

ANNUAL ACCOUNTS OF THE BANCO DE ESPAÑA 2013

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 on the accounts. The accounts have been prepared in accordance with the internal accounting rules and principles of the Banco de España. These rules and principles are based on the accounting framework established for national central banks (NCBs) of the European System of Central Banks (ESCB)¹ pursuant to Article 26.4 of the Statute of the ESCB on standardisation of accounting and reporting procedures relating to operations undertaken by NCBs. In the cases not regulated by Eurosystem accounting legislation, the Banco de España applies its internal policies based on generally accepted accounting principles adapted to the special characteristics of the operations and functions of a central bank.

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

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

Unless otherwise indicated, the figures are expressed in millions of euro. Those relating to 2012 are presented solely for comparison with 2013. To this end, the information for 2012 on some expense accounts has been reorganised as explained in the related notes to the profit and loss account. Due to rounding, on occasions the totals included in the balance sheet, profit and loss account and notes on the annual accounts may not equal the sum of the individual figures. This document presents the accounts for the year 2013. Section 2 includes the balance sheet and profit and loss account at 31 December 2013; Section 3 contains the notes on the accounts, with the accounting policies that have served as a framework for their preparation, the explanatory notes on the most important aspects of the balance sheet and profit and loss account, the changes in equity and the management of risk exposures; and Section 4, in compliance with Article 4.2 of the Law of Autonomy, details the contributions made to the Deposit Guarantee Fund and the loans and transactions agreed on other than an arm’s-length basis or which in any other way entail a loss of profit or losses for the Bank, along with the estimated amount.

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

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

2 BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

BALANCE SHEET OF THE BANCO DE ESPAÑA AS AT 31 DECEMBER 2013

EUR m

	Note Number	2013	2012	Change
ASSETS				
1 Gold and gold receivables	1	7,887.81	11,418.40	-3,530.59
2 Claims on non-euro area residents denominated in foreign currency		25,611.86	26,593.16	-981.30
2.1 Receivables from the IMF	2	5,593.31	5,907.82	-314.51
2.2 Balances with banks and security investments, external loans and other external assets	3	20,018.55	20,685.34	-666.79
3 Claims on euro area residents denominated in foreign currency	4	2,175.35	2,576.94	-401.60
4 Claims on non-euro area residents denominated in euro		402.28	812.81	-410.53
4.1 Balances with banks, securities investments and loans	5	402.28	812.81	-410.53
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	195,170.41	361,086.88	-165,916.47
5.1 Main refinancing operations		17,106.70	45,735.00	-28,628.30
5.2 Longer-term refinancing operations		178,063.59	315,351.79	-137,288.20
5.3 Fine-tuning reverse operations		-	-	-
5.4 Structural reverse operations		-	-	-
5.5 Marginal lending facility		-	-	-
5.6 Credits related to margin calls		0.12	0.09	0.03
6 Other claims on euro area credit institutions denominated in euro		3.78	0.87	2.92
7 Securities of euro area residents denominated in euro	7	88,211.85	96,930.56	-8,718.71
7.1 Securities held for monetary policy purposes		29,586.07	32,989.53	-3,403.45
7.2 Other securities		58,625.78	63,941.03	-5,315.26
8 General government debt denominated in euro	8	1,943.37	2,915.05	-971.68
9 Intra-Eurosystem claims	9	53,105.07	40,078.29	13,026.78
9.1 Participating interest in ECB		1,077.72	1,078.50	-0.78
9.2 Claims equivalent to the transfer of foreign reserves		4,782.87	4,783.65	-0.77
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem		47,244.47	34,216.14	13,028.33
9.5 Other claims within the Eurosystem (net)		-	-	-
10 Items in course of settlement		2.12	1.04	1.08
11 Other assets		6,457.70	7,269.06	-811.36
11.2 Tangible and intangible fixed assets	10	257.97	263.67	-5.70
11.3 Other financial assets	11	25.25	45.70	-20.45
11.4 Off-balance sheet instruments revaluation differences	12	104.07	162.30	-58.24
11.5 Accruals and prepaid expenses	13	4,492.89	4,825.31	-332.42
11.6 Sundry	14	1,577.52	1,972.07	-394.56
TOTAL ASSETS		380,971.59	549,683.05	-168,711.46

BALANCE SHEET OF THE BANCO DE ESPAÑA AS AT 31 DECEMBER 2013 (cont'd)

