

ANNUAL ACCOUNTS
OF THE BANCO DE ESPAÑA

2023

BANCO DE **ESPAÑA**
Eurosistema



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<https://doi.org/10.53479/36637>

The annual accounts published in English are a translation of those originally issued in Spanish. In the event of discrepancies, the Spanish-language version prevails

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ANNUAL ACCOUNTS OF THE BANCO DE ESPAÑA 2023

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) (see Section 3.1 “Accounting policies”).

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 for Economic Affairs, Trade and Enterprise, 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 authorising the Bank’s annual accounts for issue.

Unless otherwise indicated, the figures are expressed in millions of euro. The figures for 2022 are presented solely for comparison with 2023. Due to rounding, the totals included in the balance sheet, profit and loss account and notes to the annual accounts may, on occasion, not equal the sum of the individual figures. This document presents the accounts for 2023. Section 2 includes the balance sheet as at 31 December 2023 and the profit and loss account for the year then ended; 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 salient aspects of the balance sheet and profit and loss account, the changes in equity, post-balance sheet events and the management of risk exposures; and Section 4, in compliance with Article 4(2) of the Law of Autonomy, details the loans and operations not arranged on an arm’s-length basis, or which in any way entail a loss of profit or losses for the Bank.

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.

2 Balance sheet and profit and loss account

BALANCE SHEET OF THE BANCO DE ESPAÑA AS AT 31 DECEMBER 2023

EUR m

	Note number	2023	2022	Change
ASSETS				
1 Gold and gold receivables	1	16,910.85	15,446.38	1,464.47
2 Claims on non-euro area residents denominated in foreign currency		76,612.87	72,271.91	4,340.96
2.1 Receivables from the IMF	2	19,405.34	19,632.24	-226.90
2.2 Balances with banks and security investments, external loans and other external assets	3	57,207.53	52,639.67	4,567.86
3 Claims on euro area residents denominated in foreign currency	4	596.65	4,759.88	-4,163.23
4 Claims on non-euro area residents denominated in euro		1,103.31	357.09	746.22
4.1 Balances with banks, security investments and loans	5	1,103.31	357.09	746.22
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	22,776.52	133,904.13	-111,127.61
5.1 Main refinancing operations		320.00	—	320.00
5.2 Longer-term refinancing operations		22,456.52	133,904.13	-111,447.61
5.3 Fine-tuning reverse operations		—	—	—
5.4 Structural reverse operations		—	—	—
5.5 Marginal lending facility		—	—	—
5.6 Credits related to margin calls		—	—	—
6 Other claims on euro area credit institutions denominated in euro		47.92	116.90	-68.99
7 Securities of euro area residents denominated in euro	7	632,354.55	651,396.26	-19,041.70
7.1 Securities held for monetary policy purposes	7 a	605,535.67	623,961.85	-18,426.18
7.2 Other securities	7 b	26,818.88	27,434.41	-615.53
9 Intra-Eurosystem claims	8	190,855.70	179,411.84	11,443.86
9.1 Participating interest in ECB		1,194.94	1,194.94	—
9.2 Claims equivalent to the transfer of foreign reserve assets to the ECB		4,810.85	4,810.85	—
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem		184,849.92	173,406.05	11,443.86
9.5 Other claims within the Eurosystem (net)		—	—	—
10 Items in course of settlement		5.83	6.84	-1.00
11 Other assets		9,621.63	8,476.34	1,145.29
11.2 Tangible and intangible fixed assets and assets under construction	9	323.27	307.88	15.39
11.3 Other financial assets	10	201.16	201.16	—
11.4 Off-balance-sheet instruments. Revaluation differences	11	—	—	—
11.5 Accruals and prepaid expenses	12	8,841.27	6,932.31	1,908.96
11.6 Sundry	13	255.93	1,034.99	-779.06
TOTAL ASSETS		950,885.82	1,066,147.56	-115,261.74

BALANCE SHEET OF THE BANCO DE ESPAÑA AS AT 31 DECEMBER 2023 (cont'd)

EUR m

	Note number	2023	2022	Change
LIABILITIES				
1 Banknotes in circulation	14	170,553.48	172,459.88	-1,906.40
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	15	257,755.85	247,502.15	10,253.70
2.1 Current accounts (covering the minimum reserve system)		16,792.87	18,440.80	-1,647.93
2.2 Deposit facility		240,962.98	229,061.35	11,901.63
2.3 Fixed-term deposits		—	—	—
2.4 Fine-tuning reverse operations		—	—	—
2.5 Deposits related to margin calls		—	—	—
3 Other liabilities to euro area credit institutions denominated in euro	16	994.67	3,038.26	-2,043.58
4 Debt certificates issued (a)		—	—	—
5 Liabilities to other euro area residents denominated in euro		54,157.50	55,871.98	-1,714.48
5.1 General government	17	50,815.39	51,363.92	-548.53
5.2 Other liabilities	18	3,342.11	4,508.07	-1,165.96
6 Liabilities to non-euro area residents denominated in euro	19	6,494.11	5,561.47	932.64
7 Liabilities to euro area residents denominated in foreign currency		2.14	2.49	-0.35
8 Liabilities to non-euro area residents denominated in foreign currency		17.33	—	17.33
8.1 Deposits, balances and other liabilities		17.33	—	17.33
8.2 Liabilities arising from the credit facility under ERM II		—	—	—
9 Counterpart of special drawing rights allocated by the IMF	20	14,548.17	14,978.98	-430.81
10 Intra-Eurosystem liabilities	21	391,269.08	500,881.32	-109,612.24
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)		391,269.08	500,881.32	-109,612.24
11 Items in course of settlement	22	1,060.09	914.04	146.05
12 Other liabilities		2,460.90	4,204.05	-1,743.15
12.1 Off-balance-sheet instruments. Revaluation differences	23	76.53	301.94	-225.41
12.2 Accruals and income collected in advance	24	1,880.36	3,516.11	-1,635.75
12.3 Sundry	25	504.01	386.00	118.01
13 Provisions	26	26,974.29	33,592.52	-6,618.23
14 Revaluation accounts	27	22,715.75	22,855.35	-139.60
15 Capital and reserves		1,882.45	1,882.45	—
15.1 Capital	28	1,000.00	1,000.00	—
15.2 Reserves	29	882.45	882.45	—
16 Profit for the year	30	—	2,402.60	-2,402.60
TOTAL LIABILITIES		950,885.82	1,066,147.56	-115,261.74

a ECB balance sheet item only.

PROFIT AND LOSS ACCOUNT OF THE BANCO DE ESPAÑA FOR THE YEAR ENDING 31 DECEMBER 2023

EUR m

	Note number	2023	2022	Change	
1	Interest income	1	18,626.87	9,938.06	8,688.81
2	Interest expense	2	-27,527.56	-5,747.76	-21,779.80
3	Net interest income (1 + 2)		-8,900.69	4,190.30	-13,090.99
4	Realised gains/losses arising from financial operations	3	-108.52	40.34	-148.86
5	Write-downs on financial assets and positions	4	-156.96	-1,032.23	875.27
6	Transfer to/from provisions for financial risks	5	6,611.94	-1,606.81	8,218.75
7	Net result of financial operations, write-downs and risk provisions (4 + 5 + 6)		6,346.46	-2,598.70	8,945.16
8	Fees and commissions income		29.58	33.90	-4.32
9	Fees and commissions expense		-20.41	-21.38	0.97
10	Net income from fees and commissions (8 + 9)	6	9.17	12.52	-3.35
11	Income from equity shares and participating interests	7	3.34	8.31	-4.98
12	Net result of pooling of monetary income	8	3,146.75	1,352.64	1,794.11
13	Other income and losses	9	19.14	17.20	1.94
14	TOTAL NET INCOME (3 + 7 + 10 + 11 + 12 + 13)		624.17	2,982.27	-2,358.10
15	Staff costs	10	-336.82	-319.62	-17.21
16	Administrative expenses	11	-203.64	-187.48	-16.17
17	Depreciation of tangible and intangible fixed assets	12	-30.69	-32.19	1.51
18	Banknote production services	13	-74.08	-62.04	-12.04
19	Sundry		3.63	7.08	-3.44
20	TOTAL OPERATING EXPENSES (15 + 16 + 17 + 18 + 19)		-641.59	-594.24	-47.35
21	Transfers to/from other funds and provisions	14	17.42	14.58	2.85
22	PROFIT FOR THE YEAR (14 + 20 + 21)	15	—	2,402.60	-2,402.60

Countersigned by
The Governor,



PABLO HERNÁNDEZ DE COS

The Comptroller,



JUAN RAMÓN SÁEZ GÓMEZ

3 Notes to the accounts

3.1 Accounting policies

The annual accounts of the Banco de España comprise the balance sheet, the profit and loss account and the notes thereto. 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 NCBs of the 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 the 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.

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 legal accounting instruments of the European Central Bank (ECB).

2 Basis of accounting

The annual accounts have been prepared on a historical cost basis, modified as necessary to include the market valuation of trading book securities, gold and the foreign currency position. Futures are 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 for forward transactions in foreign currencies, which are booked at the spot settlement date. If a year-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 as follows:

Gold

Gold is recorded at acquisition cost,² which is determined by the cash amount paid in the transaction including any related expense.

1 Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34), as amended.

2 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.

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 year-end 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 asset side, with the obligation to repay it being recorded simultaneously on the liability 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.

Foreign currencies

Spot purchases and sales of foreign currencies are recorded at the settlement date, and affect the foreign currency position from that date. Gains and losses on spot sales 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, and affect 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 year-end falls between the trade date and the spot settlement date, the transactions shall 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 in one currency against unrealised losses in another. 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 year-end 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.

Shares in marketable investment funds

Shares acquired in investment funds are recorded at the time of payment, for the cash amount paid (transaction price). The changes in the net asset value of the investment fund shares are recorded in net terms, as a single asset, and not individually for each of the assets making up the fund, provided that the following conditions are met:

- They are acquired for investment purposes only with no influence on the fund's day-to-day buy and sell decisions.
- The investment strategy and mandate of the fund have been determined before the acquisition is carried out.
- The performance of the investment is evaluated as a single investment in line with the investment strategy of the fund.
- The fund is a separate entity, irrespective of its legal form, and is managed independently, including the day-to-day investment decisions.

Unrealised gains and losses in different investment funds are not netted off against each other.

Investment fund shares denominated in foreign currency form part of the corresponding foreign currency position and are revalued monthly to market price. This revaluation is carried out without netting unrealised gains in one currency against unrealised losses in another.

Revaluations of investment fund shares because of changes in their net asset value and revaluations at market exchange rates are carried out asymmetrically. Unrealised gains and losses (except for unrealised losses at year-end) are reflected in adjustment accounts and credited or debited, respectively, to revaluation accounts and to the profit and loss account. The unrealised losses existing at year-end are considered irreversible in subsequent revaluations.

The fees or charges arising from investment fund transactions are recorded as expenses in the profit and loss account.

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, 4 June 2009, 9 May 2010, 6 October 2011, 4 September 2014, 22 January 2015, 10 March 2016 and 18 March 2020).

In all three cases, the securities are initially recorded at acquisition cost, which is determined by the cash amount paid, less any accrued gross coupon. The ECB Governing Council decided in 2014 that the securities in the monetary policy portfolio should be valued at amortised cost (subject to impairment), regardless of the holding intention (for trading or to maturity).

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 circumstances.³

Trading portfolio securities are revalued monthly to market price. This revaluation is carried out without netting unrealised gains on one security code against unrealised losses on another. 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 year-end 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 is 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.

³ 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 in the issuer's creditworthiness.

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. These amounts will be translated into euro as stipulated in the “Foreign currencies” section.

Reverse transactions involving securities

Reverse repurchase agreements involving securities are recorded on the asset 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 liability 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 remained part of the portfolio from which they were sold. Repurchase agreements involving securities denominated in foreign currencies have no effect on the currency position.

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

Automated securities lending contracts (contracts empowering a depository of securities to lend them to a third party in overnight transactions, subject to certain contractual limitations) and reverse transactions conducted under a programme offered by a specialised institution are not recorded in the balance sheet, with the exception of the cash received as collateral that has not been reinvested. Only the income obtained is recognised, in the profit and loss account. Transactions outstanding at year-end are recorded off-balance sheet.

Doubtful debtors

Where there is 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

These are valued at their nominal amount.

The ECB establishes the conditions applicable to the monetary policy operations conducted by Eurosystem NCBs 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 NCBs 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 NCBs' monetary income.

Shares and participating interests

The shares in the Bank for International Settlements (BIS) and the participating interest in the ECB are valued at acquisition cost.

The stake in Imprenta de Billetes, S.A., Medio Propio del Banco de España (IMBISA) is valued at its underlying book value. The Banco de España does not prepare consolidated annual accounts in respect of this participating interest, given the immaterial nature of the investment vis-à-vis the Bank's balance sheet and profit and loss account.

Tangible and intangible fixed assets

Fixed assets are defined as those non-financial assets owned by the Banco de España 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. The library collections and the art collection are also considered fixed assets.

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 operate as intended, such as transport, installation, professional fees for legal services, non-refundable taxes and the fair value of other consideration given.

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.

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 €1,000 (€10,000 in the case of buildings, structures and plant in building). However, there may be exceptions, normally for control reasons.

Only extensions, replacements, rehabilitations and improvements that exceed the limit of €1,000 (€10,000 in the case of buildings, structures and plant in building) are capitalised,

provided also that the elements replaced can be derecognised or that they are fully depreciated.

Notwithstanding the above, all the costs of developing computer software specifically for the Banco de España are capitalised. This includes any software developed internally (either by the Banco de España itself or as part of a Eurosystem/ESCB/Single Supervisory Mechanism project) or by a third party, along with any adaptive maintenance, extensions and improvements that may be identified individually and specifically.

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 on a straight-line monthly basis over its useful life from the month following its recognition 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, the special-value library collection and assets under construction are not depreciated.

The depreciation/amortisation rates and estimated useful lives applied to the various fixed assets in 2023 were as follows:

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

a The amortisation of certain computer 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 amount. In this case, 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 2002.⁴ The total value of euro banknotes in circulation is recorded by allocating to each Eurosystem NCB, on the last working day of each month, an amount based on the banknote allocation key.⁵

The ECB has been allocated a share of 8% of the total value of the euro banknotes in circulation, and the remaining 92% has been allocated to the NCBs and divided amongst them according to their respective ECB capital keys. 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 each NCB actually puts into circulation gives rise to remunerated intra-Eurosystem balances. These balances, which accrue interest,⁶ are presented as a single net asset or liability position under “Net claims related to the allocation of euro banknotes within the Eurosystem” or “Net 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 determined by taking into account the differences between the average value of the banknotes in circulation of each NCB in the specified reference period⁷ and the average value of the 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 the new Member States adopting the euro: the amount of the adjustment applicable to each of them is calculated under the aforementioned calculation method and then divided 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 are settled through the accounts of the ECB and are 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

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

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

6 Decision of the European Central Bank of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (ECB/2016/36) (recast), as amended.

