015 income and received on 29 January 2016. Its debit balance at end-2015 was €102 million (see “Income from equity shares and participating interests” in Note 7 to the profit and loss account).

23 ITEMS IN COURSE
OF SETTLEMENT

Included here are various accounts which as at 31 December 2015 were in the course of settlement, such as transfer instructions pending execution.

The balance of this item amounted to €29.39 million at end-2015, of which €22.27 million related to transfers received from the TARGET2 Platform but yet to be processed and €5.29 million to transfers to accounts with other institutions, with payment of those transfers yet to be made.

24 OTHER LIABILITIES.
OFF-BALANCE SHEET
INSTRUMENTS
REVALUATION DIFFERENCES

This item includes the amount of the net creditor position arising from foreign-exchange forward and swap transactions valued at the exchange rates prevailing at the end of the year. When the position is a debtor one, it is recorded under the same heading in asset item 11.4. Its credit balance of €34.56 million as at end-2015 is the net value of the swap and forward transactions outstanding at that date, as listed below:

Operation	Position	Currency	2015		2014	
			Currency amount (million)	Market exchange rate	Equivalent (million €)	Equivalent (million €)
Swap	Debtor	EUR	548.50	1.0000	548.50	—
		JPY	50,000.00	131.0700	381.48	—
		USD	2,639.09	1.0887	2,424.08	1,090.69
	Creditor	EUR	—	1.0000	—	—
		JPY	322,463.45	131.0700	2,460.24	1,030.63
		USD	1,010.72	1.0887	928.37	—
Forward	Debtor	EUR	—	1.0000	—	45.09
		JPY	31.75	131.0700	0.24	—
		USD	0.14	1.0887	0.12	45.31
	Creditor	EUR	—	1.0000	—	45.09
		JPY	16.70	131.0700	0.13	0.01
		USD	0.26	1.0887	0.24	45.30
Net position					34.56	-60.06

At year-end the unexpired euro-US dollar swaps were those entered into under the liquidity provision cooperation agreements (swap line) with the Federal Reserve (see Note 4 to the balance sheet), US dollar-yen and yen-US dollar swaps. As regards forward sales, there were outstanding forward sales of yen against US dollars and of US dollars-yen.

¹⁹ Decision of the European Central Bank of 15 December 2014 (ECB/2014/57) on the interim distribution of the income of the European Central bank (recast), as amended.

The purpose of the US dollar-yen swaps is to cover the yen-US dollar exchange rate risk on investments in yen-denominated securities.

25 OTHER LIABILITIES.
LIABILITY ACCRUAL
ACCOUNTS AND INCOME
COLLECTED IN ADVANCE

This item includes interest accrued but not yet paid, expenses accrued but not yet paid and income collected in advance.

As at 31 December 2015, its balance amounted to €13.31 million and the main component was interest incurred on intra-Eurosystem accounts relating to TARGET2 transactions (€11.04 million), the balance of which was €2.83 million higher than a year earlier due to increases in the balance of these accounts.

26 OTHER LIABILITIES. SUNDRY

This includes other liabilities not classifiable above.

As at 31 December 2015 the balance of this item amounted to €136.23 million (€16.69 million more than in 2014) and its main sub-items were the accounts payable relating to accrued operating expenses (€41.86 million) and the cash immobilised under EU legislation arising from redemptions of and interest on book-entry government debt (€28.45 million).

27 PROVISIONS

With the exception of country-risk provisions, which are presented in the balance sheet as reductions of the value of the assets concerned, provisions are recorded under this item, with the following breakdown:

EUR m	2015	2014	Change
For financial risks	11,336.43	9,903.97	1,432.46
For operational risk	181.27	84.55	96.72
For exchange of withdrawn peseta banknotes	41.17	50.05	-8.88
For early repayment of special loans	—	7.63	-7.63
For the collective agreement 2011-2014	8.06	7.73	0.33
For death and retirement assistance	73.88	62.27	11.60
For early and regular retirement	24.78	26.07	-1.29
For sundry liabilities and charges	1.49	42.35	-40.86
TOTAL	11,667.08	10,184.62	1,482.45

Provision for financial risks

This is the most important provision. It encompasses the provisions for exchange rate and interest rate risks and the provision for credit risks. The balance of this provision is revised annually based on the Banco de España's valuation of its exposure to the aforementioned risks by value-at-risk methodology (VaR).

In this connection, on 29 January 2016 the Executive Commission reviewed the methodology for calculating the provision and, as a result of this and of the increase in monetary policy portfolio investments, decided to increase the level of this provision.

The balance of this provision as at 31 December 2015 amounted to €11,336.43 million, which was €1,432.46 million more than in 2014. Of the balance as at 31 December 2014 (€9,903.97 million), €0.03 million were used to cover exchange losses and €35.89 million to cover interest rate losses (no credit risk losses were incurred) and €1,468.38 million were provisioned to reach the level of coverage approved (see Note 5 to the profit and loss account).

Provision for operational risk

The Executive Commission approved in 2009 a methodology for calculating operational risk with a view to setting aside a provision for any losses arising from operational risk. This

exposure is quantified on the basis of one-year VaR with a confidence level of 99.9%. For 2015, the Executive Committee resolved to increase the level of coverage for operational risk to 40%, from 20% in 2014.

This provision was used at end-2015 to cover the operational risk events which occurred during the year (see Note 14 to the profit and loss account) for an amount of €1.31 million, and the €98.02 million set aside took its balance to €181.27 million.

Provision for exchange of peseta banknotes withdrawn from circulation due to the introduction of the euro

This is the most important of the two provisions set aside for the exchange of peseta banknotes withdrawn from circulation²⁰. It was recorded initially in 2005 to cater for the exchange of any peseta banknotes withdrawn from circulation due to the introduction of the euro that may be tendered at the Banco de España. At the same time, the Council of Ministers decided that if the amount of banknotes tendered for exchange exceeded the amount of the provision at that time, the Banco de España would meet the excess with a charge to its reserves.

In November 2010 the balance of the provision fell to zero. Accordingly, pursuant to a resolution of the Executive Commission, an additional €50 million were provisioned (provision for a period of approximately five years), using the Banco de España reserves arising from the retention of 2005 earnings. In 2013 an additional amount of €50.19 million was recorded (extending to 2020 the scheduled end-date of the exchange period) with a charge to the Banco de España reserves.