EUR m

	Note Number	2013	2012	Change
LIABILITIES				
1 Banknotes in circulation	15	104,377.15	99,641.36	4,735.80
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	16	30,783.49	72,004.69	-41,221.20
2.1 Current accounts (covering the minimum reserve system)		15,949.79	12,851.75	3,098.04
2.2 Deposit facility		14,833.00	59,046.50	-44,213.50
2.3 Fixed-term deposits		-	-	-
2.4 Fine-tuning reverse operations		-	-	-
2.5 Deposits related to margin calls		0.70	106.45	-105.74
3 Other liabilities to euro area credit institutions denominated in euro	17	0.63	110.01	-109.38
5 Liabilities to other euro area residents denominated in euro		4,164.40	10,951.86	-6,787.46
5.1 General government	18	2,116.77	9,009.99	-6,893.22
5.2 Other liabilities	19	2,047.62	1,941.86	105.76
6 Liabilities to non-euro area residents denominated in euro	20	144.98	141.68	3.29
7 Liabilities to euro area residents denominated in foreign currency		0.95	0.85	0.10
8 Liabilities to non-euro area residents denominated in foreign currency		0.73	0.77	-0.03
8.1 Deposits, balances and other liabilities		0.73	0.77	-0.03
8.2 Liabilities arising from the credit facility under ERM II		-	-	-
9 Counterpart of special drawing rights allocated by the IMF	21	3,162.06	3,296.08	-134.02
10 Intra-Eurosystem liabilities	22	213,382.14	336,831.24	-123,449.10
10.2 Liabilities related to promissory notes backing the issuance of ECB debt certificate		-	-	-
10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem		-	-	-
10.4 Other liabilities within the Eurosystem (net)		213,382.14	336,831.24	-123,449.10
11 Items in course of settlement	23	1,679.49	183.75	1,495.74
12 Other liabilities		176.00	350.59	-174.59
12.1 Off-balance-sheet instruments revaluation differences	24	-	-	-
12.2 Accruals and income collected in advance	25	55.74	237.54	-181.81
12.3 Sundry	26	120.27	113.05	7.22
13 Provisions	27	9,013.67	7,806.34	1,207.33
14 Revaluation accounts	28	9,038.52	12,568.59	-3,530.07
15 Capital and reserves		1,899.81	1,950.00	-50.19
15.1 Capital	29	1,000.00	1,000.00	-
15.2 Reserves	30	899.81	950.00	-50.19
16 Profit for the year	31	3,147.58	3,845.23	-697.66
TOTAL LIABILITIES		380,971.59	549,683.05	-168,711.46

PROFIT AND LOSS ACCOUNT OF THE BANCO DE ESPAÑA FOR THE YEAR ENDING 31 DECEMBER 2013

EUR m

	Note Number	2013	2012	Change
1 Interest income	1	6,388.48	8,223.84	-1,835.36
2 Interest expense	2	1,721.62	3,116.53	-1,394.91
3 Net interest income (1 – 2)		4,666.86	5,107.31	-440.45
4 Realised gains/losses arising from financial operations	3	-1.94	132.25	-134.19
5 Write-downs on financial assets and positions	4	285.36	1.01	284.35
6 Transfer to/from provisions for financial risks	5	-1,268.68	-1,565.92	297.25
7 Net result of financial operations, write-downs and risk provisions (4 – 5 + 6)		-1,555.98	-1,434.68	-121.29
8 Fees and commissions income		17.55	19.32	-1.76
9 Fees and commissions expense		10.64	12.04	-1.40
10 Net income from fees and commissions (8 – 9)	6	6.91	7.27	-0.36
11 Income from equity shares and participating interests	7	221.36	89.58	131.78
12 Net result of pooling of monetary income	8	173.55	514.17	-340.62
13 Other income and losses	9	120.88	-4.55	125.43
14 TOTAL NET INCOME (3 + 7 + 10 + 11 + 12 + 13)		3,633.58	4,279.10	-645.52
15 Staff costs	10	217.83	210.91	6.92
16 Administrative expenses	11	125.46	119.38	6.08
17 Depreciation of tangible and intangible fixed assets	12	30.43	30.60	-0.17
18 Banknote production services	13	70.31	47.43	22.88
19 Other expenses		3.21	2.92	0.29
20 TOTAL OPERATING EXPENSES (15 + 16 + 17 + 18 + 19)		447.25	411.24	36.01
21 Transfers and additions to other funds and provisions	14	38.75	22.63	16.13
22 PROFIT FOR THE YEAR (14 – 20 – 21)	15	3,147.58	3,845.23	-697.66

Countersigned by
The Governor,



LUIS M. LINDE DE CASTRO

The Comptroller,



JAVIER PACIOS RODRÍGUEZ

3 NOTES ON THE ACCOUNTS

3.1 Accounting policies

1 BASIC PRINCIPLES

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

2 BASIS OF ACCOUNTING

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

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

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

Gold

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

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

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

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

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

Foreign currencies

Spot purchases or sales of foreign currencies are recorded at the settlement date, and affect the foreign currency position from that date. Gains and losses on the spot sale of

² As at 31/12/1998 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.