7 The reference period considered has a period of 24 months starting 30 months before the euro cash changeover date.

(SMP), the asset-backed securities purchase programme (ABSPP), the third covered bond purchase programme (CBPP3), the public sector purchase programme (PSPP) and the pandemic emergency purchase programme (PEPP), are allocated to the NCBs in the financial year in which they accrue.⁸ 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, unless otherwise decided by the ECB Governing Council. This decision shall be taken when, on the basis of a reasoned estimate by the Executive Board of the ECB, the Governing Council expects that the ECB will have an overall annual loss or will make an annual net profit that is less than the income arising from the above-mentioned portfolios and on euro banknotes in circulation. 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.⁹ 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 through TARGET¹⁰ by the NCBs of the ESCB, including the ECB. They also arise from the balances vis-à-vis the ECB resulting from the adjustments relating to the allocation of euro banknotes within the Eurosystem. In addition, the result of the pooling and allocation of monetary income among 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 TARGET operations, the resulting balance is included as an asset or liability, as appropriate, under “Other claims within the Eurosystem (net)” or “Other liabilities within the Eurosystem (net)” on the balance sheet. Intra-Eurosystem balances arising from the adjustments relating to allocation of euro banknotes within the Eurosystem are included, depending on their net amount, as an asset or liability under “Net claims related to the allocation of euro banknotes within the Eurosystem” or “Net liabilities related to the allocation of euro banknotes within the Eurosystem” (see “Banknotes in circulation” in this section).

Recognition of income and expenses

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

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

9 This provision, together with the ECB’s general reserve fund, must not exceed the value of the capital paid up by euro area NCBs.

10 Trans-European Automated Real-time Gross settlement Express Transfer system.

Realised gains and realised and unrealised losses are taken to the profit and loss account.¹¹ 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. 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 recorded in revaluation accounts.

Unrealised losses are taken to the profit and loss account if they exceed previous revaluation gains recorded in the corresponding revaluation accounts, 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 a reduction or increase in 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 Banco de España 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 1986 and who participate in the scheme and are entitled to such contributions, are recognised as a current expense in the year to which they relate.¹²

Provisions

In application of the principle of prudence, the liability 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 26 to the balance sheet).

Financial derivatives

The net position under foreign exchange forward transactions and swaps, and the associated foreign exchange gains and losses, are shown in the balance sheet in item 11.4 on the asset side or item 12.1 on the liability side, depending on their sign.

¹¹ Unrealised gains and losses are not recorded in the held-to-maturity portfolios or monetary policy portfolio (see “Securities” in this section).

¹² 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, with the legal limit set at any given time.

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 is considered to be realised at the time when they are settled net each day. In the case of futures 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, provisions (see Note 26 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 Note 7(a) to the balance sheet).

These estimates are based on the best information available at end-2023, 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 the date of preparation of the annual accounts, should those events materially affect the Banco de España's year-end financial position. The post-balance sheet events that do not affect the assets and liabilities at the reporting date do not give rise to adjustments, but, where material, they are disclosed in the notes to the accounts.

3.2 Notes to the balance sheet

1 Gold and gold receivables

The Banco de España's gold holdings at year-end amounted to €16,910.85 million, consisting of 9.054 million troy ounces¹³ of fine gold valued at a market price of €1,867.83 per ounce. These holdings did not change during the financial year. The value of these holdings is

¹³ One troy ounce is equal to 31.1035 grams.

€1,464.47 million more than in 2022, as a result of the increase in the market price (at end-2022 the price per ounce was €1,706.08). This increase is included in the liability revaluation accounts. The cost of the gold holdings is €850.43 million.

2 Claims on non-euro area residents denominated in foreign currency. Receivables from the IMF

This item has three components:

- a) The reserve tranche position in the IMF. This is the euro equivalent of the paid portion of Spain's IMF quota (in foreign currencies or euro). Its balance at end-2023 was €3,106.46 million. Spain's quota is SDR 9,535.50 million. The remaining portion of the quota is recorded in a euro account at the disposal of the IMF.
- b) Special drawing rights. These represent the euro equivalent of SDR holdings resulting from the successive allocations by the IMF and their subsequent drawdown. The IMF allocates SDRs to member countries simply for being a member, and their balancing entry is recorded in item 9 on the liability side of the balance sheet "Counterpart of special drawing rights allocated by the IMF", also denominated in SDRs. The subsequent changes in their balance are essentially due to loan agreement transactions with third countries which are paid in SDRs and to interest receipts or payments resulting from positions vis-à-vis the IMF. The balance at end-2023 was €15,033.09 million.
- c) Other claims on the IMF. These reflect the amounts that the Banco de España has provided to the IMF as contributions to the PRGT,¹⁴ the RST¹⁵ and the NAB.¹⁶ For the PRGT, the Banco de España has made a commitment to contribute, through concessional lending to low-income countries, up to SDR 1,955 million, the amount drawn down at end-2023 being SDR 759.45 million (€923.27 million). For the RST, the Banco de España has made a commitment to contribute to the loan account and the deposit account the SDR equivalent of €1,830 million, allocating the equivalent of €1,525 million to the loan account of the Trust and the equivalent of the remaining €305 million to the deposit account. An amount of SDR 274.84 million (€334.12 million) had been recorded at year-end, of which SDR 232.32 million (€282.43 million) reflected the deposit account disbursement and SDR 42.53 million (€51.70 million) related to loans granted. The NAB, concluded to support the IMF's ability to provide financial assistance to its members, entails a financial commitment of up to SDR 6,810.28 million, of which SDR 6.91 million (€8.40 million) had been drawn down up to end-2023.¹⁷

¹⁴ Poverty Reduction and Growth Trust.

¹⁵ Resilience and Sustainability Trust.

¹⁶ New Arrangements to Borrow.

¹⁷ In addition, the Kingdom of Spain and the IMF have entered into a bilateral loan agreement entailing a financial commitment of €6,401 million, none of which has been drawn down by the IMF.

The SDRs in which claims on the IMF are denominated are valued at the year-end market rate of €1 = SDR 0.822571. The SDR is defined in terms of a basket of currencies. Its value is determined as the weighted sum of the exchange rates of five major currencies: the US dollar, the euro, the Japanese yen, the pound sterling and the Chinese renminbi. The SDR interest rate, which is updated weekly, averaged annually 3.82% during 2023.

The breakdown in 2023 and 2022 is as follows:

EUR m

Type of asset	2023	2022	Change
Reserve tranche position	3,106.46	3,327.00	-220.54
Special drawing rights (allocation)	15,033.09	15,049.64	-16.55
Other claims on the IMF	1,265.79	1,255.61	10.18
TOTAL	19,405.34	19,632.24	-226.90

The overall amount of claims on the IMF decreased by €226.90 million with respect to the balance at end-2022.

The decrease of €220.54 million in the reserve tranche position account was due to the overall effect of the following factors:

- A decrease of €128.55 million (SDR 102.70 million) due to the transfers ordered by the IMF to the balance of its account at the Banco de España from its accounts at other institutions.
- A decrease of €91.99 million due to the change in the exchange rate of the SDR against the euro.

The special drawing rights account decreased by €16.55 million due to the overall effect of various factors:

- A net increase of €428.63 million (SDR 342.43 million) due to SDR transactions (increases as a result of net SDR purchases from third countries, repayment of PRGT loans and interest collected on claims on the IMF, less the RST loans granted and interest paid on liabilities to the IMF).
- A decrease of €445.17 million due to the change in the exchange rate of the SDR against the euro.

The “Other claims on the IMF” account, which includes loans granted under the NAB and under the PRGT and RST, increased by €10.18 million due to the overall effect of certain factors:

- A decrease of €32.17 million (SDR 25.70 million) in the NAB, due to repayments of the loans granted under these arrangements.
- An increase of €26.61 million (SDR 21.26 million) in PRGT lending due to the net effect of the new loans granted and the repayments of other loans. These loans are in SDRs.
- An increase of €53.23 million (SDR 42.53 million) in the RST owing to loans granted.
- A decrease of €37.48 million due to the change in the exchange rate of the SDR against the euro.

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, investment fund shares, 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 debt securities which the Banco de España intends to hold until maturity.

The total amount as at 31 December 2023 was €57,207.53 million, with the following breakdown:

EUR m

Type of asset	2023	2022	Change
Deposits	4,417.04	11,747.43	-7,330.39
Security investments (a)	52,649.97	40,779.99	11,869.98
Trading portfolio	38,684.36	27,728.07	10,956.29
Held-to-maturity portfolio	13,965.61	13,051.92	913.69
Other	140.52	112.25	28.27
TOTAL	57,207.53	52,639.67	4,567.86

a As at 31 December 2023, repurchase agreements were constituted over part of the securities portfolio (market value of USD 3,750.51 million, CAD 4.39 million and GBP 2.45 million).

As at 31 December 2023, 75.5% of these assets were denominated in US dollars, 9.4% in Canadian dollars, 7.2% in pound sterling, 6.9% in yen¹⁸ and 1.0% in Chinese renminbi. The equivalent value in euro of these currencies was transferred to the balance sheet at the year-end market exchange rate (€1 = USD 1.1050, €1 = CAD 1.4642, €1 = YEN 156.33, €1 = GBP 0.86905 and €1 = CNY 7.8509). The market value of the held-to-maturity portfolio at end-2023 (which is not recorded on the balance sheet or in the profit and loss account but is provided

¹⁸ The foreign exchange risk on yen-denominated investments is covered by swap transactions (mainly against the US dollar).

for information purposes only) was €13,510.99 million. Consequently, there were net unrealised losses amounting to €454.62 million, mostly relating to US dollar-denominated securities. The impairment test conducted on the held-to-maturity portfolio concluded that there was no evidence of impairment at year-end.

The “Other” item includes holdings in a US dollar-denominated green investment fund set up and managed by the Bank for International Settlements, with a market value of €90.96 million, and margin deposits amounting to €48.87 million.

The increase in the balance of this item (€4,567.86 million) was due to the net effect of the factors listed in the following table:

EUR m	
Reason for change	Amount
Change in net investment	6,019.30
Change in market exchange rates as at 31 December	-2,027.43
Change in securities' market prices as at 31 December	132.54
Change in accrued interest receivable	443.54
Other	-0.10
TOTAL	4,567.86

4 Claims on euro area residents denominated in foreign currency

This balance sheet item includes current accounts, balances with banks, loans and security investments vis-à-vis euro area residents.

The total amount as at 31 December 2023 was €596.65 million, with the following breakdown:

EUR m			
Type of asset	2023	2022	Change
Deposits	3.16	4,266.58	-4,263.42
Security investments	593.49	493.30	100.18
Trading portfolio	593.49	493.30	100.18
Held-to-maturity portfolio	—	—	—
TOTAL	596.65	4,759.88	-4,163.23

As at 31 December 2023, 67.5% of these assets were denominated in pounds sterling, 32.2% in US dollars, 0.2% in Australian dollars and the remaining 0.1% in Canadian dollars.

The decrease in the balance of this item (-€4,163.23 million) was due to the net effect of the factors listed in the following table:

EUR m	
Reason for change	Amount
Change in net investment	-4,188.92
Change in market exchange rates as at 31 December	1.17
Change in securities' market prices as at 31 December	16.06
Change in accrued interest receivable	8.46
TOTAL	-4,163.23

5 Claims on non-euro area residents denominated in euro. Balances with banks, security investments and loans

This balance sheet item includes current accounts, balances with banks, securities issued by non-euro area residents and investment funds.

As at 31 December 2023, this item had a balance of €1,103.31 million, with the following breakdown:

EUR m			
Type of asset	2023	2022	Change
Deposits	15.46	13.85	1.60
Security investments	722.02	—	722.02
Trading portfolio	340.17	—	340.17
Held-to-maturity portfolio	381.85	—	381.85
Investment funds	365.84	343.24	22.59
TOTAL	1,103.31	357.09	746.22

Debt securities make up the bulk of this item, and amount to €722.02 million (€381.85 million classified in the held-to-maturity portfolio and €340.17 million in the trading portfolio). The market value of the held-to-maturity portfolio at end-2023 (which is not recorded on the balance sheet or in the profit and loss account but is provided for information purposes only) was €395.78 million. Consequently, there were net unrealised gains amounting to €13.93 million.

“Deposits” includes €15.39 million in margin deposits for derivatives contracts. This item also includes holdings in a green investment fund set up and managed by the Bank for International Settlements, with a market value of €365.84 million.

The increase in the balance of this item (€746.22 million) was due to the net effect of the factors listed in the following table:

EUR m

Reason for change	Amount
Change in net investment	708.31
Net unrealised gains at year-end	35.50
Unrealised losses at year-end	—
Accrued implicit interest	2.41
TOTAL	746.22

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 €410,290 million, of which €22,776.52 million is included in the balance sheet of the Banco de España. Pursuant to Article 32.4 of the Statute of the ESCB and of the ECB, any counterparty risk that materialises in monetary policy operations must be shared by all Eurosystem NCBs in proportion to their share in 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 banks.¹⁹

The breakdown by type of operation is as follows:

EUR m

Type of operation	2023	2022	Change
Main refinancing operations	320.00	—	320.00
Longer-term refinancing operations	22,456.52	133,904.13	-111,447.61
Fine-tuning reverse operations	—	—	—
Structural reverse operations	—	—	—
Marginal lending facility	—	—	—
Credits related to margin calls	—	—	—
TOTAL	22,776.52	133,904.13	-111,127.61

As at 31 December 2023, the balance of this item was down by 83% (-€111,127.61 million) on end-2022. The average daily balance of the financing granted during the year decreased by 75% (€70,919 million in 2023, against €280,491 million in 2022).

¹⁹ The total collateral provided by institutions, valued according to Eurosystem rules and applying the related haircuts, amounted to €212,392 million at end-2023. Of this amount, €893.03 million related to collateral excluded from risk sharing.

a) Main refinancing operations

They are executed through liquidity providing reverse transactions with a weekly frequency and a maturity of one week, usually by means of standard tenders. Normally, these operations play a pivotal role in achieving the aims of steering interest rates, managing market liquidity and signalling the monetary policy stance. However, continuing the trend of previous years, very little use was made of them in 2023, since the bulk of financing to institutions was conducted through longer-term refinancing operations.