Provision for losses arising from early repayment of special loans

The agreement in 2007 with the Spanish State government whereby the Treasury can ask to repay a portion or all of these loans early, paying a cash amount equal to their market value at that time instead of their nominal amount, led the Banco de España to set up in that year a provision for the possible losses that may arise from early repayment of special loans, recorded in asset item 8 (see Note 8 to the balance sheet). The balance of this provision was set at the difference between the nominal amount and the current market value of the loans.

The last instalments of each of the loans were received in 2015 and, thus, as at 31 December 2015, the provision had a zero balance, down €7.63 million from the previous year.

Other provisions

In the reporting year there was a decrease of €40.86 million in the provision for sundry liabilities and charges, basically as a result of the favourable outcome for the Banco de España of complaints filed in previous years (see Note 14 to the profit and loss account).

The provision for death and retirement assistance increased by €11.60 million, mainly due to an increase in the number of employees taken into account when estimating the provision (since employees on special leave of absence were also included), and, to a lesser extent, to a reduction in the interest used to calculate the present value of the commitments undertaken (from 2.46% to 2.09%).

Variations in the remaining provisions (for early and regular retirement, in application of the collective labour agreement for 2011-2014) were negligible in this reporting year.

²⁰ The provisions for exchange of peseta banknotes withdrawn from circulation also include another one for €0.60 million.

28 REVALUATION ACCOUNTS

This item includes the revaluations arising from unrealised gains on financial assets and liabilities valued at market prices and exchange rates at year-end. It may be broken down as follows:

EUR m	2015	2014	Change
Gold	7,960.90	8,092.58	-131.68
Foreign currency	6,858.73	3,276.70	3,582.03
Securities (trading portfolio)	2,492.42	3,148.58	-656.16
Issued in foreign currency by non-euro area residents	26.66	46.80	-20.15
Issued in euro by euro area residents	2,465.76	3,101.77	-636.01
TOTAL	17,312.05	14,517.86	2,794.19

The balance of revaluation accounts at end-2015 was €17,312.05 million, up €2,794.19 million with respect to 2014. The main change was in the foreign exchange revaluation accounts, which increased by €3,582.03 million, basically due to the appreciation of the US dollar and the SDR against the euro.

With respect to gold, the unrealised gains were €131.68 million lower as a result of the decrease in its market price (from €987.77 per ounce at end-2014 to €973.23 per ounce at end-2015).

With regard to securities price revaluation accounts, the main change was in trading-book debt securities of euro area residents denominated in euro, the unrealised gains on which decreased by €636.01 million.

29 CAPITAL

As at 31 December 2015 the capital of the Banco de España amounted to €1,000 million, with no change in the year. Of this amount, €1.37 million were constituted pursuant to Decree-Law 18/1962 of 7 June 1962 and €998.63 million as a capital increase carried out in 2006 through the retention of 2005 earnings.

30 RESERVES

As at 31 December 2015 the reserves of the Banco de España amounted to €899.81 million, unchanged from the previous year. Included in this item is, first, the amount of capital, reserves and profits that arose in 1973 when the now-defunct Spanish Foreign Currency Institute was included in the Banco de España (€3.17 million) and, second, the portion of 2005 and 2006 profit taken to reserves, authorised by the Council of Ministers, respectively, on 28 July 2006 and 29 June 2007.

31 PROFIT FOR THE YEAR

The net profit for 2015 amounted to €2,269.92 million, down 9.9% from 2014. Of this amount, €1,007.86 million was paid to the Treasury on 1 December 2015, in accordance with Royal Decree 2059/2008 of 12 December 2008 (see Note 15 to the profit and loss account "Profit for the year") and are included in asset item 11.6.

During the year, the following amounts were also paid to the Treasury out of 2014 profits:

- a) On 2 March 2015, €854.14 million, which, together with the payment in December 2014, amounted to 90% of the €2,519.22 million of distributable profit for that year.

- b) On 11 August 2015, once the balance sheet and profit and loss account for the year 2014 had been approved by the Council of Ministers, €251.92 million, representing the rest of the distributable profit for that year.

The details of the various components of the profit for 2015 and the reasons for the changes in them with respect to 2014 are given in Section 3.3 below on the profit and loss account.

3.3 Notes to the profit and loss account

This item includes income from interest accrued on the financial assets of the Banco de España. The breakdown in 2015 and 2014 is as follows:

1 INTEREST INCOME

EUR m and %

	Interest income			Average investment		Average yield	
	2015	2014	Change	2015	2014	2015	2014
Foreign currency	424.38	242.92	181.46	36,251	28,467	1.15	0.84
Securities	389.76	217.89	171.87	27,858	20,740	1.38	1.04
Deposits and other assets	22.62	18.32	4.30	8,393	7,727	0.27	0.23
Exceptional liquidity-providing operations, swap, forward and others	11.99	6.71	5.28	—	—	—	—
Euro	3,743.18	4,152.25	-409.08	334,899	319,759	1.10	1.28
Securities	3,588.70	3,745.87	-157.16	117,483	83,442	3.01	4.43
Trading portfolio	1,151.49	1,364.34	-212.86	27,049	27,770	4.20	4.85
Held-to-maturity portfolio	771.01	956.03	-185.02	28,007	29,768	2.72	3.17
SMP	970.50	1,127.77	-157.28	16,320	19,146	5.87	5.81
CBPP, CBPP2 and CBPP3	323.96	297.72	26.24	15,651	6,759	2.04	4.34
PSPP government securities	335.49	—	335.49	21,655	—	1.53	—
PSPP supranational securities	36.26	—	36.26	8,800	—	0.41	—
Monetary policy operations	112.14	300.90	-188.76	135,073	169,963	0.08	0.17
Main refinancing operations	12.58	38.21	-25.63	24,814	24,621	0.05	0.15
Longer-term refinancing operations	99.56	262.66	-163.10	110,257	145,332	0.09	0.18
Marginal lending facility	—	0.03	-0.03	1	4	0.30	0.74
Changes in the value of collateral	—	-0.01	—	2	6	-0.20	-0.12
Intra-Eurosystem accounts	41.35	104.47	-63.12	82,343	66,353	0.05	0.16
Claims equivalent to the transfer of foreign reserves to the ECB	2.21	7.20	-5.00	5,123	5,123	0.04	0.14
Claims related to allocation of euro banknotes within the Eurosystem	39.14	97.24	-58.09	77,217	61,218	0.05	0.16
Other claims within the Eurosystem (net)	—	0.03	-0.03	3	12	—	0.24
Other assets	0.98	1.02	-0.03	—	—	—	—
TOTAL	4,167.56	4,395.18	-227.62	371,151	348,226	1.11	1.24

Interest income in 2015 amounted to €4,167.56 million, of which €424.38 million was denominated in foreign currencies and €3,743.18 million was euro-denominated interest income. Interest income denominated in foreign currencies was basically from securities portfolios (€389.76 million). Most of the euro-denominated interest income was also from securities portfolios (€3,588.70 million), while interest income from monetary policy operations amounted to €112.14 million. The average yield on securities portfolios (3.01%) was notably higher than that on monetary policy operations (0.08%).