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

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

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

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

Repurchase agreements
involving securities

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

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

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

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

Doubtful debtors

Where there is any reasonable doubt about the recovery of an asset, it is recorded in a special separate account and the relevant provision set aside.

Loans to financial institutions
and balances with EU central
banks

These are valued at their nominal amount.

The ECB establishes the conditions applicable to the monetary policy operations conducted by Eurosystem central banks and the need to obtain adequate collateral for

them. Also, Article 32.4 of the Statute of the ESCB and of the ECB stipulates that the Governing Council may decide that national central banks shall be indemnified, in exceptional circumstances, for specific losses arising from monetary policy operations undertaken for the ESCB. Indemnification shall be in a form deemed appropriate in the judgment of the Governing Council; these amounts may be offset against the national central banks' monetary income (see Note 27 on the balance sheet and Note 8 on the profit and loss account).

Loans to the State

In accordance with the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20), they are valued at nominal amount (see Notes 8 and 27 to the balance sheet and Note 5 to the profit and loss account).

Shares and participating interests

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

Tangible and intangible fixed assets

Fixed assets are defined as those non-financial assets owned by the Bank that are intended to be used for a period exceeding 12 months and contribute directly or indirectly to fulfilling its objectives and/or to the probable generation of income in the future and, in addition, their cost can be reliably assessed.

Fixed assets are generally valued initially at cost, defined as the amount of the monetary disbursements made or committed to, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner, such as transport, installation, professional fees for legal services, non-refundable taxes and the fair value of other consideration given.

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 €600 (€6,000 in the case of buildings, structures and plant in buildings), although there may be exceptions, normally for control reasons.

Only extensions, replacements, rehabilitations and improvements that exceed €6,000 are capitalised, provided also that the elements replaced can be removed from the balance sheet or that they are fully depreciated.

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

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

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

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

The depreciation/amortisation rates and estimated useful lives applied to the various fixed assets in 2013 were as follows:

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

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

Banknotes in circulation

The ECB and the NCBs, which together comprise the Eurosystem, have issued euro banknotes since 1 January 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 euro banknotes in circulation, whereas the remaining 92% has been allocated to the NCBs and divided amongst them according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed under the item "Banknotes in circulation" on the liability side of their respective balance sheets.

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation also gives rise to remunerated intra-Eurosystem balances.

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

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

These claims or liabilities, which incur interest,⁶ are disclosed under the item “Intra-Eurosystem: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem” (see “Intra-Eurosystem balances” in this section on accounting policies).

From 2002 until 2007, the intra-Eurosystem balances arising from the allocation of euro banknotes were adjusted in order to avoid significant changes in the relative income positions of the NCBs that initially formed part of the Eurosystem as compared with previous years. The adjustments were effected by taking into account the differences between the average value of banknotes in circulation of each NCB in the specified reference period⁷ and the average value of banknotes that would have been allocated to them during that period under the ECB’s capital key. The adjustments were progressively reduced in annual stages until the end of 2007. However, this mechanism has also been applied in the case of new Member States adopting the euro so as to calculate the amount of compensation corresponding to each of them under the aforementioned calculation method, this adjustment being divided among the rest of the national central banks according to their respective weightings in the capital key of the ECB. This adjustment is gradually reduced over a six-year period, being held unchanged during each financial year.

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

The ECB’s income arising from the euro banknotes in circulation assigned to it and from securities purchased under the Securities Markets Programme are allocated in full to the NCBs in the financial year in which it accrues.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. The Governing Council may decide to reduce the distributable ECB income on euro banknotes in circulation by the costs incurred by the ECB in connection with the issue and handling of banknotes. The ECB Governing Council shall decide whether all or part of the ECB’s income arising from securities purchased under the Securities Markets Programme and all or part of the ECB’s income on euro banknotes in circulation should be retained to the extent necessary to ensure that the amount of the distributed income does not exceed the ECB’s net profit for that year. The ECB Governing Council may also decide to transfer all or part of this income to an ECB provision for foreign exchange rate, interest rate, credit and gold price risks. The amount distributed to NCBs is shown in the profit and loss account item “Income from equity shares and participating interests” in the year in which this income accrued.