The balance of this item as at 31 December 2023 was €320 million (no balance as at 31 December 2022).

b) Longer-term refinancing operations

These operations aim to provide counterparties with additional longer-term refinancing.

The balance of these operations at end-2023 was €22,456.52 million, of which €22,440.52 million related to the third series of the Targeted Longer-Term Refinancing Operations programme (TLTRO III) (€133,854.13 million at end-2022) and €16 million to a three-month Longer-Term Refinancing Operation (LTRO).

Operations under TLTRO III started in September 2019. To December 2021, ten quarterly tenders were conducted. These operations, which have a maturity of three years, were conducted as fixed rate tender procedures with full allotment.

According to the initial decisions taken by the Governing Council, the final interest rate applicable to each TLTRO III operation could be as low as the average deposit facility rate prevailing over the life of the operation, depending on each institution's lending to non-financial corporations and households (excluding mortgage lending). Furthermore, and in response to the COVID-19 crisis, the Governing Council decided that for the period from 24 June 2020 to 23 June 2022, the interest rate on these operations could be as low as 50 basis points (bp) below the average deposit facility rate, and in any case not higher than -1%.²⁰

On 27 October 2022, the Governing Council decided, in view of the inflationary developments and outlook, to recalibrate the TLTRO III conditions as part of the monetary policy measures adopted to restore price stability over the medium term. First, it decided to adjust the interest rate on these operations from 23 November 2022 until the maturity date or early repayment date of each operation and to index it to the average applicable key ECB interest rates over this period. Furthermore, the Governing Council introduced three additional voluntary early repayment dates to partly (or fully) repay TLTRO III borrowings before their maturity, in addition to the quarterly dates provided for in the original calendar.²¹

20 All Spanish institutions exceeded the established lending performance thresholds and, as a result, were able to apply the maximum applicable interest rate discount.

21 The additional voluntary repayment dates were 23 November 2022, 25 January 2023 and 22 February 2023.

In 2023 the balance of these TLTRO III loans decreased by €111,413.61 million, of which €78,155.96 million corresponded to the maturity of TLTRO III.3, TLTRO III.4, TLTRO III.5 and TLTRO III.6, and the rest (€33,257.65 million) to early repayments made by the institutions.

As regards their remuneration, the interest accrued in 2023 on the loans granted to Spanish institutions was indexed to the average deposit facility rate during the year (or until their repayment date).

Moreover, of the four additional pandemic emergency longer-term refinancing operations (PELTROs) that were allotted on a quarterly basis in the Eurosystem in 2021 with a maturity of approximately one year, Spanish institutions only participated in the last one (maturity in January 2023). An amount of €50 million matured in 2023.

c) Fine-tuning reverse operations

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

Their year-end balance was zero, the same as a year earlier. No fine-tuning reverse operations took place in the Eurosystem in 2023.

d) Structural reverse operations

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

The year-end balance was zero, the same as a year earlier. 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 NCBs at a pre-specified interest rate against eligible collateral. This interest rate is penalised with respect to the intervention rate set in the weekly tenders or in main refinancing operations.

The end-2023 balance was zero and the use of this facility during the year was negligible.

7 Securities of euro area residents denominated in euro

a) Securities held for monetary policy purposes

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 the SMP,²² the CBPP3,²³ the PSPP,²⁴ the corporate sector purchase programme²⁵ (CSPP) and the PEPP.²⁶ These securities are recorded at amortised cost (see “Securities” in Section 3.1 “Accounting policies”) and are subject to a yearly impairment test.

All the securities held under the first and second covered bond purchase programmes (CBPP and CBPP2) matured before the end of 2022.

The table below shows the main features of the aforementioned programmes:

	Start date	End date	Decision	Universe of eligible securities (a)
Completed/Terminated programmes				
CBPP1	July 2009	June 2010	ECB/2009/16	Covered bonds issued by euro area residents
CBPP2	November 2011	October 2012	ECB/2011/17	Covered bonds issued by euro area residents
SMP	May 2010	September 2012	ECB/2010/5	Private and public debt securities issued in the euro area (b)
Asset purchase programme (APP) (c)				
CBPP3	October 2014	Active	ECB/2020/8, as amended	Covered bonds issued by euro area residents
ABSPP	November 2014	Active	ECB/2014/45, as amended	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
PSPP	March 2015	Active	ECB/2020/9	Bonds issued by euro area central, regional or local government or recognised agencies as well as issued by international organisations and multilateral development banks located in the euro area
CSPP	June 2016	Active	ECB/2016/16, as amended	Bonds and commercial paper issued by non-bank corporations established in the euro area
Pandemic emergency purchase programme (PEPP)				
PEPP	March 2020	Active	ECB/2020/17, as amended	All asset categories eligible under the APP

a The detailed eligibility criteria for each programme can be found in the respective ECB Governing Council decisions.

b Only public debt securities issued by five euro area countries were purchased.

c The reinvestments under the APP were discontinued as of 1 July 2023.

The balance of this item as at 31 December 2023 was €605,535.67 million.²⁷ The breakdown, including the market value (which is not recorded on the balance sheet or in

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

23 Decision of the European Central Bank of 15 October 2014 on the implementation of the third covered bond purchase programme (ECB/2014/40).

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

25 Decision of the European Central Bank of 1 June 2016 on the implementation of the corporate sector purchase programme (ECB/2016/16).

26 Decision of the European Central Bank of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17).

27 As at 31 December 2023, repurchase agreements had been constituted over part of the euro-denominated securities portfolio with a market value of €21.98 million.

the profit and loss account but is provided for comparison and information purposes), is as follows:

EUR m	2023		2022		Change	
	Amortised cost	Market value	Amortised cost	Market value	Amortised cost	Market value
Monetary policy portfolio						
Completed/Terminated programmes						
CBPP2	—	—	—	—	—	—
SMP	644.26	673.49	744.55	767.19	-100.29	-93.70
Total completed/terminated programmes	644.26	673.49	744.55	767.19	-100.29	-93.70
APP						
CBPP3	28,884.80	26,873.88	30,091.65	26,922.88	-1,206.85	-49.00
PSPP - government securities	252,671.51	233,549.36	266,463.43	234,948.43	-13,791.92	-1,399.07
PSPP - supranational securities	70,426.49	60,940.89	73,213.60	60,533.07	-2,787.11	407.81
CSPP	28,385.92	26,593.04	29,326.64	26,014.94	-940.72	578.10
Total APP	380,368.71	347,957.16	399,095.31	348,419.31	-18,726.60	-462.16
PEPP						
PEPP - covered bonds	347.03	312.05	342.44	291.19	4.59	20.86
PEPP - government securities	165,977.47	146,648.90	168,945.93	158,066.76	-2,968.46	-11,417.87
PEPP - supranational securities	52,492.62	43,223.89	48,910.22	38,003.02	3,582.40	5,220.87
PEPP - corporate sector securities	5,705.58	5,264.55	5,923.40	5,131.19	-217.82	133.36
Total PEPP	224,522.70	195,449.38	224,121.99	201,492.17	400.71	-6,042.78
TOTAL	605,535.67	544,080.03	623,961.85	550,678.67	-18,426.18	-6,598.64

The decrease in the balances of the SMP portfolio in 2023 was due to the redemption of securities throughout the year.

As regards the APP, until the end of February 2023 the Eurosystem continued to reinvest all of the principal payments from maturing securities acquired under this programme. Since that date, the portfolio has started to shrink, as the Eurosystem has stopped reinvesting all of the principal payments from maturing securities. Specifically, the decline amounted to €15 billion per month on average until end-June 2023. The ECB Governing Council subsequently decided to discontinue reinvestments as of July 2023. As a result, since then the APP portfolio has gradually shrunk owing to maturities.

As regards the PEPP portfolio, the Eurosystem continued to reinvest, in full, the principal payments from maturing securities during 2023. The ECB Governing Council intends to continue to reinvest, in full, the principal payments from maturing securities during the first half of 2024, to reduce the PEPP portfolio by €7.5 billion per month on average over the second half of the year and, ultimately, to discontinue reinvestments under the PEPP at the end of 2024. Moreover, the Governing Council will continue applying flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to countering the risks to the monetary policy transmission mechanism related to the pandemic.

Movement in the amortised cost of the securities held by the Banco de España in the monetary policy portfolios during the year was as follows:

EUR m

	Amortised cost as at 31 December 2022	Purchases	Redemptions	Premiums (-) / Discounts (+)	Amortised cost as at 31 December 2023
CBPP3	30,091.65	1,696.49	-2,570.97	-332.37	28,884.80
SMP	744.55	—	-120.00	19.71	644.26
PSPP - government securities	266,463.43	5,541.27	-17,505.42	-1,827.77	252,671.51
PSPP - supranational securities	73,213.60	1,833.97	-4,160.19	-460.90	70,426.49
CSPP	29,326.64	955.70	-1,823.12	-73.29	28,385.92
PEPP - covered bonds	342.44	17.56	-9.70	-3.27	347.03
PEPP - government securities	168,945.93	10,140.87	-10,894.47	-2,214.86	165,977.47
PEPP - supranational securities	48,910.22	4,722.50	-990.61	-149.49	52,492.62
PEPP - corporate sector securities	5,923.40	267.43	-465.30	-19.96	5,705.58
TOTAL	623,961.85	25,175.78	-38,539.77	-5,062.19	605,535.67

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

Pursuant to Article 32.4 of the Statute of the ESCB and of the ECB, any risks that materialise in the securities included in the SMP, CBPP3, PSPP - supranational securities, CSPP, PEPP - covered bonds, PEPP - supranational securities and PEPP - corporate sector securities shall be shared by all Eurosystem NCBs in proportion to their share in 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 these programmes are shown in the following table:²⁸

EUR m

Total holdings of the Eurosystem NCBs in the risk-sharing programmes	2023	2022	Change
Completed/Terminated programmes			
SMP	1,901	2,143	-241
Total completed/terminated programmes	1,901	2,143	-241
APP			
CBPP3	262,090	276,857	-14,767
PSPP - supranational securities	255,261	275,228	-19,967
CSPP	323,921	344,119	-20,198
Total APP	841,273	896,204	-54,931
PEPP			
PEPP - covered bonds	5,197	5,283	-86
PEPP - supranational securities	154,332	145,687	8,645
PEPP - corporate sector securities	45,989	46,074	-85
Total PEPP	205,518	197,044	8,475
TOTAL	1,048,693	1,095,390	-46,698

²⁸ The Eurosystem figures are provisional and may be revised.

As a result of the impairment tests conducted at 31 December 2023 on the securities acquired under the aforementioned programmes, evidence of impairment was identified on a security in the CSPP portfolio. The Governing Council considered that a provision should be made for losses on monetary policy operations. Pursuant to Article 32.4 of the Statute of the ESCB and of the ECB, these losses were fully shared by the Eurosystem NCBs in proportion to the capital keys in force (see Note 26 to the balance sheet and Note 8 to the profit and loss account).

b) Other securities

This item includes that part of the Banco de España'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 debt securities which the Banco de España intends to hold until maturity.

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 made in the secondary market, none being direct subscriptions of security issues.

The breakdown of this item is as follows:

EUR m			
Security investments	2023	2022	Change
Trading portfolio	4,318.26	3,963.56	354.70
Held-to-maturity portfolio	22,500.63	23,470.85	-970.22
TOTAL	26,818.88	27,434.41	-615.53

The balance of this item as at 31 December 2023 was €26,818.88 million,²⁹ of which trading portfolio securities accounted for 16.1% and held-to-maturity securities for 83.9%. The market value of the held-to-maturity portfolio at end-2023 (which is furnished for information purposes, since it is not reflected on the balance sheet or in the profit and loss account) was €20,743.34 million (€1,757.28 million less than its book value). The impairment test conducted on the held-to-maturity portfolio concluded that there was no evidence of impairment at year-end.

Overall, these securities showed a net decrease of €615.53 million in 2023, as a result of an increase of €354.70 million in the trading portfolio and a decrease of €970.22 million in the held-to-maturity portfolio.

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

²⁹ As at 31 December 2023, there was €14.61 million in repurchase agreements under automated securities lending contracts.

EUR m

Reason for change	Trading portfolio	Held-to-maturity portfolio	Total
Net sale/redemption of securities	144.72	-1,265.48	-1,120.76
Unrealised gains at year-end (a)	152.13	—	152.13
Losses at year-end (a)	-0.24	—	-0.24
Accrued implicit interest	58.10	295.26	353.36
TOTAL	354.70	-970.22	-615.53

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

In 2023 held-to-maturity securities amounting to €30.60 million were sold, owing to adjustments arising from application of the general framework on limits in the Eurosystem.

8 Intra-Eurosystem claims

This heading includes the amounts of the following items:

EUR m

Type of asset	2023	2022	Change
Participating interest in the ECB	1,194.94	1,194.94	—
Claims equivalent to the transfer of foreign reserve assets to the ECB	4,810.85	4,810.85	—
Net claims related to the allocation of euro banknotes within the Eurosystem	184,849.92	173,406.05	11,443.86
TOTAL	190,855.70	179,411.84	11,443.86

a) Participating interest in the ECB

Pursuant to Article 28 of the Statute of the ESCB, the ESCB NCBs are the sole subscribers to the capital of the ECB. The ECB's capital is subscribed according to the key established in accordance with Article 29 of the Statute of the ESCB, 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 countries join or leave the European Union, that is, when their NCBs join, or cease to form part of, the ESCB.

This balance sheet item includes: i) the share in the subscribed capital of the ECB, and ii) the participating interest in the ECB's other net equity.

As regards the first component, the Banco de España's share in the capital of the ECB amounted to €1,049.82 million as at 2023 year-end, unchanged from 2022.