Overall income decreased by €227.62 million in 2015 compared with 2014, as a result of the decline in interest on euro-denominated investments (€409.08 million), which was partially offset by the increase in interest on investments denominated in foreign currency (€181.46 million).

The increase in interest denominated in foreign currencies arose from the increase in the volume both of average investments (from €28,467 million in 2014 to €36,251 million in 2015) and of the average yield obtained (from 0.84% in 2014 to 1.15% in 2015).

The main reasons for the decrease of €409.08 million in euro-denominated income was the lower average return (down from 1.28% in 2014 to 1.10% in 2015), which was partially offset by an increase in the remunerated average balance (up from €319,759 million in 2014 to €334,899 million in 2015).

Specifically, analysis of the average investment made discloses the increase in the average balance of securities portfolios (from €83,442 million in 2014 to €117,483 million in 2015) and in claims related to the allocation of banknotes put into circulation, the average balance of which rose from €61,218 million in 2014 to €77,217 million in 2015, as a result of changes in banknotes put into circulation (down 13.4% in Spain, compared with a 6.6% increase in the Eurosystem as a whole). Further, there was a decrease in the average balance of monetary policy operations (€169,963 million in 2014 against €135,073 million in 2015), derived from the lesser resort to funding from the Eurosystem by Spanish financial institutions (see Note 6 to the balance sheet).

There were decreases in the average yield on securities portfolios (from 4.43% in 2014 to 3.01% in 2015), on monetary policy operations (from 0.17% in 2014 to 0.08% in 2015) and on intra-Eurosystem accounts (from 0.16% in 2014 to 0.05% in 2015).

2 INTEREST EXPENSES

This item includes interest expenditure on the liabilities listed below, as follows:

EUR m and %

	Interest expense			Average financing		Average cost	
	2015	2014	Change	2015	2014	2015	2014
Foreign currency	2.20	2.75	-0.55				
Exceptional liquidity-providing operations and other liabilities	2.20	2.75	-0.55				
Euro	104.43	383.59	-279.15	237,886	226,925	0.04	0.17
Monetary policy operations	2.12	16.13	-14.01	13,301	13,083	0.02	0.12
Remuneration of minimum reserves	2.60	16.20	-13.60	13,075	11,886	0.02	0.13
Deposit facility	-0.46	-0.07	-0.39	220	1,191	-0.21	-0.01
Fixed-term deposits	—	—	—	—	—	—	—
Changes in the value of collateral	-0.01	-0.01	-0.01	6	6	-0.20	-0.11
General government deposits	-9.30	0.61	-9.90	4,622	1,460	-0.20	0.04
Other liabilities within the Eurosystem (net)	111.51	363.65	-252.14	219,963	212,382	0.05	0.17
Other liabilities denominated in euro	0.10	3.21	-3.11				
TOTAL	106.63	386.33	-279.70	237,886	226,925	0.04	0.17

The euro-denominated interest expenses (€104.43 million) arise mainly from the remuneration of intra-Eurosystem TARGET2-related balances on the liabilities-side of the

balance sheet (€111.51 million) and, to a much lesser extent, from remuneration of monetary policy operations (€2.12 million). In this reporting year, negative interest rates were applied to certain monetary policy operations (deposit facility and excess reserves held by credit institutions in their current accounts), which generated income of €3.69 million and were deducted from interest expenses for monetary policy operations. During the year, negative interest rates were also applied to general government deposits, resulting in income of €9.30 million.

Overall, interest expenses decreased by €279.70 million in 2015, mainly due to the lower expense of euro-denominated liabilities (€279.15 million).

The decrease in euro-denominated expenses was basically due to the lower average cost at which liabilities were remunerated, which fell from 0.17% in 2014 to 0.04% in 2015, and was partially offset by the higher average balance of liabilities to be remunerated (€226,925 million in 2014 compared with €237,886 in 2015). Notably, the expenses accrued on the net credit balance of other intra-Eurosystem (TARGET2) accounts decreased by €252.14 million, as a result of their lower average cost (0.17% in 2014 against 0.05% in 2015), which was partially offset by a slight increase in their average balance (from €212,382 million in 2014 to €219,963 million in 2015).

3 REALISED GAINS/LOSSES ARISING FROM FINANCIAL OPERATIONS

This item includes the profits and losses arising from dealing in financial assets. In 2015 the net gains in this connection amounted to €157.67 million, arising from the following sources:

EUR m

	2015	2014	Change
Foreign currency	157.67	23.72	133.95
Sale of gold	—	—	—
Sale of foreign currency (exchange effect)	124.96	30.90	94.05
Sale of securities (price effect)	45.44	29.37	16.06
Other gains/losses	-12.72	-36.56	23.83
Euro	—	—	—
Sale of securities	—	—	—
TOTAL	157.67	23.72	133.95

With respect to the prior year, the increase of €133.95 million was due to gains on the sales of foreign currency, SDRs and US dollars as a result of the appreciation of these currencies against the euro, and to the income obtained from the sale of securities denominated in US dollars, and the lower losses recorded on interest rate futures (included under “Other gains/losses”). No euro-denominated securities were sold in 2014 or 2015.

4 UNREALISED LOSSES ON FINANCIAL ASSETS AND POSITIONS

This item includes the loss arising in the currency position derived from the exchange rate depreciation, as well as that arising from depreciation of securities prices, for that portion that cannot be offset by unrealised gains from previous years. The breakdown in 2015 and 2014 is as follows:

EUR m	2015	2014	Change
Foreign currency	35.92	4.76	31.16
Foreign currency (exchange rate losses)	0.03	0.02	0.02
Securities (price losses)	35.89	4.74	31.15
Euro	—	—	—
Securities (price losses)	—	—	—
TOTAL	35.92	4.76	31.16

Unrealised losses in 2015 amounted to €35.92 million. They mostly related to unrealised price losses on fixed-income securities denominated in foreign currency (€35.89 million), basically due to changes in the market price of these securities.