Intra-Eurosystem balances

Intra-Eurosystem balances arise from the Banco de España’s participating interest in the ECB, claims equivalent to the reserves transferred to the ECB and the net balance resulting from the transfers issued and received by TARGET2⁹ among the national central banks of the ESCB, including the ECB. They also arise from the balances vis-à-vis the ECB resulting from allocation of euro banknotes within the Eurosystem. In addition, the outcome of the

6 Decision of the ECB of 25 November 2010 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (ECB/2010/23).

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

8 Decision of the European Central Bank of 19 December 2012 (ECB/2012/33) amending the European Central Bank Decision of 25 November 2010 (ECB/2010/24) on the interim distribution of the income of the European Central Bank on euro banknotes in circulation and arising from securities purchased under the securities markets programme.

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

contribution and allocation of monetary income to NCBs and the positions vis-à-vis the ECB owing to the deferral of sundry receipts and payments also give rise to intra-Eurosystem balances.

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

Recognition of income and expenses

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

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

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

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

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

Pension Scheme

The Pension Scheme for Bank employees is of the defined-contribution type. The Pension Fund of which this Scheme forms part is external and closed-end. Contributions made by the Banco de España on behalf of the employees who joined the Bank after 1 February 1986, are eligible to and do participate in the Scheme, are recognised as a current expense in the year to which they relate.¹⁰

Provisions

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

Financial derivatives

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

¹⁰ 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, although in 2013, in application of Article 22. three of Law 17/2012 of 27 December 2012 on the State Budget for 2013, those contributions were not made.

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

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

3 SALIENT FEATURES
OF THE ESTIMATES MADE

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

These estimates are based on the best information available at end-2013, and future events may require them to be changed in the coming financial years. Any such changes would be made prospectively in accordance with current accounting rules.

4 POST-BALANCE-SHEET
EVENTS

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

3.2 Notes on the balance
sheet

1 GOLD AND GOLD
RECEIVABLES

The Banco de España's gold holdings at year-end amounted to €7,887.81 million, consisting of 9.054 million troy ounces¹¹ of fine gold valued at a market price of €871.22 per ounce. These holdings did not change during the financial year. The value of these holdings is €3,530.59 million less than in 2012, as a result of the fall in the market price (at end-2012 the price per ounce was €1,261.18). This decrease 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 position in the International Monetary Fund (IMF) in the reserve tranche. This is the euro equivalent of the SDRs relating to the foreign currencies assigned to the IMF due to Spain's initial quota and successive increases in it and due to the net financing granted to the IMF. Spain's IMF quota is SDR 4,023.40 million and only the portion disbursed in foreign currency is reflected on the assets side of the balance sheet.
- b) Special drawing rights (allocations). These represent the euro equivalent of the successive allocations of this currency by the IMF and their subsequent drawdown. These allocations are made by the IMF simply for being a member and their balancing entry is recorded in item 9 of the liabilities side of the balance sheet "Counterpart of special drawing rights allocated by the IMF", also denominated in SDRs. The changes in their balance are essentially due

¹¹ One troy ounce is equal to 31.1035 grams.

to loan agreement transactions with third countries which are paid out of this account and to interest receipts or payments resulting from positions vis-à-vis the IMF.

- c) Other claims on the IMF. These reflect the amount that the Banco de España has provided to the IMF as a contribution to the PRGT¹², the NAB¹³ and the Bilateral Loan Agreement entered into by the IMF and Spain in 2013. For the PRGT, the Banco de España has given a commitment to contribute, through concessional lending to low-income countries, up to SDR 830 million, the amount drawn down at end-2013 being €320 million (SDR 286.15 million). The NAB agreement, concluded to support the IMF's ability to provide financial assistance to its members, entailed a financial commitment of up to SDR 6,702.18 million, of which €972.36 million (SDR 869.50 million) had been drawn down up to end-2013. The bilateral loan agreement entailed a commitment of €14,860 million, none of which has been drawn down.

The SDRs in which claims on the IMF are denominated are valued at the year-end market rate, calculated by the ECB for all the Eurosystem NCBs, of €1 = SDR 0.894214. The SDR is defined in terms of a basket of currencies. Its value is determined as the weighted sum of the exchange rates of four major currencies: the US dollar, the euro, the yen and the pound sterling. The SDR interest rate, which is updated weekly, remained at an average of 0.08%, with a high of 0.13% and a low of 0.03% during the year.