The capital keys of the NCBs are shown in the table below (Hrvatska narodna banka, the Croatian national bank, joined the Eurosystem on 1 January 2023):

	ECB's capital key (%)	
	As at 31 December 2022	Since 1 January 2023
Nationale Bank van België/Banque Nationale de Belgique (Belgium)	2.9630	2.9630
Deutsche Bundesbank (Germany)	21.4394	21.4394
Eesti Pank (Estonia)	0.2291	0.2291
Central Bank and Financial Services Authority of Ireland (Ireland)	1.3772	1.3772
Bank of Greece (Greece)	2.0117	2.0117
Banco de España (Spain)	9.6981	9.6981
Banque de France (France)	16.6108	16.6108
Hrvatska narodna banka (Croatia)	—	0.6595
Banca d'Italia (Italy)	13.8165	13.8165
Central Bank of Cyprus (Cyprus)	0.1750	0.1750
Latvijas Banka (Latvia)	0.3169	0.3169
Lietuvos bankas (Lithuania)	0.4707	0.4707
Banque centrale du Luxembourg (Luxembourg)	0.2679	0.2679
Central Bank of Malta (Malta)	0.0853	0.0853
De Nederlandsche Bank (The Netherlands)	4.7662	4.7662
Oesterreichische Nationalbank (Austria)	2.3804	2.3804
Banco de Portugal (Portugal)	1.9035	1.9035
Banka Slovenije (Slovenia)	0.3916	0.3916
Národná banka Slovenska (Slovakia)	0.9314	0.9314
Suomen Pankki – Finlands Bank (Finland)	1.4939	1.4939
Subtotal for euro area NCBs	81.3286	81.9881
Bulgarian National Bank (Bulgaria)	0.9832	0.9832
Česká národní banka (Czech Republic)	1.8794	1.8794
Danmarks Nationalbank (Denmark)	1.7591	1.7591
Hrvatska narodna banka (Croatia)	0.6595	—
Magyar Nemzeti Bank (Hungary)	1.5488	1.5488
Narodowy Bank Polski (Poland)	6.0335	6.0335
Banca Națională a României (Romania)	2.8289	2.8289
Sveriges Riksbank (Sweden)	2.9790	2.9790
Subtotal for non-euro area NCBs	18.6714	18.0119
TOTAL (a)	100.0000	100.0000

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

As regards the second component, the participating interest in the ECB's other net equity amounted to €145.12 million as at 31 December 2023, unchanged 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. Pursuant to Article 30.2 of the Statute of the

ESCB, the contribution of each NCB to the foreign reserve assets of the ECB shall be fixed in proportion to its share in the subscribed capital of the ECB. 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 €4,810.85 million was 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 €184,849.92 million at year-end, 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 it has a net asset position (see "Banknotes in circulation" and "Intra-Eurosystem balances" in Section 3.1 "Accounting policies").

The increase of €11,443.86 million with respect to 2022 is attributable to the net effect of two factors: i) the reduction in the banknotes put into circulation by the Banco de España in 2023 (negative net issuance of €13,350.27 million) was greater than its share, in accordance with the banknote allocation key, in the reduction in the overall volume of banknotes put into circulation by the Eurosystem (-€523.01 million), and ii) conversely, the decrease in the banknote allocation key on 1 January 2023, as a result of Croatia's entry into the Eurosystem (-€1,383.39 million).

d) Other claims within the Eurosystem (net)

In accordance with Eurosystem rules, since the accounts making up this item have a net liability balance, this information is presented on the liability side of the balance sheet (see Note 21 to the balance sheet).

9 Other assets. Tangible and intangible fixed assets and assets under construction

The balance of this item amounted to €323.27 million at end-2023, of which €1,003.40 million related to cost and €680.14 million to accumulated depreciation or amortisation.

The breakdown of this item by component, together with the related accumulated depreciation or amortisation, is as follows:

EUR m

	2023	2022	Change
Tangible fixed assets	613.14	598.97	14.17
Land and unbuilt plots	5.35	5.35	—
Buildings, structures and renovation work	118.88	118.14	0.74
Plant in building	228.63	226.44	2.19
Furniture and fittings	45.81	45.35	0.46
Office machines other than computer hardware	43.48	42.39	1.10
Computer hardware	110.56	100.81	9.76
Transport equipment	11.23	11.45	-0.22
Library collections	1.62	1.80	-0.18
Art collection	41.30	41.16	0.15
Other tangible fixed assets	6.27	6.09	0.18
Intangible fixed assets	249.30	245.83	3.47
Computer software	249.24	245.77	3.47
Industrial property	0.06	0.06	—
Assets under construction	140.97	114.28	26.69
Buildings, plant in building and other structures	49.78	39.34	10.44
Computer software of the Banco de España	71.10	58.83	12.27
Computer software of the Eurosystem	17.85	14.74	3.11
Other assets under construction	2.24	1.37	0.87
TOTAL	1,003.40	959.08	44.32

EUR m

	2023	2022	Change
Accumulated depreciation or amortisation			
Tangible fixed assets	-464.19	-445.66	-18.53
Buildings, structures and renovation work	-68.36	-65.49	-2.87
Plant in building	-214.97	-210.76	-4.21
Furniture and fittings	-41.38	-40.62	-0.76
Office machines other than computer hardware	-29.34	-26.64	-2.71
Computer hardware	-94.45	-86.89	-7.56
Transport equipment	-9.07	-8.75	-0.32
Library collections	-0.89	-1.03	0.14
Other tangible fixed assets	-5.73	-5.48	-0.25
Intangible fixed assets	-215.95	-205.54	-10.40
Computer software	-215.89	-205.49	-10.40
Industrial property	-0.06	-0.06	—
TOTAL	-680.14	-651.20	-28.93

Overall, fixed assets net of depreciation increased with respect to the previous year by €15.39 million. The €26.69 million increase in assets under construction was mainly due to new additions relating to the renovation and works at the buildings in Madrid and the branch offices, and various projects and computer software specifically for the Banco de España. The main increase in tangible fixed assets was in computer hardware (€9.76 million), attributable to the acquisition of new servers. The increase in intangible fixed assets

(€3.47 million) owed mainly to new additions of computer software following their transfer from assets under construction.

10 Other assets. Other financial assets

This item includes €201.16 million of financial investments (unchanged from the previous year), comprising mainly the Banco de España's participating interests in the Bank for International Settlements (€25.04 million) and in IMBISA (€176 million). This company, whose corporate purpose is the production of euro banknotes, is a vehicle of the Banco de España. It was incorporated in November 2015, is 80% owned by the Banco de España and had a share capital of €220 million at end-2023.

11 Other assets. Off-balance-sheet instruments. Revaluation differences

This item includes the amount of the net asset position arising from foreign exchange forward and swap transactions valued at the exchange rates prevailing at the end of the year. When it has a net liability position, it is recorded under the same heading in liability item 12.1.

12 Other assets. Accruals and prepaid expenses

The main components of this item, the balance of which amounts to €8,841.27 million, are as follows:

EUR m	2023	2022	Change
Accrued interest arising from securities acquisitions and accrued coupon interest receivable	5,876.09	5,906.56	-30.47
Trading portfolio	283.52	141.37	142.15
Denominated in foreign currency	234.32	92.94	141.38
Denominated in euro	49.20	48.44	0.76
Held-to-maturity portfolio	198.76	248.97	-50.21
Denominated in foreign currency	68.57	62.52	6.05
Denominated in euro	130.19	186.45	-56.25
Held for monetary policy purposes	5,393.81	5,516.21	-122.41
Other accrued interest receivable	2,955.84	1,016.92	1,938.92
On monetary policy operations	493.70	0.24	493.46
On intra-Eurosystem claims arising from banknote adjustments	2,119.94	791.48	1,328.47
On claims equivalent to the transfer of foreign reserves to the ECB	157.86	24.00	133.87
On foreign currency deposits	—	44.16	-44.16
On swap operations	49.54	68.19	-18.65
On claims on the IMF	134.38	88.60	45.78
Other	0.42	0.26	0.16
Accrued commissions receivable and prepaid expenses	9.34	8.83	0.51
TOTAL	8,841.27	6,932.31	1,908.96

As can be seen in the above table, the most significant items are the accrued interest arising from securities acquisitions and accrued coupon interest receivable arising from the monetary policy operations portfolio (€5,393.81 million), from the trading portfolio (€283.52 million), from the held-to-maturity portfolio (€198.76 million) and other accrued interest receivable on intra-Eurosystem claims arising from banknote adjustments (€2,119.94 million, corresponding to the remuneration in the last quarter).

13 Other assets. Sundry

The most significant component of this item, which totals €255.93 million, is the loans granted to Bank employees, the balance of which is €228.59 million, up by €20.95 million from 2022. The usual advance payment to the Treasury, which is made in December of each year based on the profits recorded to September, was not made in 2023, owing to the absence of profits (€793.43 million transferred in 2022) (see Note 15 to the profit and loss account).

14 Banknotes in circulation

The balance of banknotes in circulation (€170,553.48 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 (10.8825% since 1 January 2023). This key is determined as 92% of the Eurosystem capital key (11.8287%), i.e. deducting the 8% corresponding to the ECB.

At end-2022, the banknote allocation key was 10.9705%. The reduction in this key was the result of Croatia joining the euro area on 1 January 2023.

This balance was €1,906.40 million lower than in the previous year because of the smaller volume of euro banknotes put into circulation by the Eurosystem (down -0.3%). The difference between the balance of the banknotes allocated as per the balance sheet (€170,553.48 million) and those put into circulation in net terms by the Banco de España (-€14,296.44 million) is recorded in an adjustment account under this heading, with a balancing entry in item 9.4 on the asset side of the balance sheet (for €184,849.92 million).

The composition of the banknotes put into circulation in net terms by the Banco de España as at end-2023 is as follows:

EUR m			
Series	2023	2022	Change
€500 (a)	4,543.35	5,911.25	-1,367.90
€200	-2,089.35	-897.08	-1,192.27
€100	-19,773.48	-15,609.25	-4,164.23
€50	72,139.18	74,356.74	-2,217.56
€20	-50,249.47	-46,946.68	-3,302.79
€10	-17,679.84	-16,664.39	-1,015.45
€5	-1,186.83	-1,096.77	-90.07
Euro banknotes put into circulation by the Banco de España	-14,296.44	-946.17	-13,350.27
Adjustment as per banknote allocation key	184,849.92	173,406.05	11,443.86
Banknotes in circulation	170,553.48	172,459.88	-1,906.40

a In May 2016, the ECB decided to stop the production and issuance of €500 banknotes. This banknote will maintain its legal tender status and value for an indefinite period.

15 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 €257,755.85 million at end-2023, €10,253.70 million more than in the previous year.

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

EUR m			
Type of liability	2023	2022	Change
Current accounts (covering the minimum reserve system)	16,792.87	18,440.80	-1,647.93
Deposit facility	240,962.98	229,061.35	11,901.63
Fixed-term deposits	—	—	—
Fine-tuning reverse operations	—	—	—
Deposits related to margin calls	—	—	—
TOTAL	257,755.85	247,502.15	10,253.70

In 2023 the overall balance of this heading increased by €10,253.70 million (4.1%). However, the average overall balance decreased from €369,336 million in 2022 to €250,463 million in 2023, due to the sharp reduction in the balance at end-2022 as a result of the early repayment of some of the TLTRO III operations.

As regards the components of this item, the current accounts include the funds of credit institutions that are freely disposable, with which they must cover the minimum reserve requirements. The funds of credit institutions that are not freely disposable are excluded

from this heading and included under item 3 on the liability side of the balance sheet “Other liabilities to euro area credit institutions denominated in euro”. The deposit facility is used to make overnight deposits, which are remunerated at a predetermined interest rate (the deposit facility rate, or DFR) that is lower than the rate on the main refinancing operations (MRO rate).

Up to 20 December 2022 the funds held to meet the minimum reserve requirements were remunerated at the MRO rate. Between 21 December 2022 and 19 September 2023, they were remunerated at the Eurosystem’s DFR. As per the Governing Council’s decision, minimum reserves have been remunerated at 0% since 20 September 2023.

As regards credit institutions’ excess reserve holdings, in October 2019 the Governing Council of the ECB introduced a two-tier remuneration system consisting of an exempt tier (determined as a multiple, set at six, of a credit institution’s minimum reserve requirements), and a tier that is remunerated at 0% or the deposit facility rate, whichever is lower. After raising the deposit facility rate above zero as of 14 September 2022, the Governing Council decided to suspend this two-tier system by setting the multiplier to zero, such that the excess reserve holdings ceased to be remunerated.

Liquidity held in the deposit facility is remunerated at the DFR, which stood at 2% at the beginning of 2023 and was raised on several occasions until it reached 4% on 20 September, where it was held for the rest of the year.

The other headings in this item reflect fixed-term deposits and fine-tuning reverse operations for liquidity absorption purposes, and deposits related to margin calls. No such operations took place during the year.

16 Other liabilities to euro area credit institutions denominated in euro

This item had a year-end balance of €994.67 million. It includes the deposits held by credit institutions at the Banco de España which are not freely disposable, with a year-end balance of €1.87 million. It also includes monetary policy portfolio securities lending against cash collateral with euro area credit institutions. These are conducted through a specialised agency and amounted to €992.80 million (€3,036.04 million in 2022).

17 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 balance at year-end was €50,815.39 million, which breaks down as follows:

EUR m	2023	2022	Change
Central government	43,537.66	42,817.75	719.91
State	34,993.54	33,870.93	1,122.61
Central government agencies	8,544.12	8,946.82	-402.70
Territorial government	511.57	2,528.62	-2,017.05
Regional (autonomous) governments, administrative agencies and similar bodies	283.19	2,220.42	-1,937.23
Local government	228.38	308.20	-79.82
Social security funds	6,766.16	6,017.55	748.61
Social security system	6,179.25	5,476.69	702.56
Other	586.91	540.85	46.05
TOTAL	50,815.39	51,363.92	-548.53

The slight decrease of €548.53 million (-1%) in this item was mainly due to the decline in the balances held by regional (autonomous) governments, other government agencies and similar bodies (from €2,220.42 million in 2022 to €283.19 million in 2023), which was partly offset by the increase in the balances held by central government and social security funds.

Between 8 September 2022 and 30 April 2023, General Government deposits were remunerated at the lower of the DFR and the euro short-term rate (€STR). From 1 May 2023 onwards, the Governing Council adjusted the remuneration of these deposits by setting a ceiling at the €STR minus 20 bp.

As regards average balances, there was an increase in those held by central government (€67,037 million in 2023, up from €58,558 million in 2022) and by social security funds (€6,681 million in 2023, up from €5,450 million in 2022). By contrast, the average balance held by territorial government (regional and local government) decreased (€925 million in 2023, down from €3,705 million in 2022).

18 Liabilities to other euro area residents denominated in euro. Other liabilities

Included here are the balances held by financial institutions other than credit institutions (such as stock exchange operators, securities dealers and brokers, and clearing and settlement entities), margin deposits for outstanding derivatives transactions, the current accounts of non-administrative public and autonomous agencies of the State, employees, pensioners and special-purpose vehicles of the Banco de España and other accounts of legal entities classified in “Other resident non-financial sectors”.