5 TRANSFERS TO/FROM
PROVISIONS FOR FINANCIAL
RISKS

The breakdown of, and changes in, this item are as follows:

EUR m	2015	2014	Change
Transfers to provisions for financial risks	-1,432.46	-1,190.85	-241.61
Transfers to provisions	-1,468.38	-1,195.61	-272.78
Transfer/reversal from provision	35.92	4.76	31.16
Transfer/reversal from provision for losses arising from early repayment of special loans	6.12	65.96	-59.85
TOTAL	-1,426.35	-1,124.89	-301.46

This includes, first, the transfer of €35.92 million from the provision for financial risks to cover the losses recorded at end-2015 and, second, the transfer of €1,468.38 million to this provision to cover the estimated exposures in the financial positions subject to such risks, in accordance with the criteria for valuing these risks approved by the Executive Commission on 29 January 2016.

The above provision was the result of the higher level of coverage for financial risks approved by the Executive Commission on 5 February 2016, arising mainly from the increase in monetary policy portfolio investments and the review of the methodology used.

Lastly, regarding the provision for losses arising from early repayment of special loans derived from the adjustment of the market value of these assets, in 2015 the provisioning expense underwent a negative change of €59.85 million with respect to 2014. In April 2015 these loans had been repaid in full.

6 NET INCOME FROM FEES
AND COMMISSIONS

This basically includes income and expenses arising from fees and commissions for banking services and the like (TARGET2, transfers, handling of cheques, custody and administration of securities, etc.). It may be broken down as follows:

EUR m

	2015	2014	Change
1 Income from fees and commissions	17.82	17.01	0.81
Foreign operations	—	—	—
Domestic operations	17.82	17.01	0.81
2 Expenses from fees and commissions	9.53	9.23	0.30
Foreign operations	2.71	2.58	0.14
Domestic operations	6.81	6.65	0.16
Net income from fees and commissions (1-2)	8.29	7.78	0.51

Net fee and commission income in 2015 (€8.29 million) was €0.51 million more than in 2014. This variation relates basically to the higher income from commissions charged to book-entry system issuers of debt, due to the increase in the volume of transactions. This increase in income was partially offset by the higher commissions paid for the maintenance of monetary policy portfolio securities, as a result of the increase in their volume.

7 INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

This item includes the participating interest of the Banco de España in the profit of the ECB and the dividends on other shares and participating interests.

EUR m

	2015	2014	Change
ECB	120.71	113.40	7.31
Ordinary dividend	18.71	7.19	11.52
Dividend from banknote seigniorage income and SMP, CBPP3, ABSPP and PSPP portfolio income	102.00	106.21	-4.21
OTHER	2.71	2.33	0.38
TOTAL	123.43	115.74	7.69

Of the total amount of €123.43 million recorded in 2015, €102 million relate to the ECB dividend from banknote seigniorage income and income from securities purchased under the Securities Markets Programme (SMP), the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), and the public sector asset purchase programme (PSPP); €18.71 million to the ECB ordinary dividend for 2014 and €2.71 million to dividends from shares in the Bank for International Settlements.

The interim profits distributed by the ECB pursuant to the decision of the ECB Governing Council of 22 January 2016 amounted to €812.13 million, which related to practically all the seigniorage income from its banknotes and to the income from the aforementioned monetary policy securities portfolios.

8 NET RESULT OF POOLING OF MONETARY INCOME

The amount of each Eurosystem NCB's monetary income is determined by calculating the annual income generated by the earmarkable assets held against the liability base net of the financial expenses incurred for the related liabilities. The liability base consists of the following items: banknotes in circulation; liabilities to credit institutions related to monetary policy operations denominated in euro; interest accrued at the end of each quarter by monetary policy liabilities maturing in more than one year; liabilities with counterparty institutions in the euro area relating to monetary policy swap agreements between the ECB and NCBs outside the euro area, which generate income for the Eurosystem; intra-

Eurosystem liabilities resulting from TARGET2 transactions whenever they have a credit balance; and net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem whenever they have a credit balance. Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled. The earmarkable assets include the following items: lending to euro area credit institutions related to monetary policy operations; interest accrued at the end of each quarter by monetary policy assets maturing in more than one year; monetary policy portfolio securities; intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB; claims with counterparty institutions in the euro area relating to monetary policy swap agreements between the ECB and NCBs outside the euro area, which generate income for the Eurosystem; intra-Eurosystem claims resulting from TARGET2 transactions, whenever they have a debit balance; net intra-Eurosystem claims related to the allocation of euro banknotes in the Eurosystem, whenever they have a debit balance; and a limited amount of each NCBs gold holdings, in proportion to its capital key. Gold is considered to generate no income and the securities acquired under the first two covered bond purchase programmes and the PSPP-Government programme are deemed to generate income at the interest rate on main refinancing operations. If the value of a NCB's earmarkable assets exceeds or is less than the value of its liability base, the difference will be offset by applying to it the most recent marginal interest rate on main refinancing operations.

The breakdown of this income in 2015 and 2014 is as follows:

EUR m	2015	2014	Change
Net result of pooling of monetary income	-92.04	-33.84	-58.20
Monetary income pooled	1,219.97	1,290.49	-70.51
Monetary income allocated	1,127.93	1,256.65	-128.72
Correction of prior period	2.12	75.18	-73.07
TOTAL	-89.92	41.35	-131.27

The monetary income pooled by the Eurosystem is to be allocated or pooled among NCBs according to the ECB subscribed capital key. The difference between the monetary income pooled by the Banco de España in 2015, amounting to €1,219.97 million, and that reallocated to it, amounting to €1,127.93 million, is equivalent to a net contribution of €92.04 million. The basic reason for this contribution was that the Banco de España's risk-sharing monetary policy portfolios generated income in excess of the amount to which it is entitled according to its capital key.

In addition to this ordinary pooling, the revision in 2015 of monetary income obtained in 2014 entailed income of €2.12 million for Banco de España. Consequently, the negative net result for the year was €89.92 million.

The decrease with regard to the previous year's results (€131.27 million) is explained by the fact that the 2014 reallocation resulted in income of €41.35 million for the Banco de España, mainly relating to the exceptional income obtained from the insolvency proceedings at Lehman Brothers and Indover Bank (€75.18 million).