The breakdown in 2012 and 2013 is as follows:

EUR m	Type of asset	2013	2012	Change
	Reserve tranche position	1,179.29	1,476.44	-297.15
	Special drawing rights (allocation)	3,121.65	3,131.73	-10.08
	Other claims on the IMF	1,292.37	1,299.65	-7.28
	TOTAL	5,593.31	5,907.82	-314.51

The overall amount of claims on the IMF decreased by €314.51 million with respect to the balance at end-2012.

The decrease of €297.15 million in the reserve tranche position account is due to the overall effect of various factors:

- An increase of €148.39 million (SDR 127.30 million) due to the Banco de España's net contributions to the IMF for loans to third countries (Greece, Portugal and Ireland). These loans were made in euro through TARGET2 payments.
- A decrease of €395.56 million (SDR 339.33 million) due to repayments of loans by debtor countries (Romania, Hungary, Greece and Bosnia). These collections were in euro.

¹² Poverty Reduction and Growth Facility.

¹³ New Arrangements to Borrow.

- A decrease of €49.98 million due to the change in the exchange rate of the SDR against the euro.

The “Special drawing rights (allocation)” account decreased by €10.08 million due to the overall effect of various factors:

- An increase of €269.48 million (SDR 231.17 million) due to SDR purchases required by the IMF, to collection of SDRs arising from partial repayment of some PRGT loans and to collection of interest on Spain’s claims on the IMF.
- Decrease of €147.25 million (SDR 126.32 million) due to SDR sales required by the IMF and to payment of interest on Spain’s liabilities to the IMF.
- Decrease of €132.31 million due to the effect of changes in market exchange rates.

The “Other claims on the IMF” account, which includes loans granted under NAB agreements and under the PRGT programme, decreased by €7.28 million due to the overall effect of certain factors:

- A net increase of €78.45 million (SDR 67.30 million) in NAB loans. The reasons for this increase were the new NAB loans granted for €162.38 million (SDR 139.30 million) and the partial repayments of the first NAB loan to Greece for €83.93 million (SDR 72.00 million). These SDR-denominated loans were made through payments in euro.
- A decrease of €30.96 million (SDR 26.56 million) in PRGTs due to partial repayments of these loans. These loans are in SDRs.
- A decrease of €54.78 million due to the change in the market exchange rate.

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

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

The total amount as at 31 December 2013 was €20,018.55 million, with the following breakdown:

EUR m

Type of asset	2013	2012	Change
Deposits	151.00	132.07	18.93
Security investments	19,859.53	20,549.07	-689.54
Trading portfolio	10,933.43	14,523.61	-3,590.18
Held-to-maturity portfolio	8,926.10	6,025.46	2,900.64
Other	8.01	4.19	3.82
TOTAL	20,018.55	20,685.34	-666.79

As at 31 December 2013, 90.14% of these assets were denominated in US dollars and 9.84% in yen. The equivalent value in euro of these US dollar and yen amounts was

transferred to the balance sheet at the year-end market exchange rate (€1 = USD 1.3791 and €1 = YEN 144.72).

The decrease in the balance of this item (€666.79 million) was due to the net effect of the factors listed in the following table:

EUR m	Reason for change	Amount
	Net investment	828.42
	Changes of market exchange rates as at 31 December	-1,356.20
	Changes of securities market prices as at 31 December	-49.40
	Accrued interest receivable	-89.65
	Other	0.05
	TOTAL	-666.79

4 CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

This balance sheet item may include current accounts, balances with banks and security investments. As at 31 December 2013, US dollar denominated time deposits at monetary financial institutions equivalent to €2,175.33 million (USD 3,000 million) were held.

The decrease of €401.60 million in this item with respect to the previous year was due to the discontinuation in late 2013 of reverse operations with Eurosystem credit institutions in connection with the US dollar Term Auction Facility, the year-end balance of which was €303.17 million. It was also due to the change in the exchange rate of the US dollar against the euro, which resulted in a decrease in the equivalent value in euro (€80.00 million) of the US dollar time deposits referred to above.