At 2023 year-end, the balance of this heading was €3,342.11 million, down by €1,165.96 million from 2022 year-end, mainly because of the decrease in the amounts deposited as collateral by clearing and settlement entities (from €3,583.21 million at end-2022 to €2,706.04 million at end-2023).

19 Liabilities to non-euro area residents denominated in euro

This item includes basically the euro-denominated accounts held by European authorities (such as the Single Resolution Board), international organisations, non-Eurosystem monetary authorities and central banks to which reserve management services are provided, the cash collateral received for monetary policy portfolio securities lending transactions with non-euro area residents (through a specialised agency) and the margin deposits for derivatives contracts.

The balance of this heading in 2023 – €6,494.11 million – increased by €932.64 million compared with 2022, mainly because of the higher cash balances held by the Single Resolution Board with the Banco de España (€1,530.54 million) and the decrease in the balances from reserve management services rendered to central banks (-€569.19 million).

20 Counterpart of special drawing rights allocated by the IMF

This item, amounting to €14,548.17 million, shows the equivalent value of the SDRs allocated to Spain by the IMF, the balancing entry to the successive allocations recorded in item 2.1 on the asset side of the balance sheet. The total amount of this item decreased by €430.81 million with respect to the previous year, due to the change in the exchange rate of the SDR against the euro.

21 Intra-Eurosystem liabilities

This item, which as at 31 December 2023 had a balance of €391,269.08 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 asset position, this information is presented on the asset side of the balance sheet (see Note 8 to the balance sheet).

b) Other liabilities within the Eurosystem (net)

This sub-item had a balance of €391,269.08 million as at 31 December 2023, reflecting the sum of: 1) the position of the Banco de España vis-à-vis the ECB in respect of the transfers issued and received through TARGET by the ESCB NCBs, including the ECB itself; 2) the position vis-à-vis the ECB in respect of the pooling and allocation of monetary income within

the Eurosystem pending settlement; 3) the Banco de España's position vis-à-vis the ECB in respect of any dividends receivable at year-end, from the seigniorage income relating to euro banknotes issued by the ECB and the income on securities acquired by the ECB under the SMP, the CBPP3, the ABSPP, the PSPP and the PEPP; and 4) the net position of the Banco de España vis-à-vis the Eurosystem for other types of operations.

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

EUR m			
Type of liability	2023	2022	Change
Position of the Banco de España vis-à-vis the ECB due to transfers made and received through TARGET and correspondent banking	394,431.72	502,244.77	-107,813.05
Position vis-à-vis the ECB due to pooling and allocation of monetary income	-3,151.83	-1,352.64	-1,799.19
Dividend from banknote seigniorage and from SMP, CBPP3, ABSPP, PSPP and PEPP income	—	—	—
Other claims/liabilities (net) vis-à-vis the Eurosystem	-10.81	-10.81	—
TOTAL	391,269.08	500,881.32	-109,612.24

Regarding the first component, the year-end transfers via TARGET had a credit balance of €394,431.72 million, having declined by €107,813.05 million in the year. The remuneration of this position is calculated daily at the marginal interest rate of the Eurosystem's main refinancing operations (2.50% at end-2022 and, following successive hikes, 4.50% at end-2023). Its average balance also decreased during the year (from €498,241 million in 2022 to €423,879 million in 2023). This decline is essentially related to the liquidity received by Spanish credit institutions from abroad.

The second component reflects the position vis-à-vis the ECB in respect of the annual pooling and allocation of monetary income among the Eurosystem NCBs. It had a debit balance of €3,151.83 million at year-end (see "Net result of pooling of monetary income" in Note 8 to the profit and loss account).

As for the third component, due to the losses recorded in 2023, on 15 January 2024 the Governing Council of the ECB decided not to distribute the income of the ECB from the securities purchased under the SMP, the CBPP3, the ABSPP, the PSPP and the PEPP.³⁰ Its balance as at end-2023 was therefore zero (see "Income from equity shares and participating interests" in Note 7 to the profit and loss account).

Lastly, the debit balance of "Other assets/liabilities (net) vis-à-vis the Eurosystem" at end-2023 (€10.81 million) relates to the management of funds stemming from the repayment by the Spanish State of loans from the European Union.

³⁰ Decision of the European Central Bank of 15 December 2014 on the interim distribution of the income of the European Central Bank (ECB/2014/57) (recast).

22 Items in course of settlement

Included here are various accounts which as at 31 December 2023 were in the course of settlement, such as transfer instructions pending execution.

The balance of this item at year-end (€1,060.09 million) mainly related to the amount of the credit transfer orders made to accounts with other institutions that were yet to be fulfilled (€313.49 million) and to the net position of the Banco de España vis-à-vis the STEP2 clearing house (€738.61 million).

23 Other liabilities. Off-balance-sheet instruments. Revaluation differences

This item includes the amount of the net liability position arising from foreign exchange forward and swap transactions valued at the exchange rates prevailing at the end of the year. When it has a net asset position, it is recorded under the same heading in item 11.4 on the asset side. Its liability balance of €76.53 million as at end-2023 reflected the net value of the swap transactions outstanding at that date that are listed below:

Operation	Position	Currency	2023			2022
			Currency amount (million)	Market exchange rate	Equivalent (EUR m)	Equivalent (EUR m)
Swaps	Asset	GBP	603.85	0.8691	694.83	259.37
		CAD	127.40	1.4642	87.01	378.11
		AUD	—	—	—	333.09
		USD	3,435.31	1.1050	3,108.88	5,777.48
	Liability	JPY	620,200.00	156.3300	3,967.25	7,049.98
Net position				76.53	301.94	

At year-end, there were unexpired swaps involving the Japanese yen against the US dollar, Canadian dollar and pound sterling.

24 Other liabilities. Accruals and income collected in advance

This item includes accrued interest payable, accrued expenses payable and income collected in advance.

As at 31 December 2023, its balance amounted to €1,880.36 million, €1,479.10 million of which was interest accrued in December on the intra-Eurosystem liabilities arising from the TARGET balances payable at the end of the year (remunerated at the marginal rate on the Eurosystem's main refinancing operations).

The balance of this item has decreased by €1,635.75 million, mainly because of the interest arising from the remuneration at negative interest rates of certain longer-term refinancing operations with credit institutions that had accrued at end-2022, on account of the interest rate at which they are remunerated becoming positive in 2023 (recognised under “Accruals and prepaid expenses”).

25 Other liabilities. Sundry

This includes other liabilities not classifiable above.

As at 31 December 2023, the balance of this item was €504.01 million (€386.00 million in 2022). Its main sub-items are the amounts received on account in government debt subscription applications (€336.40 million, €217.91 million in 2022), the accounts payable relating to accrued operating expenses (€53.29 million, €58.88 million in 2022) and the cash arising from redemptions of, and interest on, book-entry government debt immobilised under EU legislation relating to restrictive measures on the financial resources of certain agents (€40.48 million, unchanged in the year).

26 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	2023	2022	Change
For financial risks	26,375.24	32,987.18	-6,611.94
For operational risk	471.27	480.78	-9.51
For monetary policy portfolio impairment	5.08	—	5.08
For the collective agreement 2011-2014	10.36	9.42	0.94
For death and retirement assistance	104.08	102.93	1.15
For early and regular retirement	3.34	4.86	-1.52
For sundry liabilities and charges	1.37	0.33	1.04
For ongoing lawsuits	3.55	7.02	-3.47
TOTAL	26,974.29	33,592.52	-6,618.23

Provision for financial risks

This is the most important provision. It encompasses the provisions for foreign exchange and interest rate risks, credit risks relating to the Banco de España’s financial positions and structural balance sheet risk. The balance of this provision is revised annually based on the

Banco de España's valuation of its exposure to the aforementioned risks. This valuation is based on the expected shortfall methodology, with a confidence level of 99% and a time horizon of one year.

At end-2023, following approval by the Executive Commission, €6,611.94 million of the provision was released to offset the losses stemming from the covered risks, with the following breakdown: €156.96 million to cover the interest rate and foreign exchange losses; €108.52 million to cover the net realised losses arising from financial operations; €5.08 million to cover credit losses arising from the impairment of securities held in the PEPP – corporate sector securities risk-sharing monetary policy portfolio; and €6,341.38 million to cover part of the structural risk materialised, resulting in profit for the year of zero (see Note 5 to the profit and loss account).

Provision for operational risk

Operational risk exposure is quantified on the basis of one-year Value at Risk (VaR) with a confidence level of 99.9%. As in previous years, operational risk was covered in full in 2023.

This provision was used to cover the operational loss events arising during the year for a net amount of €1.42 million and was reduced by €8.09 million owing to a decrease in the assessed risk at year-end (see Note 14 to the profit and loss account). Its balance at 2023 year-end was therefore €471.27 million.

Provision for the impairment of the risk-sharing monetary policy portfolios of the Eurosystem

In 2023 impairment losses were recognised on the securities held in the Eurosystem's PEPP – corporate sector securities risk-sharing monetary policy portfolio. The recording of a provision of €42.92 million was deemed appropriate by the Governing Council of the ECB. Pursuant to Article 32.4 of the Statute of the ESCB, the provision must be fully financed by all the Eurosystem NCBs in proportion to the capital keys in force in 2023. Consequently, the Banco de España recorded a provision of €5.08 million, corresponding to its share of 11.8287%.

Other provisions

In 2023 there was an increase of €1.15 million in the provision for death and retirement assistance, due to the net effect of: i) changes in the year (monthly recognition of the service cost and the interest cost, less the amounts paid out of the provision); and ii) the revision at year-end of the discount rate used to calculate it (3.65% in 2023; 3.13% in 2022).

Meanwhile, there was a decrease of €1.52 million in the provisions for early and regular retirement, mainly as a result of the payments made during the year and the increase in the discount rate used to calculate them.

The balance of the provision for sundry liabilities and charges increased by €1.04 million in 2023, to stand at €1.37 million at the end of the year, which mainly related to the amounts payable to employees for the wage increase under Law 31/2022 of 23 December 2022 on the State Budget for 2023 (see Note 10 to the profit and loss account).

The provision for ongoing lawsuits declined by €3.47 million due to a decrease in the estimate of the risks stemming from ongoing litigation.

27 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. The breakdown is as follows:

EUR m	2023	2022	Change
Gold	16,060.42	14,595.95	1,464.47
Foreign currency	6,068.97	8,162.04	-2,093.07
Securities (trading portfolio)	559.13	97.35	461.78
Issued in foreign currency	301.82	5.08	296.75
Issued in euro	257.31	92.28	165.03
Other	27.23	0.01	27.22
TOTAL	22,715.75	22,855.35	-139.60

The balance of revaluation accounts at end-2023 was €22,715.75 million, down by €139.60 million from 2022. The most significant change was in the revaluation accounts for foreign currency, which decreased by €2,093.07 million, basically due to the depreciation of the US dollar against the euro.

With respect to gold, the unrealised gains were up by €1,464.47 million as a result of an increase in its market price (from €1,706.08 per ounce at end-2022 to €1,867.83 per ounce at end-2023).

Revaluation accounts for held-for-trading securities increased by €461.78 million (€296.75 million in foreign currency-denominated securities and €165.03 million in euro-denominated securities), as a result of changes in their market prices in the year.

The increase in “Other” is due to the unrealised gains in investment funds, in both euro and US dollars.

28 Capital

As at 31 December 2023, the capital of the Banco de España amounted to €1 billion, with no change in the year. Of this amount, €1.37 million was constituted pursuant to Decree-Law

18/1962 of 7 June 1962 and €998.63 million arose from a capital increase carried out in 2006 through the retention of a portion of 2005 profits.

29 Reserves

As at 31 December 2023, the reserves of the Banco de España amounted to €882.45 million, unchanged from the previous year. Included in this item are, 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, as authorised by the Council of Ministers on 28 July 2006 and 29 June 2007, respectively (€379.28 million and €500 million).

30 Profit for the year

Profit for 2023, after releasing the provision for financial risks, was zero (€2,402.60 million in 2022).

The losses before releasing the provision amounted to €6,611.94 million (profit of €4,009.41 million in 2022). The losses were mainly the result of the materialisation of structural balance sheet risk: the increase in policy interest rates has had an immediate effect on the cost of liabilities as they are mostly sight liabilities, whereas the increase in the yields on assets has been smaller, as these are mostly made up of securities held for monetary policy purposes acquired at low yields and with long maturities. At end-2023, following approval by the Executive Commission, the provision for financial risks was released to cover the losses incurred as a result of the materialisation of the risks covered (structural risk, market risk and credit risk) for the aforementioned amount of €6,611.94 million, resulting in profit for the year of zero.

With regard to the payment of profit to the Treasury, 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 December, 70% of the profits recorded up to 30 September, taking into consideration the possible changes in profit up to the end of the year. In addition, on the first working day of March it must pay in 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.

During 2023, the following amounts were paid to the Treasury in respect of 2022 profits:

- a) On 1 March 2023, €1,368.91 million, which, together with the payment in December 2022, amounted to 90% of the profit of €2,402.60 million for 2022.
- b) On 31 May 2023, €240.26 million, representing the remaining profit for 2022, once the balance sheet and profit and loss account for that year had been approved by the Council of Ministers.

With regard to the profit for 2023, losses were recognised at 30 September and it was estimated that this situation would not change by the end of the year. Accordingly, on 1 December 2023 no interim payment was made to the Treasury (see Note 15 to the profit and loss account, “Profit for the year”).

The details of the various components of the profit for 2023 and the reasons for the changes therein with respect to 2022 are given in Section 3.3 below on the profit and loss account.