9 OTHER INCOME AND LOSSES

This includes the income and losses that cannot be included in other items, along with other diverse income of an exceptional nature. It may be broken down as follows:

EUR m

	2015	2014	Change
Extraordinary profit	-0.93	1.17	-2.10
Sundry	0.98	18.73	-17.75
TOTAL	0.05	19.90	-19.85

This item discloses net income of €0.05 million. With respect to the previous year, the net income decreased by €19.85 million, basically due to the lower income from Eurosystem projects (€16.29 million in 2014 as compared with €1.41 million in 2015) resulting from the change in the accounting treatment applied to these operations (from 2015, only the net difference between invested and recovered amounts is to be taken to income), and the accounting at end-2105 for unrealised losses of €2.55 million relating to the stake in IMBISA.

10 STAFF COSTS

This item includes wages and salaries, social insurance payments, staff welfare expenses and contributions to the pension scheme.

The breakdown of changes by component is as follows²¹:

EUR m and %

	2015	2014	Change	(%)
Gross staff costs	232.01	223.13	8.88	4.0
Wages and salaries	165.58	159.48	6.10	3.8
Social Security	36.74	34.68	2.05	5.9
Staff welfare expenses and pension scheme	29.70	28.97	0.73	2.5
Reversal of staff costs due to capitalisation of computer applications	-3.65	-2.57	-1.09	42.3
TOTAL	228.36	220.56	7.80	3.5

Its balance increased from €220.56 million in 2014 to €228.36 million in 2015, a rise of €7.80 million (3.5%), mainly due to the payment of part of the December 2012 extra payroll and an increase in the average headcount.

The following table sets out the changes in permanent and temporary staff, in terms of average number of employees:

	2015	2014	Change	%
Average number of employees	2,821.8	2,686.7	135.1	5.0
Managerial staff	1,856.0	1,696.2	159.8	9.4
Administrative staff	801.8	822.8	-21.0	-2.6
Other	164.0	167.8	-3.8	-2.2

As at 31 December 2015, the Bank's total staff numbered 2,892 employees, 217 more than at the same date of the previous year. Regarding the staff composition by gender, at 31 December 2015 women accounted for 47.1% of the Bank's total workforce.

²¹ As a result of the reclassification of some budgetary items in 2015, the 2014 figures relating to wages and salaries and staff welfare expenses have been adjusted (€3.16 million, net) to enable a uniform comparison.

The compensation of members of the governing bodies is set by the Minister for Economic Affairs and Competitiveness in accordance with the provisions of the Law of Autonomy of the Banco de España. In 2015 the Governor received a gross annual wage of €174,733.65, with supplementary salary items amounting to €3,310.20 and a part of the December 2012 extra payroll (€5,925.62 million). The Deputy Governor received a gross annual wage of €167,414.64 in 2015, with supplementary salary items amounting to €30,092.07 and a part of the December 2012 extra payroll (€6,291.71 million). The elected members of the Governing Council receive a gross annual wage of €51,795.44; if they belong to the Executive Commission, the gross annual wage is €64,975.59.

In addition to the foregoing, the members of the governing bodies received equal amounts of fees for attending meetings of the body to which they belonged, set at €1,026.79 per meeting of the Governing Council and €492.46 per meeting of the Executive Commission.

11 ADMINISTRATIVE EXPENSES

This item includes expenses arising from the purchase of current assets and of diverse services received during the year, as follows²²:

EUR m and %

	2015	2014	Change	%
Gross administrative expenses	129.36	131.40	-2.03	-1.5
Renting and maintenance	32.38	32.65	-0.27	-0.8
Material and supply	9.85	9.97	-0.12	-1.2
External services	71.13	71.77	-0.63	-0.9
Training, promotion and selection	3.94	3.96	-0.02	-0.5
Sundry operating expenses	12.06	13.04	-0.98	-7.5
Reversal of administrative expenses due to capitalisation of computer applications	-5.15	-4.59	-0.56	12.3
TOTAL	124.21	126.81	-2.60	-2.0

The above table shows that, as in 2014, in 2015 the most significant administrative expenses were external services (€71.13 million), mainly IT services (€38.64 million) and rental and maintenance (€32.38 million), composed mainly of hardware and software rental and maintenance (€16.87 million) and property rental and maintenance (€10.42 million).

Goods and services expenses decreased in 2015 (€2.60 million). The largest decrease in the item was in “External services” (€0.63 million), “Sundry operating expenses” (€0.98 million) and “Reversal of administrative expenses” (€0.56 million). Noteworthy under “External services”, are the lower expenses for IT services and other professional services. The decrease in “Sundry operating expenses” was basically due to lower advertising costs.

“External services” include the expenses (€109,102.35) relating to the fees paid in 2015 to the external auditors, KPMG Auditores, for the audits of the Bank’s annual accounts and of certain aspects of the Bank’s management of European Central Bank reserves at the request of this institution’s external auditor, the latter being the only service provided by

²² To enable a uniform comparison with 2015, the 2014 amounts (€4.43 million) relating to operating expenses derived from Eurosystem projects were reclassified in 2015 from the “Rental and maintenance” heading to “External services”.

the auditor to the Bank. In 2015 no services were received from and, consequently, no amounts were paid to, other firms related to the auditor.

12 DEPRECIATION OF FIXED ASSETS

Included here is the expense of the estimated depreciation of the Bank's fixed assets, which breaks down as follows:

EUR m and %

	2015	2014	Change	%
Depreciation of buildings, structures and renovation work	2.61	2.57	0.04	1.5
Depreciation of plant in buildings	8.50	9.14	-0.64	-7.0
Depreciation of furniture and fittings	1.73	2.02	-0.28	-14.0
Depreciation of office machines other than computer equipment	1.63	1.58	0.05	3.3
Depreciation of computer equipment	4.94	5.22	-0.28	-5.3
Depreciation of transport equipment	0.18	0.30	-0.13	-41.9
Depreciation of other tangible fixed assets	0.20	0.24	-0.04	-16.4
Depreciation of bibliographic fund	0.40	0.44	-0.04	-8.3
Amortisation of computer applications	12.36	8.53	3.83	45.0
TOTAL	32.56	30.04	2.52	8.4

13 BANKNOTE PRODUCTION SERVICES

This amount (€60.62 million) corresponds to payments made by the Banco de España to purchase banknotes from the Spanish Royal Mint and, from November, from Sociedad Imprenta de Billetes, S.A. (IMBISA). This company, whose corporate purpose is the production of euro banknotes, was formally incorporated on 2 November 2015 and is 80%-owned by the Banco de España.