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

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

The breakdown is as follows:

EUR m	Type of asset	2013	2012	Change
	Deposits	0.11	0.11	–
	Security investments	402.17	812.69	-410.53
	Trading portfolio	–	–	–
	Held-to-maturity portfolio	402.17	812.69	-410.53
	TOTAL	402.28	812.81	-410.53

Of the total of this heading (€402.28 million), most (€402.17 million) relates to fixed-income securities included in the held-to-maturity portfolio, which decreased by €410.53 million with respect to the balance as at 31 December 2012. This portfolio consists of euro-denominated securities issued by international organisations (the European Investment Bank and the Bank for International Settlements). The trading portfolio, as in 2012, had a zero balance at the end of the reporting year.

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

This item includes the amount of the euro-denominated lending to euro area credit institutions through which monetary policy is implemented. The total amount of these loans in the Eurosystem as a whole is €752,288 million, of which €195,170.41 million are included in the balance sheet of the Banco de España. Pursuant to Article 32.4 of the ESCB/ECB Statute, any counterparty risk that may materialise in monetary policy operations must be shared by all Eurosystem central banks in proportion to their share of the subscribed capital of the ECB according to the capital keys in force when this risk materialises (see the provision for counterparty risks in Eurosystem monetary policy operations, in Note 27.- Provisions). 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.¹⁴

The breakdown by type of transaction is as follows:

EUR m	Type of operation	2013	2012	Change
	Main financing operations	17,106.70	45,735.00	-28,628.30
	Longer-term refinancing operations	178,063.59	315,351.79	-137,288.20
	Fine-tuning reverse operations	-	-	-
	Structural reverse operations	-	-	-
	Marginal lending facility	-	-	-
	Credits related to margin calls	0.12	0.09	0.03
	TOTAL	195,170.41	361,086.88	-165,916.47

Throughout the whole of 2013, the improvement in the market situation reduced the precautionary demand for liquidity, while Spanish banks found it easier to access wholesale funding. This was reflected in a decline in the amounts requested in Eurosystem refinancing operations.

As a result, the balance of this item as at 31 December 2013 is 45.9% lower than that of 2012. The average daily balance of the financing granted during the year decreased by 21.8% (€258,300.27 million in 2013, against €330,404.71 million in 2012).

a Main refinancing operations

They are executed through liquidity providing reverse transactions with a weekly frequency and a maturity of one week, normally by means of standard tenders. These operations play a pivotal role in achieving the aims of steering interest rate, managing market liquidity and signalling the monetary policy stance. However, in 2013, continuing the trend initiated in previous years, they were used less than longer-term refinancing operations. In this connection, it should be noted that 8.8% of annual average financing was extended through them. In 2013 these operations were conducted at fixed rate with allotment of the total amount bid.

The balance of this item at 31 December 2013 was €17,106.70 million (€45,735.00 million at 31 December 2012) and its daily average balance during the year was €22,713.90 million (€35,640.50 million in 2012).

b Longer-term refinancing operations

These operations aim to provide counterparties with additional longer-term refinancing. In 2013 operations were conducted with maturities equal to the reserve maintenance period

¹⁴ The total collateral provided by institutions under loan agreements, valued by Eurosystem rules and applying the related haircuts, amounted to €341,995.87 million at 2013 year-end. Of this amount, €489.23 million relate to collateral excluded from risk sharing.

and with maturities of three months. These operations were conducted at fixed rate with allotment of the total amount bid.

The balance of these operations at 2013 year-end was €178,063.59 million (91.2% of the total) and arose mainly from three-year refinancing operations carried out exceptionally in 2011 and 2012. Compared with 2012, their balance decreased by €137,288.20 million. Also, the average balance decreased (from €294,562.87 million in 2012 to €235,585.93 million in 2013), representing 91.2% of annual average financing from monetary policy operations. Most of the decrease in this balance took place in January when institutions availed themselves of the early redemption option offered by three-year refinancing operations.

c Fine-tuning reverse operations

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

No fine-tuning reverse operations took place in the Eurosystem in 2013. Their end-2013 balance was zero.

d Structural reverse operations

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

The end-2013 balance was zero, as it was at the previous year-end. No structural reverse operations took place during the year.

e Marginal lending facility

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

The balance at the end of 2013 was zero, no Spanish institutions having had recourse to this type of funding.

f Credits related to margin calls

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

In the national central banks that make margin calls by debiting or crediting the accounts of credit institutions, as is the case for the Banco de España, these debits or credits are the balancing entries of the asset-side or liability-side accounts reflecting the changes in these margins. These balance sheet accounts are remunerated at the interest rate applied in main refinancing operations until November 2013 and at the deposit facility rate from December.