3.3 Notes to the profit and loss account

1 Interest income

This item includes interest income earned on the assets of the Banco de España. The breakdown in 2023 and 2022 is as follows:

	Interest income			Average investment		Average yield	
	2023	2022	Change	2023	2022	2023	2022
Foreign currency	2,871.48	1,240.93	1,630.54	69,325	67,786	4.09	1.81
Securities	1,841.48	727.14	1,114.33	44,727	35,826	4.06	2.00
IMF and deposits	852.21	376.34	475.87	24,598	31,959	3.42	1.16
Swaps, forwards and others	177.79	137.45	40.34				
Euro	15,755.39	6,544.46	9,210.93	904,501	1,104,653	1.72	0.58
Own funds portfolio securities	401.37	394.79	6.58	26,488	27,395	1.49	1.42
Trading portfolio	150.16	99.81	50.34	4,050	3,379	3.66	2.91
Held-to-maturity portfolio	251.21	294.97	-43.76	22,438	24,015	1.10	1.21
Securities held for monetary policy purposes	6,104.49	6,558.71	-454.22	623,194	623,591	0.97	1.04
SMP	57.36	72.68	-15.31	751	958	7.53	7.48
CBPP	309.76	249.99	59.77	30,293	30,871	1.01	0.80
PSPP – government securities	3,979.10	4,869.70	-890.60	264,478	267,235	1.48	1.80
PSPP – supranational securities	372.39	231.75	140.64	72,952	71,834	0.50	0.32
CSPP	362.61	324.20	38.42	28,966	29,281	1.23	1.09
PEPP	1,023.26	810.40	212.87	225,754	223,411	0.45	0.36
Monetary policy operations	2,147.45	-1,453.51	3,600.96	70,919	280,491	2.99	-0.51
Main refinancing operations	18.95	0.01	18.94	446	–	4.19	2.00
Longer-term refinancing operations (a)	2,128.50	-1,453.51	3,582.01	70,473	280,490	2.98	-0.51
Marginal lending facility	–	–	–	–	–	3.35	1.51
Intra-Eurosystem claims	7,093.80	1,031.94	6,061.86	183,900	173,177	3.80	0.59
Claims equivalent to the transfer of foreign reserves to the ECB	157.86	24.00	133.87	4,811	4,811	3.24	0.49
Claims related to allocation of euro banknotes within the Eurosystem	6,933.13	1,007.95	5,925.19	178,952	168,269	3.82	0.59
Other claims within the Eurosystem (net)	2.81	–	2.81	137	97	2.02	–
Other assets	8.28	12.52	-4.24				
TOTAL	18,626.87	7,785.39	10,841.48	973,826	1,172,438	1.89	0.65

a For comparison purposes, this year the interest expense that was incurred on LTROs in 2022 is shown in this table (see Note 2 to the profit and loss account).

In 2023 interest income amounted to €18,626.87 million, of which €2,871.48 million was denominated in foreign currencies and €15,755.39 million was interest denominated in euro.

The foreign currency-denominated interest income mainly arose from debt securities (€1,530.77 million in US dollars; €153.99 million in Canadian dollars; €120.98 million in pounds sterling; €20.21 million in Australian dollars; and €15.52 million in Chinese renminbi), positions vis-à-vis the IMF (€747.28 million) and deposits in foreign currencies (mainly in US dollars), which generated income of €104.93 million. Currency swaps gave rise to interest income of €171.36 million, essentially from operations in Japanese yen against US dollars and, to a lesser extent, against Canadian dollars and pounds sterling.

Most of the euro-denominated interest income arose from intra-Eurosystem claims (€7,093.80 million, of which €6,933.13 million was generated on claims related to the allocation of banknotes and €157.86 million on claims equivalent to reserves transferred to the ECB). These claims are remunerated at the MRO rate. Next in order of importance is the interest earned on the monetary policy portfolio (€6,104.49 million, with an average yield of 0.97%) and the own funds portfolio (€401.37 million, with an average yield of 1.49%).

Meanwhile, monetary policy operations (loans) generated interest amounting to €2,147.45 million, virtually all of which corresponds to longer-term refinancing operations (TLTRO III, €2,097.03 million; LTROs, €31.38 million; PELTROs, €0.08 million). In 2023 the average yield on these monetary policy operations was 2.99%.

To assess the impact of monetary policy operations and intra-Eurosystem claims and liabilities on the Banco de España's profit and loss account, two aspects must be assessed in combination: (i) the interest income and expense recorded under items 1 and 2 (arising from monetary policy assets and liabilities held on the Banco de España's balance sheet); and (ii) the pooling of monetary income (item 12 in the profit and loss account), whereby the net income from monetary policy operations is distributed among the NCBs on the basis of their share in the ECB's subscribed capital (see Note 8 to the profit and loss account).

Overall interest income increased by €10,841.48 million (139%) compared with 2022, owing to higher interest both on euro-denominated investments (€9,210.93 million, 141%) and on those denominated in foreign currencies (€1,630.54 million, 131%).

Interest income denominated in foreign currencies (€1,630.54 million) increased mainly due to the higher average yield obtained (4.09% in 2023, versus 1.81% in 2022), in line with developments in the main foreign currency interest rates. Interest income increased across all investments: debt securities portfolio (€1,114.33 million), IMF and deposits (€475.87 million) and swap, forward and other transactions (€40.34 million).

The increase of €9,210.93 million in euro-denominated interest income owed to the net effect of the following:

- Higher interest earned on intra-Eurosystem claims remunerated at the MRO rate (€7,093.80 million in 2023, versus €1,031.94 million in 2022), due to changes in the average rate applied (3.80% in 2023; 0.59% in 2022).
- Higher interest income earned on monetary policy loans, which generated positive returns in 2023 (€2,147.45 million, with an average yield of 2.99%), versus the net interest expense incurred in 2022 (-€1,453.51 million, with an average cost of -0.51%). In 2023 there was a sizeable reduction in outstanding loans, on account of the maturity of the third, fourth, fifth and sixth operations of TLTRO III and the early repayments made.
- Decrease in the income from monetary policy portfolios (-€454.22 million; -7%), as a result of the fall in income on the PSPP – government securities portfolio, due to lower earnings from inflation-linked bonds, and the now-terminated SMP and CBPP2 portfolios, due to the redemptions. This fall in income was partly offset by the higher interest in the other portfolios, most notably the PEPP portfolio, due to the increase in its yield (0.45% in 2023; 0.36% in 2022), and the PSPP – supranational securities portfolio. The average yield on the total monetary policy portfolio was 0.97% in 2023, compared with 1.04% in 2022.
- Higher interest on euro-denominated own funds portfolio securities (€6.58 million; 2%) as a result of the lower average investment (€26,488 million in 2023, compared with €27,395 million in 2022). In 2023, the average yield increased slightly (1.49% in 2023; 1.42% in 2022).

2 Interest expense

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

EUR m and %

	Interest expense			Average financing		Average cost	
	2023	2022	Change	2023	2022	2023	2022
Foreign currency	565.12	188.10	377.02	14,456	14,236	3.86	1.30
SDRs allocated by the IMF	564.09	185.40	378.69	14,456	14,236	3.85	1.28
Swaps and forwards	1.04	2.70	-1.66				
Euro	26,962.44	3,406.99	23,555.45	754,102	939,439	3.53	0.36
Monetary policy operations	8,160.04	530.01	7,630.02	250,463	369,336	3.21	0.14
Current accounts (covering the minimum reserve system) (a)	354.43	-685.69	1,040.12	16,931	263,549	2.06	-0.26
Deposit facility	7,805.61	1,215.71	6,589.90	233,532	105,787	3.30	1.13
General government deposits	2,490.40	101.73	2,388.66	79,759	71,862	3.12	0.14
Other liabilities within the Eurosystem (net)	16,146.28	2,771.29	13,375.00	423,879	498,241	3.76	0.55
Other liabilities denominated in euro (a)	165.72	3.96	161.76				
TOTAL	27,527.56	3,595.09	23,932.47	768,557	953,676	3.53	0.37

a For comparison purposes, this year the interest income that arose from "Current accounts (covering the minimum reserve system)" and "Other liabilities denominated in euro" in 2022 is shown in this table.

Interest expense denominated in foreign currencies (€565.12 million) basically comprised the interest accrued on the SDRs allocated by the IMF (€564.09 million) and, residually, the interest expense arising from swap operations and margin deposits for derivatives. The higher expense compared to 2022 (up by €377.02 million) owed mainly to the increase in expenses generated by SDRs (€378.69 million), resulting from a higher average cost (3.85% in 2023; 1.28% in 2022).

The interest expense denominated in euro (€26,962.44 million) mainly comprised interest on TARGET balances (€16,146.28 million), deposits from credit institutions (€7,805.61 million from the deposit facility and €354.43 million from current accounts) and general government deposits (€2,490.40 million). However, as indicated in the previous note, the final impact of these operations on the Banco de España's results is affected by the pooling and allocation of monetary income among NCBs.

Compared with the previous year, euro-denominated interest expense increased by €23,555.45 million, due to the effect of the following:

- Interest expense on intra-Eurosystem liabilities corresponding to TARGET balances increased considerably (by €13,375 million); their average cost in 2023 was 3.76%, versus 0.55% in 2022, in line with the increase in the MRO rate at which they are remunerated.
- The interest expense incurred on deposits from credit institutions increased by €7,630.02 million (€6,589.90 million corresponding to the deposit facility and €1,040.12 million to current accounts). This is due to changes in their average cost (3.21% in 2023, versus 0.14% in 2022), partly offset by the lower average balance,

essentially linked to the repayment of monetary policy loans referred to in the previous section.

- Higher interest expense incurred on general government deposits (up by €2,388.66 million), due to changes in the applicable interest rate³¹ and, to a lesser extent, the increase in the average balance (€79,759 million in 2023; €71,862 million in 2022).

3 Realised gains/losses arising from financial operations

This item includes the gains and losses arising from the sale of financial assets. In 2023 the net losses in this connection amounted to €108.52 million (2022: gains of €40.34 million). The breakdown is as follows:

EUR m	2023	2022	Change
Foreign currency	-99.05	59.97	-159.02
Sale of gold	—	—	—
Sale of foreign currency (exchange rate)	174.65	103.39	71.26
Sale of securities (price)	-172.43	-101.93	-70.50
Interest rate futures	-101.26	58.51	-159.77
Euro	-9.47	-19.63	10.16
Sale of securities	-9.47	-19.05	9.58
Investment funds	—	-0.58	0.58
TOTAL	-108.52	40.34	-148.86

Of note in 2023 were the losses on sales of securities, mainly those denominated in foreign currency (€172.43 million) and, to a lesser extent, those denominated in euro (€9.47 million). The losses on the sale of securities denominated in foreign currency were incurred on securities denominated in US dollars (€120.74 million), Canadian dollars (€39.08 million) and pounds sterling (€29.28 million), due to the negative performance of their market prices, and were offset in part by the gains on the sale of securities denominated in Australian dollars (€16.67 million). The losses in euro mainly stemmed from the sale of securities from the CBPP3 monetary policy portfolio.³²

Meanwhile, the gains on the sale of foreign currencies (€174.65 million) were almost entirely due to the sale of US dollars (€100.59 million) and Australian dollars (€68.41 million). The gains

31 In September 2022 the Governing Council temporarily removed (until April 2023) the interest rate ceiling of 0% for remunerating these deposits, applying instead the lower of either the deposit facility rate or the €STR. Subsequently, in February 2023, the Governing Council decided to adjust the remuneration of government deposits by setting a ceiling at the €STR minus 20 bp, applicable from 1 May 2023.

32 These losses, for a total amount of €9.42 million, correspond to a partial early repayment by the issuer (€8.85 million) and sales conducted as a result of thresholds being breached (€0.57 million).

were lower in 2022 (€103.39 million), and were likewise largely attributable to sales of US dollars (€93.50 million).

In 2023 losses of €101.26 million were incurred on interest rate futures (€93.04 million relating to US dollars and €8.47 million to pounds sterling), due to a sharper than expected rise in the yields during the year, which prompted falls in the assets' value.

4 Write-downs on financial assets and positions

This item includes exchange rate losses on foreign currency holdings and price losses on securities and investment funds, for that portion that cannot be offset by unrealised gains from previous years. The breakdown in 2023 and 2022 is as follows:

EUR m	2023	2022	Change
Foreign currency (exchange rate)	0.01	10.86	-10.84
Foreign currency-denominated securities (price)	156.70	616.35	-459.65
Euro-denominated securities (price)	0.24	350.33	-350.08
Investment funds (price)	—	54.69	-54.69
TOTAL	156.96	1,032.23	-875.27

Write-downs in 2023 amounted to €156.96 million, virtually all of which (€156.70 million) related to foreign currency-denominated debt securities (€155.59 million in US dollars, €1.03 million in Canadian dollars, €0.05 million in pounds sterling and €0.03 million in Chinese renminbi).

No unrealised exchange rate losses were recognised on any of the main foreign currencies or investment funds (€54.69 million in 2022).

5 Transfer to/from provisions for financial risks

The breakdown in 2023 and 2022 is as follows:

EUR m	2023	2022	Change
Transfer to provisions	—	2,639.04	-2,639.04
Transfer from/release of provisions	-6,611.94	-1,032.23	-5,579.71
TOTAL	-6,611.94	1,606.81	-8,218.75

In 2023 the release of €6,611.94 million of the provision for financial risks covers the following amounts:

- The net realised losses arising from financial operations amounting to €108.52 million (see Note 3 to the profit and loss account).
- The write-downs amounting to €156.96 million at end-2023, arising from the measurement of financial assets, liabilities and positions at market values (see Note 4 to the profit and loss account).
- The credit losses amounting to €5.08 million, arising from the impairment of the PEPP – corporate sector securities risk-sharing monetary policy portfolio (see Note 8 to the profit and loss account).
- The remaining losses for the year, amounting to €6,341.38 million, are the result of the materialisation of structural balance sheet risk.

6 Net income from fees and commissions

This basically includes income and expenses arising from fees and commissions for banking services and the like (TARGET, custody and administration of securities denominated in euro and in foreign currencies, etc.). The breakdown is as follows:

EUR m	2023	2022	Change
1 Income from fees and commissions	29.58	33.90	-4.32
Foreign operations	0.07	0.05	0.02
Domestic operations	29.51	33.85	-4.34
2 Expenses relating to fees and commissions	-20.41	-21.38	0.97
Foreign operations	-7.08	-6.96	-0.12
Domestic operations	-13.33	-14.42	1.08
Net income from fees and commissions (1 + 2)	9.17	12.52	-3.35

Net fee and commission income in 2023 amounted to €9.17 million. This income arose basically from the pooling and allocation among NCBs of fees and commissions charged to participants in TARGET (€15.03 million), and the fees and commissions charged to the Treasury for debt servicing (€5.42 million), to other NCBs and entities for securities operations as part of the correspondent banking service between central banks (€3.17 million) and to the holders of direct accounts (€2.54 million). Expenses notably include the fees and commissions paid to Iberclear (central securities depository) for the maintenance of securities accounts (€8.40 million) and the expenses relating to the custody of securities denominated in foreign currency (€5.54 million).

7 Income from equity shares and participating interests

This item includes the Banco de España's share of the ECB's profits and the dividends on other shares and participating interests.