The decrease with respect to the previous year (€21.89 million) was mainly due to the smaller volume of banknotes supplied as a result of the delay in the start of production of the second series of the €50 banknote, as follows:

Series	Denomination	Banknotes charged (millions of banknotes)	
		2015	2014
1	50 €	8.8	459.0
2	20 €	230.5	—
2	10 €	168.0	482.3
2	5 €	436.3	170.7
	TOTAL	843.6	1,112.0

14 TRANSFERS AND ADDITIONS TO OTHER FUNDS AND PROVISIONS

Included here are sundry amounts provisioned for varying reasons, the provisions used and the additions to the Beneficent Social Fund.

The net transfers to these funds were as follows:

EUR m

	2015	2014	Change
Provision for operational risk	96.72	43.80	52.91
Provision for death and retirement assistance	10.53	10.87	-0.33
Provision for early and regular retirement	4.21	5.00	-0.78
Provision for sundry liabilities and charges	-39.56	37.73	-77.29
Others	0.03	0.10	-0.07
Beneficent social fund	6.83	7.58	-0.75
TOTAL	78.76	105.08	-26.32

The net balance of transfers and applications to other funds and provisions in 2015 amounted to €78.76 million, compared with €105.08 million in 2014. Noteworthy was the net provisioning for operational risk of €96.72 million (see Note 27 to the balance sheet), mainly due to the higher level of coverage (from 20% to 40%) approved by the Executive Committee on 29 January 2016, and the decrease of €39.56 million in the provision for sundry liabilities and charges, including the provision for litigation risks, mostly as a result of favourable rulings for Banco de España relating to claims presented by private individuals in connection with the flotation of Bankia, and those presented by minority shareholders of Banco Gallego owing to the latter's inclusion in the Resolution Plan of Novagalicia Banco. In 2015, €10.53 million were transferred to the provision for death and retirement assistance expenses and €4.21 million (net) to the provision for expenses relating to early and regular retirees. The provision to the Beneficent Social Fund amounted to €6.83 million, compared with €7.58 million in 2014, meaning that the expense was €0.75 million lower.

The Banco de España, because of the nature of its activity, is not an institution with a high environmental risk. Accordingly, in 2015 it was not considered necessary to record any provision for environmental liabilities and charges.

15 PROFIT FOR THE YEAR

Pursuant to Article 1.1(b) of Royal Decree 2059/2008 of 12 December 2008, the Banco de España must pay into the Treasury, on the first working day of March, 90% of the profits earned and recorded up to 31 December of the previous year, less the amount paid on the first working day of December of the previous year.

On 1 December 2015 the Banco de España paid into the Treasury €1,007.86 million, equal to 70% of the profit recorded as at 30 September 2015²³.

Given that the profit for the year amounted to €2,269.92 million, on 1 March 2016 €1,035.06 million were paid into the Treasury to complete the distribution of 90% of profits.

The payments to the Treasury of 2015 profits are as follows:

²³ Pursuant to the aforementioned Royal Decree, the payment resolution must take into consideration the foreseeable performance of profits up to the end of the year. For this reason, account was taken of a number of factors which entailed a risk of lower profit estimated at €1,385.22 million. Accordingly, this amount was subtracted from the Banco de España profit of €2,825.02 million as at 30 September, resulting in a profit of €1,439.80 million, 70% of which was paid into the Treasury.

EUR m

1 Total profit for 2015	2,269.92
2 Payments to the Treasury	2,042.93
On 1.12.2015	1,007.86
On 1.3.2016. Difference between the above amount and 90% of profit as at 31.12.2015	1,035.06
3 Profit payable to the Treasury (at date of approval of the 2015 annual accounts)	226.99

3.4 Changes in capital, reserves, provisions and revaluation accounts

The following table shows the changes in the reporting year, which, in addition to the accounting profit, include the net gains not recognised as income in the profit and loss account, the change in general provisions and the effect on the balance sheet of the appropriation of profit for the year.

EUR m

	Capital	Reserves	Revaluation accounts	Undistributed profit	General provisions	Total
A) 2015 Opening balance	1,000.00	899.81	14,517.86	1,106.06	9,988.52	27,512.26
1 Unrecognised net gains in profit and loss			2,794.19			2,794.19
In gold			-131.68			-131.68
In foreign currency			3,582.03			3,582.03
In securities			-656.16			-656.16
Other			—			—
2 Change in provisions					1,529.18	1,529.18
3 2015 profit				2,269.92		2,269.92
4 Appropriation of profit				-2,113.93		-2,113.93
Payment to the Treasury of 2014 profit				-1,106.06		-1,106.06
Payment to the Treasury of 2015 profit				-1,007.86		-1,007.86
B) Changes in the year B = 1 + 2 + 3 + 4	—	—	2,794.19	155.99	1,529.18	4,479.36
C) 2015 Closing balance C = A + B	1,000.00	899.81	17,312.05	1,262.06	11,517.70	31,991.62

The changes reflected in this table have been explained above in the explanatory notes on the balance sheet and profit and loss account that refer to provisions (Note 27 to the balance sheet), revaluation accounts (Note 28 to the balance sheet), capital (Note 29 to the balance sheet), reserves (Note 30 to the balance sheet) and profit for the year (Note 31 to the balance sheet and Note 15 to the profit and loss account).

Equity increased by €4,479.36 million in 2015 due mainly to the higher unrealised gains (€2,794.19 million) and the higher general provisions (€1,529.18 million).

3.5 Net financial assets

In February 2016, the European Central Bank published the *Agreement on Net Financial Assets*, between the Eurosystem NCBs and the ECB, which sets rules and limits for holdings of net financial assets, defined as the overall assets and liabilities of a central bank not directly related to monetary policy. The European Central Bank also published the aggregate Eurosystem net financial assets at end-2015.

In the case of the Banco de España, the net financial assets amounted to €78,091.57 million at end-2015.

3.6 Risk management

The Banco de España is exposed to financial risks (market risk and credit risk) and to an operational risk which, as a result of its activity, could have a significant financial and reputational impact and affect the Bank's ability to continue meeting its objectives.

The Banco de España manages all its risks taking into account their differing nature.

All the systems and procedures used to assess, control, monitor and mitigate risks are evaluated periodically to ensure they are suitable for their intended purpose and are applied consistently.

Currently, the Operations Department, the Financial Risks Department and the Control, Budget and Accounting Department are responsible for identifying, assessing, controlling, monitoring, mitigating and reporting risks.

The Executive Commission is entrusted with approving the rules on financial asset management at the Banco de España and the methodologies to be applied for estimating and mitigating financial risks.

The Operations Committee, at its daily meetings, proposes the distribution by currency, the authorised instruments and the limits per issuer and counterparty. It is the body entrusted with setting the modified duration target of the strategic (long-term) and tactical (short-term) benchmarks of the euro-denominated and US dollar-denominated trading portfolios. The Risk Management Committee is entrusted with proposing the risk assessment methodologies and provisioning levels to be forwarded to the Executive Commission.