As at 31 December 2013 this item had a balance of €0.12 million, up €0.03 million with respect to the previous year. However, its average balance decreased from €69.17 million in 2012 to €0.44 million in 2013.

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 covered bond purchase programmes¹⁵ and under the Securities Markets Programme.¹⁶ These securities were classified as held-to-maturity (see “Securities” in Section 3.1 “Accounting policies”) and are subject to a yearly impairment test. The balance of this item as at 31 December 2013 was €29,586.07 million. The breakdown is as follows:

EUR m

Monetary policy portfolio	2013	2012	Change
Covered bond purchase programme	5,508.79	6,220.63	-711.83
Second covered bond purchase programme	2,326.50	2,299.99	26.52
Securities markets programme	21,750.78	24,468.91	-2,718.13
TOTAL	29,586.07	32,989.53	-3,403.45

The securities purchases under the first covered bond purchase programme were completed in June 2010. The decrease in the balance of this portfolio is due to the redemption of securities throughout 2013.

On 6 October 2011 the ECB Governing Council announced a second covered bond purchase programme. Under this programme, in November 2011 the European Central Bank and the Eurosystem central banks initiated the purchase of euro-denominated covered bonds issued by euro area residents in order to improve the financing conditions of credit institutions and firms and to encourage banks to maintain and increase lending to their customers. These purchases were completed at the end of October 2012, when the programme ended. The net increase in this item in 2013 was due to accrual of the premiums and discounts relating to these securities.

Under the Securities Markets Programme established in May 2010, the Eurosystem central banks could purchase public and private euro area debt securities in order to ensure depth and liquidity in those market segments displaying dysfunctional behaviour. The purpose of this programme was to address the poor functioning of securities markets and re-establish an appropriate monetary policy transmission mechanism. On 6 September 2012 the ECB Governing Council decided to end this programme, the securities in this portfolio being held until maturity. The net decrease in the balance of this item in 2013 was due to the redemption of securities throughout the year.

The ECB Governing Council periodically evaluates the financial risks associated with the securities held under the Securities Markets Programme and the two covered bond purchase programmes.

The total amount of the securities acquired by all Eurosystem NCBs under the aforementioned Securities Markets Programme amounted to €165,846 million, of which €21,750.78 million were included in the balance sheet of the Banco de España. Pursuant to Article 32.4 of the ESCB/ECB Statute, any risks that materialise in the securities included in this portfolio must be shared by all Eurosystem central banks in proportion to their share of the subscribed capital of the ECB according to the capital keys in force.

¹⁵ Decision of the ECB of 2 July 2009 on the implementation of the covered bond purchase programme (ECB/2009/16) and Decision of the ECB of 3 November 2011 on the implementation of the second covered bond purchase programme (ECB/2011/17).

¹⁶ Decision of the ECB of 14 May 2010 establishing a Securities Markets Programme (ECB/2010/5).

As a result of the impairment test conducted at end-2013, the ECB Governing Council identified an impairment indicator relating to the holdings of Irish bonds. The ECB Governing Council considered that this development did not signify any impairment of the securities purchased under the Securities Markets Programme and that, according to the information available as at 31 December 2013, there was no evidence of any change in the estimated future cash flows. Hence no impairment losses were recorded on the holdings of Irish bonds purchased under the Securities Markets Programme or on any of the other securities purchased under that programme.

As regards the impairment test conducted on the securities purchased under the covered bond purchase programmes, it was considered that, although some of the issuers of those securities were subject to restructurings in 2013, this did not affect the expected cash flows and therefore no impairment losses were recorded.

b Other securities

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

The breakdown of this item is as follows:

EUR m			
Security investments	2013	2012	Change
Trading portfolio	29,831.44	36,408.59	-6,577.15
Held-to-maturity portfolio	28,794.34	27,532.44	1,261.90
TOTAL	58,625.78	63,941.03	-5,315.26

The balance of this item as at 31 December 2013 was €58,625.78 million, of which 50.9% relate to trading portfolio securities and the remainder (49.1%) to held-to-maturity securities, with no evidence of impairment at year-end.

Overall, these securities decreased by €5,315.26 million in 2013. It was, however, trading securities which underwent a decrease, of €6,577.15 million, whereas held-to-maturity securities increased by €1,261.90 million, for the purpose of equalising the balances of these two portfolios.