EUR m	2023	2022	Change
ECB	—	4.97	-4.97
Ordinary dividend	—	4.97	-4.97
Dividend from banknote seigniorage and SMP, CBPP3, ABSPP, PSPP and PEPP income	—	—	—
Other	3.34	3.34	—
TOTAL	3.34	8.31	-4.98

In 2023 dividends amounting to €3.34 million were received for shares in the Bank for International Settlements (the same amount as in 2022).

In 2023 the ECB did not distribute an ordinary dividend for 2022 as it recorded profit of zero in that year (dividend of €4.97 million received in 2022).

Regarding ECB dividends from seigniorage income and from the SMP, CBPP3, ABSPP, PSPP and PEPP monetary policy portfolios, as the ECB recognised a loss for 2023, on 15 January 2024 the ECB Governing Council resolved that there would be no profit distribution to NCBs.³³

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 components of the earmarkable assets and the liability base are as follows:

³³ The ECB's loss before the release of the provision for financial risks amounted to -€7,886 million, which was reduced to -€1,266 million after this provision (€6,620 million) was released in full.

Earmarkable assets	Remuneration (pooled income)	Liability base	Remuneration (deductible expenses)
Part of gold holdings that correspond to each NCB's capital key share	N/A	Banknotes in circulation	N/A
Intra-Eurosystem claims equivalent to the transfer of foreign reserves to the ECB (except gold)	Main refinancing operations rate	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	Effective interest rate
Lending to euro area credit institutions related to monetary policy operations denominated in euro	Effective interest rate	Net intra-Eurosystem liabilities arising from TARGET transactions (a)	Main refinancing operations rate
CBPP, CBPP2, PSPP - government and PEPP - government	Main refinancing operations rate	Accrued interest at quarter-end on monetary policy liabilities the maturity of which is one year or longer	N/A
SMP, CBPP3, PSPP - supranational, CSPP and PEPP (excluding PEPP - government)	Effective interest rate		
Claims on non-Eurosystem NCBs that relate to liquidity-providing operations in euro	Interest income (including accruals)		
Balances related to accrued coupon interest on impaired securities held for monetary policy purposes and for which full income/risk sharing applies	N/A		
Net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem (a)	Main refinancing operations rate		
Accrued interest on monetary policy assets the maturity of which is one year or longer	N/A		

a Depending on the NCB, these components may be earmarkable assets or form part of the liability base.

If the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference shall be offset by applying to the value of the difference the prevailing marginal interest rate on main refinancing operations.

The breakdown of this income in 2023 and 2022 is as follows:

EUR m	2023	2022	Change
Net result of pooling of monetary income	3,152.83	1,347.47	1,805.37
Monetary income pooled	-1,668.48	496.52	-2,165.00
Monetary income allocated	4,821.31	850.95	3,970.37
Correction of prior years	-1.01	5.17	-6.18
Transfer to/from the provision for monetary policy operations and ECB losses	-5.08	—	-5.08
TOTAL	3,146.75	1,352.64	1,794.11

The monetary income pooled by the Eurosystem's NCBs is to be allocated among these same NCBs in accordance with their subscribed ECB capital key. In 2023 the difference between the monetary income pooled by the Banco de España, amounting to €1,668.48 million, and that reallocated to it, amounting to €4,821.31 million, is equivalent to a net allocation (income) of €3,152.83 million.

The following table shows the breakdown of the pooling of monetary income for 2023 by its different items, along with the related impact on the Banco de España's net interest income for the year.

EUR m	Local P&L (a)	Pooling of monetary income (b)	P&L according to the Eurosystem capital key (a) + (b)
Lending related to monetary policy operations	2,147.45	1,028.54	3,175.99
Monetary policy portfolios - shared income	1,297.43	-293.97	1,003.46
Claims related to banknote issuance	6,933.13	-7,502.90	-569.77
Claim equivalent to the transfer of foreign reserves to the ECB	157.86	—	157.86
Liabilities to credit institutions	-8,160.04	-7,263.05	-15,423.09
Intra-Eurosystem TARGET balances with the ECB	-16,146.28	17,822.61	1,676.33
Non-earmarkable assets (non-shared mon. pol. portfolios + GAP)		-638.39	-638.39
	-13,770.45	3,152.84	-10,617.61
Foreign currency investments (net)	2,306.36		2,306.36
Euro-denominated own funds portfolio	401.37		401.37
Non-shared monetary policy portfolios	4,797.65		4,797.65
General government deposits	-2,490.40		-2,490.40
Other claims/liabilities	-154.64		-154.64
TOTAL (*)	-8,910.11		-5,757.27

(*) The difference compared with net interest income (-€8,900.69 million) (item 3 on the profit and loss account) owes to the inclusion in this table of losses arising from the sale of the CBPP3 portfolio (included in item 4 on the profit and loss account), which are shared as part of the pooling of monetary income.

In addition to this ordinary pooling, the revision in 2023 of the monetary income obtained in previous years³⁴ resulted in a reduction of the Bank's income of €0.99 million. Further, €0.02 million was recognised in respect of the Banco de España's share of the final losses arising from the completion in 2023 of the insolvency proceeding of a Eurosystem monetary policy counterparty, which began in 2008.

In addition, in January 2024 the Governing Council of the ECB approved the NCBs' shares of the impairment losses on securities held by an NCB on behalf of the Eurosystem in the PEPP – corporate sector securities risk-sharing monetary policy portfolio. The impairment calculated at 31 December 2023 amounted to €42.92 million. Therefore, the amount to be recognised by the Banco de España, according to its capital key in the Eurosystem at that date (11.83%), was

34 The revision stems from changes to data reported by four NCBs.

€5.08 million. The impairment was recorded as a provision for losses arising from monetary policy operations.

Consequently, the positive net result for the year under this item was €3,146.75 million.

9 Other income and losses

This includes the income and losses that cannot be included in other items, along with other sundry income and losses of an exceptional nature. The breakdown in 2023 and 2022 is as follows:

EUR m			
Description	2023	2022	Change
Extraordinary income/loss	2.42	-2.76	5.18
Sundry	16.72	19.97	-3.24
TOTAL	19.14	17.20	1.94

This item discloses net income of €19.14 million. “Sundry” includes, inter alia, the reimbursement of expenses incurred in the development and performance of services and projects of the Eurosystem and similar bodies in which the Banco de España participates as a provider (€11.14 million), €3.97 million relating to the recovery of indirect costs allocated to Sepblac and €1.31 million for the recovery of expenses relating to international remittances.

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 follows:

EUR m and %				
	2023	2022	Change	%
Wages and salaries	245.03	234.31	10.72	4.57
Social insurance payments	55.66	50.81	4.86	9.56
Staff welfare expenses	21.73	21.00	0.73	3.47
Pension scheme	14.40	13.50	0.90	6.68
TOTAL	336.82	319.62	17.21	5.38

Its balance increased from €319.62 million in 2022 to €336.82 million in 2023, a rise of €17.21 million (5.4%). This increase mainly stemmed from the 3.5% rise in wages laid down in

Law 31/2022 of 23 December 2022 on the State Budget for 2023 (a fixed 2.5%, 0.5% linked to the harmonised CPI and 0.5% linked to nominal GDP),³⁵ which resulted in staff costs growth of 3.1%. The larger workforce, the higher average level of staff and the increase in social insurance payments also played a part.

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

	2023	2022	Change	%
Average number of employees (a)	3,321	3,294	27	0.8
Managerial staff	2,479	2,434	45	1.9
Administrative staff	712	726	-13	-1.8
Other	130	135	-5	-4.0

a The average number of employees is calculated based on the number of employees who incurred staff costs for the Banco de España during the years analysed. Banco de España employees at Sepblac are therefore excluded.

As at 31 December 2023, the Banco de España's total staff numbered 3,473 employees,³⁶ 42 more than at the same date a year earlier. Regarding the staff composition by gender, at 31 December 2023 women accounted for 52% of the Bank's total workforce.

The compensation of members of the governing bodies is set by the Minister for Economic Affairs, Trade and Enterprise in accordance with the provisions of the Law of Autonomy of the Banco de España. In 2023 the Governor received a gross annual salary of €206,603.58,³⁷ with supplementary salary items amounting to €30,554.70. The Deputy Governor received a gross annual salary of €195,360.75 and supplementary salary items amounting to €36,018.33. The elected members of the Governing Council receive a gross annual wage of €61,201.29; if they sit on the Executive Commission, the gross annual wage is €76,805.32.

In addition to the foregoing, the members of the governing bodies receive equal amounts of fees for attending meetings, set at €1,213.26 per meeting of the Governing Council and €581.88 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 follows:

35 Provisioned as at 31 December 2023, unpaid at the same date, subject to confirmation of the reference value being achieved.

36 Includes Banco de España employees at Sepblac.

37 The increase in the gross salaries of the Governor and the Deputy Governor compared with the amounts disclosed for 2022 does not include the increase of 0.5% linked to nominal GDP, which was not paid in 2023 due to achievement of the reference value not yet being confirmed.

EUR m and %

Description	2023	2022	Change	%
Rental and maintenance	52.00	46.78	5.22	11.2
Materials and utilities	9.95	12.29	-2.34	-19.0
External services	120.64	110.73	9.91	8.9
Training, promotion and recruitment	2.48	2.34	0.14	6.0
Sundry operating expenses	18.57	15.34	3.23	21.1
TOTAL	203.64	187.48	16.17	8.6

The above table shows that, as in 2022, in 2023 the most significant administrative expenses were “External services” (€120.64 million), mainly IT services (€57.64 million) and operating expenses relating to Eurosystem applications (€24.71 million); and “Rental and maintenance” (€52.00 million), composed mainly of computer hardware and software rental and maintenance (€30.90 million) and property rental and maintenance (€15.88 million).

In 2023 administrative expenses increased overall by €16.17 million (8.6%), mainly in “External services” (€9.91 million; 8.9%), as a result of the higher amount of IT and software operating services billed to the Bank and higher surveillance and security expenses. The increase in “Rental and maintenance” (€5.22 million; 11.2%) owed mainly to higher computer hardware rental and maintenance costs. The decrease in “Materials and utilities” (-€2.34 million; -19%) owed mainly to lower electricity costs resulting from lower market prices. The “Sundry operating expenses” item was up by €3.23 million (21.1%) essentially due to secondment expenses.

“External services” includes the expenses relating to the external audits. The audit of the Banco de España’s annual accounts for 2023 and of certain aspects of its management of ECB reserves was performed by KPMG Auditores, S.L., whose annual fees amounted to €193,600 (including VAT). This was the only service provided by the auditor to the Bank. In 2023 no services were received from and, consequently, no amounts were paid to, other firms related to the auditor.

12 Depreciation of tangible and intangible fixed assets

Included here is the expense of the estimated depreciation of the Banco de España’s fixed assets, which breaks down as follows:

EUR m and %	2023	2022	Change	%
Depreciation of buildings, structures and renovation work	2.84	2.81	0.03	1.1
Depreciation of plant in building	4.10	4.93	-0.83	-16.8
Depreciation of furniture and fittings	1.01	1.06	-0.05	-4.6
Depreciation of office machines other than computer hardware	3.08	2.80	0.28	10.0
Depreciation of computer hardware	7.58	7.39	0.18	2.5
Depreciation of transport equipment	0.66	0.45	0.21	47.6
Depreciation of general library collection	0.12	0.14	-0.02	-12.0
Depreciation of other tangible fixed assets	0.25	0.21	0.05	22.6
Amortisation of computer software	11.04	12.41	-1.37	-11.0
TOTAL	30.69	32.19	-1.51	-4.7

Compared with 2022, depreciation expenses decreased by €1.51 million, owing mainly to the lower amortisation of computer software.

13 Banknote production services

The cost of these services amounted to €74.08 million in 2023 (€62.04 million in 2022) and corresponds to payments made by the Banco de España to purchase banknotes from IMBISA. This company, whose corporate purpose is the production of euro banknotes, was incorporated in November 2015 and is 80% owned by the Banco de España.

The cost of banknote production has increased by €12.04 million (19.4%) due to the increase in the price of the €50 banknote, stemming mainly from the higher cost of the raw materials, despite a lower volume of banknotes being produced in 2023 than in 2022.

Denomination (€)	Banknotes charged (millions of banknotes)	
	2023	2022
50	487.0	564.0
10	—	—
5	—	86.1
Samples	0.1	0.2
TOTAL	487.1	650.2

14 Transfers to/from other funds and provisions

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

The net transfers from these funds were as follows:

EUR m			
	2023	2022	Change
Provision for operational risk	-9.51	-4.28	-5.22
Provision for death and retirement assistance	-4.15	-16.36	12.21
Provision for early and regular retirement	-0.30	-0.91	0.61
Provision for ongoing lawsuits	-3.47	-0.21	-3.26
Country risk	—	—	—
Withdrawn banknotes	—	—	—
Other	—	-0.05	0.05
Beneficent-Social fund	—	7.23	-7.23
TOTAL	-17.42	-14.58	-2.85

In 2023 there was a net release of €17.42 million, compared with €14.58 million in 2022. Of note are the net transfer from the provision for operational risk (€9.51 million, stemming from the release of €1.42 million to cover loss events arising in the year and the transfer of €8.09 million from the provision to maintain coverage of 100% of the risk calculated) and the transfer from the provision for death and retirement assistance (€4.15 million), due mainly to the increase in the discount rate used to calculate it (3.65% in 2023, versus 3.13% in 2022). A total of €3.47 million was transferred from the provision for ongoing lawsuits in 2023.

As the Bank's profit amounted to zero, no transfer to the Beneficent-Social Fund was made. A total of €7.23 million was transferred in 2022.

The Banco de España is currently working on measures to improve its environmental sustainability. At year-end, there were no environmental management-related contingencies or liabilities, or environmental risks stemming from the Bank's activity that may be significant relative to its net assets, financial position or profit and loss. Therefore, 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 2023 no interim amount was paid into the Treasury given that the Bank presented a loss at 30 September 2023 and this situation was unlikely to change by year-end.

This loss was confirmed at year-end. To cover it, the Executive Commission resolved to release the provision for financial risks, as these were the risks that had materialised. Consequently, the Banco de España's profit for the year amounted to zero.

As a result, given the lack of profit for 2023, the Bank did not make an interim payment into the Treasury on 1 March 2024 either.

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/losses not recognised as income in the profit and loss account, the change in general provisions and the effect on the balance sheet of the distribution of profit for the year.