1 FINANCIAL RISKS

Financial risks comprise market risk, liquidity risk and credit risk. The risk assessment carried out by the Banco de España in 2015 found that the main risks, from a quantitative standpoint, are credit risk and, to a lesser extent, the market risk derived from foreign exchange rate and interest rate fluctuations.

1.1 Market risk

Market risk includes interest rate, foreign exchange rate and gold price risks.

Interest rate risk

Interest rate risk is the probability or possibility that the Banco de España may incur losses as a result of interest rate fluctuations.

The Bank's exposure to this type of risk derives from the fixed-income securities in the trading portfolio, since their market value is affected by interest rate movements²⁴. The level of exposure to this risk depends on the volume and maturity of holdings in this portfolio and on the volatility of interest rates.

The Bank's Operations Committee sets the modified duration of the strategic and tactical benchmarks of the euro-denominated and US dollar-denominated trading portfolios and establishes limits by means of +/- 0.25 fluctuation bands.

Also, the level of risk is quantified through Value-at-Risk methodology (VaR) by calculating the maximum expected loss from interest rate fluctuations, with a one-year time horizon and a 99% confidence interval. The VaR figure calculated with this methodology for the

²⁴ For accounting purposes, the Bank's trading portfolio is valued at market prices while its held-to-maturity portfolio and monetary policy portfolios are valued at amortised cost.

trading portfolio is the main factor used to determine the amount to be provisioned for interest rate risk.

Foreign exchange rate and gold price risks

Foreign exchange rate risk is the probability or possibility that the Banco de España may incur losses as a result of movements in the exchange rates of the currencies forming part of its position.

The exposure to this risk derives from the currency position and from the volatility of exchange rates.

Foreign exchange rate risk is managed by setting ceilings on investment in each currency.

The Banco de España quantifies the exposure to this risk for the main currencies (USD and SDR) through VaR methodology by calculating the maximum expected loss with a one-year time horizon and a 99% confidence interval.

The exposure to gold price risk, which depends on the holdings of gold and on the volatility of its price, is covered in full by the existing revaluation accounts.

1.2 Liquidity risk

Liquidity risk is the probability or possibility of incurring losses because the institution is forced to liquidate its assets before maturity to meet its obligations.

As a central bank belonging to the Eurosystem, the Banco de España has no liquidity risk.

1.3 Credit risk

Credit risk is the probability or possibility that the Banco de España may incur losses as a result of total or partial non-compliance with their contractual obligations by the issuers, counterparties or depositors of its financial assets, or that it may incur losses derived from impairment of their credit quality.

The exposure to credit risk depends on the volume of the investment and on the credit quality of the counterparties.

Credit risk is managed by selecting creditworthy counterparties and setting quantitative limits per counterparty, issuer and asset, while assuring safety in investments and avoiding concentration risk.

The Banco de España assesses credit risk by VaR methodology with a one-year time horizon and a 99% confidence interval.

The credit risk on monetary policy loans is not assessed because the transactions are adequately collateralised and, accordingly, the residual risk is very small. This risk is managed in accordance with Eurosystem rules.

The risks derived from the securities purchased under the Securities Markets Programme, the third covered bond purchase programme, and the securities of European institutions acquired under the secondary markets public sector asset purchase programme, and from risk-sharing monetary policy loans, are shared by the Banco de España in proportion to its capital key in the Eurosystem, which was 12.56% for 2015.

1.4 Provision for financial risks

In addition to capital, reserves and revaluation accounts, the Banco de España covers the aforementioned financial risks with a provision recorded for this purpose (see Section 3.4

“Changes in capital, reserves, provisions and revaluation accounts”), the balance of which amounted to €11,336 million at end-2015.

2 OPERATIONAL RISK

The Banco de España defines operational risk as the risk of incurring losses due to the inadequacy or failure of internal processes, personnel and systems, or due to events outside the organisation. These losses are determined by how strongly the Bank’s balance sheet, reputation or objectives are impacted by the materialisation of a risk event.

The Operational Risk Management System developed by the Bank following the guidelines set in the document entitled “International Convergence of Capital Measurement and Capital Standards (Basel II, revised framework)” sets out policies, functions and internationally accepted procedures for proper operational risk management.

This system takes as its starting point an inventory of the functions, processes and activities of each organisational area of the Bank, which make up the Process Map. This inventory is needed to subsequently identify the attendant risks, which together constitute the Risk Map. This identification is based on an analysis of possible contingencies which may affect the Bank’s functioning and of the specific measures taken to prevent them from occurring and/or to reduce damage if they do occur.

To determine the relative importance of the risks identified, these are assessed qualitatively according to: 1) the impact or damage they may cause (whether financial, reputational and/or in the form of non-compliance with objectives) and 2) how often they may occur, bearing in mind the existing control environment. The risks thus measured are entered in the Risk Tolerance Matrix, which includes all the risks identified and valued in the business areas, classified by category according to their impact and frequency. The business areas inform the Risk Management Committee of the most significant risks and of the possible mitigation measures to reduce the severity and frequency of the contingencies identified. This committee is responsible for approving them and accepting the residual risks. The results of the assessment conducted by the areas are compared with the information drawn from the systematic register of loss events in order to adjust their impact and/or frequency of occurrence in line with actual events.

Lastly, the system includes measurement of the Bank’s operational risk to ensure adequate coverage with own funds of any operational losses affecting net worth which might be incurred in the processes and systems due to materialisation of a risk event. This coverage is obtained through a specific provision which is calculated by applying a percentage of operational VaR obtained from the integration of risk questionnaires and registered incidents. The Bank’s VaR methodology estimates the maximum financial loss or VaR due to operational losses affecting net worth, with a one-year time horizon and a 99% confidence interval.

A provision was recorded for this risk which amounted to €181 million at end-2015.

4 SPECIFIC INFORMATION REQUIRED BY ARTICLE 4.2 OF THE LAW OF AUTONOMY OF THE BANCO DE ESPAÑA OF JUNE 1994

4.1 Loss of profit

The table below shows the loans outstanding in 2015 with interest rates below the reference rates used, in order to estimate the loss of profit for the year pursuant to the provisions of Article 4.2 of Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España.