EUR m

	Capital	Reserves	Revaluation accounts	Undistributed profit	General provisions	Total
A) 2023 opening balance	1,000.00	882.45	22,855.35	1,609.17	33,467.96	59,814.93
1 Net gains/losses not recognised in profit and loss			-139.60			-139.60
In gold			1,464.47			1,464.47
In foreign currency			-2,093.07			-2,093.07
In securities			461.78			461.78
Other			27.22			27.22
2 Change in provisions		—			-6,621.45	-6,621.45
3 2023 profit				—		—
4 Distribution of profit				-1,609.17		-1,609.17
Payment to the Treasury of 2022 profit				-1,609.17		-1,609.17
Payment to the Treasury of 2023 profit				—		—
B) Changes in the year B = 1 + 2 + 3 + 4	—	—	-139.60	-1,609.17	-6,621.45	-8,370.22
C) 2023 closing balance C = A + B	1,000.00	882.45	22,715.75	—	26,846.51	51,444.71

The changes reflected in this table have been explained above in the explanatory notes to the balance sheet and profit and loss account that refer to provisions (Note 26 to the balance sheet), revaluation accounts (Note 27 to the balance sheet), capital (Note 28 to the balance sheet), reserves (Note 29 to the balance sheet) and profit for the year (Note 30 to the balance sheet and Note 15 to the profit and loss account).

In 2023 equity decreased by €8,370.22 million, mainly due to the change in general provisions (€6,621.45 million) and the payment to the Treasury of the amount pending of 2022 profit (€1,609.17 million).

3.5 Post-balance sheet events

Five-yearly adjustment of the ECB's capital key

Pursuant to Article 29 of the Statute of the ESCB, the weightings assigned to the NCBs in the key for subscription to the ECB's capital must be adjusted every five years. The fifth such adjustment following the establishment of the ECB was made on 1 January 2024, as follows:

	ECB's capital key (%)	
	As at 31 December 2023	Since 1 January 2024
Nationale Bank van België/Banque Nationale de Belgique (Belgium)	2.9630	3.0005
Deutsche Bundesbank (Germany)	21.4394	21.7749
Eesti Pank (Estonia)	0.2291	0.2437
Central Bank and Financial Services Authority of Ireland (Ireland)	1.3772	1.7811
Bank of Greece (Greece)	2.0117	1.8474
Banco de España (Spain)	9.6981	9.6690
Banque de France (France)	16.6108	16.3575
Hrvatska narodna banka (Croatia)	0.6595	0.6329
Banca d'Italia (Italy)	13.8165	13.0993
Central Bank of Cyprus (Cyprus)	0.1750	0.1802
Latvijas Banka (Latvia)	0.3169	0.3169
Lietuvos bankas (Lithuania)	0.4707	0.4826
Banque centrale du Luxembourg (Luxembourg)	0.2679	0.2976
Central Bank of Malta (Malta)	0.0853	0.1053
De Nederlandsche Bank (The Netherlands)	4.7662	4.8306
Oesterreichische Nationalbank (Austria)	2.3804	2.4175
Banco de Portugal (Portugal)	1.9035	1.9014
Banka Slovenije (Slovenia)	0.3916	0.4041
Národná banka Slovenska (Slovakia)	0.9314	0.9403
Suomen Pankki – Finlands Bank (Finland)	1.4939	1.4853
Subtotal for euro area NCBs	81.9881	81.7681
Bulgarian National Bank (Bulgaria)	0.9832	0.9783
Česká národní banka (Czech Republic)	1.8794	1.9623
Danmarks Nationalbank (Denmark)	1.7591	1.7797
Magyar Nemzeti Bank (Hungary)	1.5488	1.5819
Narodowy Bank Polski (Poland)	6.0335	6.0968
Banca Națională a României (Romania)	2.8289	2.8888
Sveriges Riksbank (Sweden)	2.9790	2.9441
Subtotal for non-euro area NCBs	18.0119	18.2319
TOTAL	100.0000	100.0000

On 1 January 2024, the weighting of the Banco de España in the ECB's subscribed capital was reduced from 9.6981% to 9.6690% and, as a result, item 9.1 on the asset side of the balance sheet, "Participating interest in ECB", decreased by €3.15 million.

Pursuant to Article 30.2 of the Statute of the ESCB, the contributions of the NCBs to the transfer of foreign reserve assets to the ECB are fixed in proportion to their share in the ECB's subscribed capital. Given the lower weighting of the Banco de España in the ECB's subscribed capital, the claim equivalent to this transfer was also adjusted accordingly. This resulted in a reduction of €14.44 million on 1 January 2024, which was repaid by the ECB.

3.6 Risk management

As a result of its activity, the Banco de España is exposed to financial and operational risks which could have a financial and reputational impact and affect the Bank's ability to meet its business objectives.

The risk policy of the Banco de España aims to maintain a low and predictable overall risk level to preserve its reputation and solvency, without detriment to the priority compliance with the statutory tasks under the Law of Autonomy of the Banco de España, or to the fulfilment of its objectives.

1 Risk management system

The Banco de España manages all its risks taking into account their differing nature. For the management of these risks, it applies a framework consisting of a set of basic principles, a model for risk management and control, and governance.

1.1 Principles

The Banco de España's risk management system is underpinned by the following basic principles:

- A risk culture, integrated throughout the organisation and developed by involving the governing bodies in all the management and decision-making processes relating to risks.
- Clear assignment of functions relating to risk management, ensuring that the aims pursued are met and optimising the use of technical and human resources, avoiding redundant activities.
- Adequate separation between the risk-generating units and those tasked with risk control that allows for communication with the bodies responsible for setting risk policies.
- The existence of reporting lines which ensure that the competent bodies regularly receive reliable and timely information on risks.

- The use of objective and uniform criteria for the management of all risks, applying a different treatment in each case depending on their nature.
- The existence of the necessary mechanisms to ensure that the management framework functions properly and is periodically assessed.

1.2 Risk management and control model

The risk management and control model guarantees the effectiveness and efficiency of the risk management system, through its components.

First, the risk management and control model used by the Banco de España includes a comprehensive risk map that covers the main categories of risk to which it is exposed. At the first level, the map distinguishes between financial and operational risks. At the second level, under financial risks, the following sub-categories are considered: credit risk, market risk and structural balance sheet risk.

Second, the model is based on a risk management cycle that comprises five universally applicable stages: identification, assessment, response, monitoring and reporting for each risk.

Third and lastly, the model includes the definition of limits for all the risks assumed by the Banco de España, defined according to the methodology adopted for each type of risk and expressed in quantitative and qualitative terms. These limits are reviewed periodically in an ongoing process of improvement and adaptation to the Bank's objectives and needs.

1.3 Governance

The governance of the risk management system of the Banco de España has been designed on the basis of a "Three Lines Model" to address risk.

The first line is formed by the units of the Bank which, as part of their activities, generate exposure to risk. The second line consists of the units that are responsible for risk control and oversight, and also provide information and support to the first line. The Internal Audit Department, as the third line, periodically verifies risk management and control policies, methods and procedures to ensure they are adequate and verifies that they are being implemented effectively.

The three lines, although independent, act in a coordinated manner, so as to maximise their efficiency and effectiveness.

The Banco de España's Executive Commission has ultimate authority over the risk management system. It is responsible for establishing the general principles that define the risk level and for

oversight of risk management and control at the Bank. The Risk Management and Continuity Committee, which was created to assist it in the performance of these functions, is responsible for proposing to the Executive Commission the adoption of the necessary risk management measures, providing an overarching view of such risks.

2 Financial risks

The financial risks assumed by the Banco de España arise from the financial transactions conducted to perform the functions and fulfil the objectives entrusted to it by law. They essentially comprise the following:

- Credit risk: the risk of incurring losses as a result of total or partial non-compliance with their contractual obligations by the issuers, counterparties or depositaries of its financial assets.
- Market risk: the risk of incurring losses as a result of fluctuations in the price of financial assets (including exchange rates and interest rates) and gold prices.
- Structural balance sheet risk: the risk of incurring losses as a result of the potential mismatch between the sensitivity of assets and liabilities to changes in interest rates.

These risks are quantified by the 99% expected shortfall metric, calculating the average loss observed that may arise from changes in the risk factors in the worst 1% of the simulated scenarios and with a one-year time horizon. The resulting figure is used as a benchmark to assess the financial risk provisioning needs.

In the area of monetary policy, the financial risks assumed by the Banco de España arise both from lending transactions and from securities purchase programmes.

Other financial investments of the Banco de España materialise in different portfolios, which may be denominated in euro or foreign currency, and in a gold portfolio. Every year, the number of these portfolios is determined, as are the desired net variations and the asset distribution targets depending on the currency denomination. In the case of held-to-maturity portfolios, an average maturity target is established. As regards the trading portfolios, strategic benchmark portfolios are created.

In addition, the currencies in which investments may be made, the eligible financial instruments and transactions, the eligible issuers, guarantors and counterparties and any limitations on each of these for prudential reasons are regularly reviewed.

Lastly, as at other Eurosystem NCBs, the Banco de España is working to incorporate climate-related risk into monetary policy conduct, and to include sustainable and responsible investment principles in respect of its own investment portfolios.

3 Operational risk and continuity management

In order to obtain a global and comprehensive overview of the non-financial risks faced by the Banco de España, operational risk management combines the traditional bottom-up approach (risks identified in the processes) with a top-down approach (based on the concerns of senior management) and a cross-cutting view from the Bank's specialised areas.

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 external events. These losses are determined by how strongly the Bank's financial assets, reputation or objectives are impacted by the materialisation of a risk event.

In the bottom-up approach, operational risk management 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. Operational risk identification and assessment are based on an analysis of (i) possible situations that could have an impact, (ii) the effectiveness of the existing control environment, and (iii) the specific measures taken to prevent such situations from arising and to reduce damage if they were to occur.

The risk tolerance policy provides guidance with respect to risk acceptance and response strategies. It is linked to a matrix that assesses the impact and frequency of each identified risk using qualitative and quantitative criteria, taking into account the existing control environment. The business areas inform the Risk Management and Continuity Committee of the most relevant risks, together with the proposed response.

The level of operational risk (financial impact) is quantified using the VaR methodology with a 99.9% confidence level and a one-year time horizon.

Finally, the Banco de España seeks to maintain a high level of resilience. To this end, among other issues, it specifically manages the operational risk of business interruption or "discontinuity risk". The aim is to ensure that the probability of the Bank interrupting its activity, whatever the cause, is kept at a reasonably low level and that, in the event of interruption, the impacts are limited through appropriate mitigation measures. To this end, the Banco de España has implemented a new business continuity management framework, comprising a cross-cutting crisis plan and individual plans for all the Bank's areas and whose scope of application extends to all processes with identified operational risk.

4 Specific information required by Article 4(2) of the Law of Autonomy of the Banco de España of 1 June 1994

4.1 Loss of profit

The loss of profit for the year is estimated, pursuant to the provisions of Article 4(2) of Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España, based on the loans outstanding in the year with interest rates below the daily average of the rate on the main refinancing operations.

The following table shows the outstanding loans in 2023 with interest rates below the reference rate:

EUR m	Average balance in 2023	Interest rate charged (%)	Reference interest rate (%)	Loss of profit
Home loans and repayable advances to employees	220.69	0.30	3.81	7.74
Home loans	156.05	0.36	3.81	5.38
Repayable advances	43.38	—	3.81	1.65
Social loans	21.25	0.50	3.81	0.70
TOTAL	220.69	0.30	3.81	7.74

Other loans with lower interest rates were those under the Eurosystem's TLTRO III programme, provided for in Article 9 of the aforementioned Law of Autonomy, which have been reported on in Note 2 to the profit and loss account and Note 6(b) to the balance sheet.

Annexes

1 Report of the Banco de España Audit Committee

At the Banco de España Audit Committee meeting held on 6 March 2024, attended by all its members, Carles Manera Erbina (Chair), Luis Servén Díez and Judith Arnal Martínez, unanimously adopted the following resolution:

“In accordance with Articles 29.3 and 32.1 of the Internal Rules of the Banco de España, approved by the Governing Council Resolution of 28 March 2000, this Committee was tasked with reviewing the accounts of the institution for 2023.

As required by the aforementioned precepts, 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 2023, 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 2023, conducted by its 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 into the annual accounts by the Control, Budget and Accounting Department.

The basic conclusion of the Audit Committee’s report is that from the analysis carried out, the examination of the accounting procedures, the accounting records and the internal controls in place, it can be inferred that the annual accounts for 2023 give a true and fair view of the net worth and financial position of the Banco de España.”

Madrid, 6 March 2024



CARLES MANERA ERBINA



LUIS SERVÉN DÍEZ



JUDITH ARNAL MARTÍNEZ

2 Report of the external auditors



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report in accordance with International Standards on Auditing

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

To the Honourable Governor of Banco de España

Opinion

We have audited the annual accounts of Banco de España (the "Bank"), which comprise the balance sheet at 31 December 2023, the income statement for the year then ended, and the explanatory notes to the annual accounts, which include a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the financial position of the Bank at 31 December 2023, and of its financial performance for the year then ended, in accordance with the internal rules and accounting principles of the Bank, specified in explanatory note 3.1 to the accompanying annual accounts, based on the accounting regulations established for national central banks of the European System of Central Banks.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including international independence standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Paseo de la Castellana, 259 C - 28046 Madrid

On the Spanish Official Register of Auditors ("ROAC") with No. S0702, and the Spanish Institute of Registered Auditors' list of companies with No. 10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrp. 9
N.I.F. B-78510153



Other Matter

These annual accounts have been audited under International Standards on Auditing. Under no circumstances may this report be considered an auditor's report in the terms provided in legislation regulating the audit of accounts in Spain.

Responsibility for the Annual Accounts

The Executive Commission of the Bank is responsible for organising the Bank and appointing its general managers. Under the Internal Rules of the Bank, the Directorate General Services is responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view in accordance with the internal rules and accounting principles of the Bank, specified in explanatory note 3.1 to the accompanying annual accounts, based on the accounting regulations established for national central banks 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 such internal control as this department determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directorate General Services is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Pursuant to article 21.g) of Law 13/1994 of 1 June 1994 on the autonomy of Banco de España, the annual accounts are prepared by the Governing Council of Banco de España.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.



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

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance of Banco de España regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Pedro González Millán

22 March 2024

BANCO DE ESPAÑA PUBLICATIONS

The Banco de España publishes various types of documents providing information on its activity (economic reports, statistics, research papers, etc.), which can be consulted in the Institutional Repository at <https://repositorio.bde.es/>.

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/>.

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ISSN: 2445 - 3668 (online edition)