EUR m and %

Type of credit/loan	Average balance in 2015	Interest rate received (%)	Reference interest rate (%)	Estimated loss of profit
Net State debt	220.90	—	0.05	0.11
Housing loans and repayable advances to employees	32.76	—	0.05	0.02
Repayable advances	32.76	—	0.05	0.02
TOTAL	253.66	—	0.05	0.13

Included under “Net State debt” is the average balance during the year, on a daily basis, of the special loans granted to the State before 1994 less the deposits held by the Treasury with the Banco de España, when there is a net balance in favour of the latter.

The reference rate used to estimate the loss of profit in all the loans is the daily average of the marginal interest rate on main refinancing operations conducted during the year.

4.2 Other transactions

On 26 March 2007 an agreement was entered into with the State government to bring forward the repayment schedule of the loans granted to the State prior to the entry into force of Law 21/1993 of 29 December 1993 on the State Budget for 1994 (Law 3/1983 loan, Law 4/1990 loan and credits arising from subscription for participating interests, contributions and quotas in international agencies), such that they all reach final maturity by 2015 at the latest and the Treasury can request early repayment of part or all of these facilities, paying on the due date the effective market price instead of the nominal amount. Under this agreement, in 2015 payment was received of two instalments of the aforementioned facilities (that for the reporting year and the last outstanding instalment of the original repayment schedule), the repayment date of all of them being brought forward from 31 December to 30 April. In accordance with the foregoing, on 30 April 2015 the Treasury paid to the Banco de España the amount of €970.17 million, the effective market price of the debt repaid on that date, equivalent to a nominal amount of €971.68 million. Thus, all the loans were fully repaid as envisaged.

ANNEXES

1 REPORT OF THE EXTERNAL AUDITORS



KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Independent Auditors' Report on the Annual Accounts

To the Honourable Governor of the Banco de España,

We have audited the annual accounts of the Banco de España which, in accordance with article 29.1 of its Internal Rules, comprise the balance sheet at 31 December 2015, the income statement for the year then ended and the notes thereto.

Responsibility for the annual accounts

The Executive Commission of the Banco de España is responsible for organising the Bank and appointing its general managers. Under the Internal Rules of the Banco de España, the Directorate General Services is responsible for preparing the annual accounts in accordance with the internal accounting principles of the Banco de España, which are specified in note 3.1 to the accompanying annual accounts, based on the accounting regulations stipulated for the central banks that are members of the European System of Central Banks. This responsibility, which is exercised through the Control, Budget and Accounting Department, includes the audit of operations and, therefore, the design, implementation and maintenance of the relevant internal controls required for the preparation and appropriate presentation of annual accounts that are free from material misstatement due to fraud or error, the selection and application of the pertinent accounting principles, and making such estimates as deemed reasonable in the circumstances (see note 3.1.3 to the accompanying annual accounts). Pursuant to article 21.G) of Law 13/1994 of 1 June 1994 on the autonomy of the Banco de España, these annual accounts are prepared by the Governing Council of the Banco de España.

The auditors' responsibility

Our responsibility is to express an opinion on these annual accounts taken as a whole, based on our audit. We conducted our audit in accordance with International Standards on Auditing, which require that we comply with certain ethical standards and plan and perform the audit in such a way as to obtain reasonable assurance that the annual accounts are free from material misstatement or irregularities.

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Reg. Mer Madrid, T. 11.961, F. 90,
Sec. 8, H. M-188.007, Inscríp. 9
N.I.F. B-78510153

An audit entails the performance of procedures designed to obtain supporting evidence of the amounts and disclosures contained in the annual accounts. The procedures selected depend on the auditor's judgement, and include an assessment of the risk of material misstatements or irregularities arising in the annual accounts due to fraud or error. In assessing these risks the auditor takes into account the internal control system applied by the entity for the preparation and appropriate presentation of the annual accounts in order to design audit procedures that are suitable in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes an evaluation of the appropriateness of the accounting policies used, the reasonableness of the entity's accounting estimates, and the overall presentation of the annual accounts. We consider that the evidence obtained is sufficient and adequate to provide a basis on which to express our auditors' opinion.

Opinion

In our opinion the accompanying annual accounts for 2015 present fairly, in all material respects, the equity and financial position of the Banco de España at 31 December 2015 and its financial performance for the year then ended, in accordance with the internal accounting principles of the Banco de España, which are specified in note 3.1 to the accompanying annual accounts, based on the accounting regulations stipulated for the central banks that are members of the European System of Central Banks.

KPMG Auditores, S.L.



María Eugenia Fernández-Villarán Ara

21 March 2016

2 REPORT OF THE BANCO DE ESPAÑA AUDIT COMMITTEE

We the undersigned, Ángel Luis López Roa, Carmen Alonso Ledesma and Maximino Carpio García, are members of the Governing Council of the Banco de España and of the Audit Committee appointed by the Governing Council. In accordance with Article 29 of the Internal Rules of the Banco de España, we were given the task of reviewing the accounts of the Institution for the year 2015.

As required by the aforementioned precept, the Audit Committee has analysed the operations of the Banco de España. This examination basically involved: 1) studying the annual accounts of the Banco de España for the year 2015, prepared by the Directorate General Services of the Banco de España; 2) studying the audit of the balance sheet and profit and loss account of the Banco de España for 2015, conducted by the Internal Audit Department; 3) studying the documentation requested by the members of this Committee from the independent external auditors; 4) interviewing the persons responsible for the independent external audit, for the Internal Audit Department and for the Control, Budget and Accounting Department; and 5) making proposals for the modification, correction or clarification of various matters, all of which have been satisfactorily incorporated in the annual accounts by the Control, Budget and Accounting Department.

The basic conclusion of our report is that from the analysis carried out of the examination of the accounting procedures, of the accounting records and of the internal controls in place, it can be inferred that the annual accounts for the year 2015 give a true and fair view of the net worth and financial position of the Banco de España.

Madrid, 9 March 2016.



ÁNGEL LUIS LÓPEZ ROA



CARMEN ALONSO LEDESMA



MAXIMINO CARPIO GARCÍA

BANCO DE ESPAÑA PUBLICATIONS

The Banco de España publishes various types of documents providing information on its activity (economic reports, statistics, research papers, etc.). The full list of Banco de España publications can be found on its website at http://www.bde.es/f/webbde/Secciones/Publicaciones/Relacionados/Fic/cat_publ.pdf.

Most of these documents are available in pdf format and can be downloaded free of charge from the Banco de España website at <http://www.bde.es/webbde/en/secciones/informes/>. Requests for others should be addressed to publicaciones@bde.es.

Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

© Banco de España, Madrid, 2016
ISSN: 2445 - 3668 (online edition)