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

EUR m			
Reason for change	Trading portfolio	Held-to maturity portfolio	Total
Net purchase/amortisation of securities	-7,657.32	1,264.26	-6,393.06
Unrealised gains at year-end (a)	954.93	—	954.93
Unrealised losses at year-end (a)	-0.03	—	-0.03
Accrued implicit interest	125.26	-2.37	122.90
TOTAL	-6,577.15	1,261.90	-5,315.26

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

This portfolio includes securities issued by general government and by financial institutions in the euro area. It should be noted that all purchases of debt issued by

general government are in the secondary market, none being direct subscriptions of security issues.

8 GENERAL GOVERNMENT
DEBT DENOMINATED
IN EURO

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

In accordance with this agreement, two instalments of each loan (that for 2013 and the last instalment outstanding under the original repayment schedule) were received in 2013.

The outstanding nominal balance as at 31 December 2013 of the loans granted to the State amounted to €1,943.37 million, broken down as follows:

EUR m

	2013	2012	Change
Treasury. Law 3/1983 special account	390.50	585.75	-195.25
Treasury. Law 4/1990 special account	1,389.59	2,084.39	-694.80
Treasury. Credits arising from subscription for participating interests, contributions and quotas in international agencies	163.27	244.90	-81.63
TOTAL	1,943.37	2,915.05	-971.68

The change was solely due to yearly repayments on the above-mentioned loans, as set out above. The amounts are shown in the above table.

9 INTRA-EUROSISTEM
BALANCES

This heading includes the amounts of the following items:

EUR m

Type of asset	2013	2012	Change
Participating interest in the ECB	1,077.72	1,078.50	-0.78
Claims equivalent to the transfer of foreign reserve assets to the ECB	4,782.87	4,783.65	-0.77
Net claims related to the allocation of euro banknotes within the Eurosystem	47,244.47	34,216.14	13,028.33
TOTAL	53,105.07	40,078.29	13,026.78

a Participating interest
in the ECB

Pursuant to Article 28 of the ESCB Statute, the ESCB national central banks are the sole subscribers to the capital of the ECB. Subscriptions depend on the participating interests fixed in accordance with Article 29 of the ESCB Statute based on each country's share in the total population and gross domestic product of the ESCB countries per data furnished by the European Commission. These subscriptions must be adjusted every five years or whenever new Member States join the European Union, i.e. when their NCBs join the ESCB. On 1 July 2013 the ECB capital key was again changed as a result of the Croatian central bank joining the ESCB. Accordingly, based on the Council Decision of 15 July 2003 on the statistical data to be used for the determination of the key for subscription of the

capital of the European Central Bank, the capital keys of the NCBs were adjusted on 1 July 2013 by means of transfers among the NCBs. On 1 July 2013 the Banco de España's key for subscription of ECB capital was changed from 8.3040% to 8.2533%.

In accordance with Article 48.3 of the Statute of the ESCB, the ECB's subscribed capital is automatically increased when a new member joins the EU and its NCB joins the ESCB. The increase is determined by multiplying the prevailing amount of the subscribed capital (in this case €10,760.65 million) by the ratio, within the expanded capital key, between the weighting of the entering NCB(s) and the weighting of those NCBs that are already members of the ESCB. Therefore, on 1 July 2013 the subscribed capital of the ECB was increased to €10,825.01 million. Consequently, on 1 July 2013, the share that the Banco de España held in the increased subscribed capital of the ECB decreased from 8.3040% to 8.2533% and the participating interest in the ECB went from €893.56 million to €893.42 million.

The ECB capital key is as follows:

	Key for subscription to the ECB's capital (%)	
	Until 30 June 2013	Since 1 July 2013
Nationale Bank van België/Banque Nationale de Belgique	2.4256	2.4176
Deutsche Bundesbank	18.9373	18.7603
Eesti Pank	0.1790	0.1780
Central Bank and Financial Services Authority of Ireland	1.1107	1.1111
Bank of Greece	1.9649	1.9483
Banco de España	8.3040	8.2533
Banque de France	14.2212	14.1342
Banca d'Italia	12.4966	12.4570
Central Bank of Cyprus	0.1369	0.1333
Banque centrale du Luxembourg	0.1747	0.1739
Central Bank of Malta	0.0632	0.0635
De Nederlandsche Bank	3.9882	3.9663
Oesterreichische Nationalbank	1.9417	1.9370
Banco de Portugal	1.7504	1.7636
Banka Slovenije	0.3288	0.3270
Národná banka Slovenska	0.6934	0.6881
Suomen Pankki – Finlands Bank	1.2539	1.2456
Subtotal for euro area NCBs	69.9705	69.5581
Българска народна банка (Bulgarian National Bank)	0.8686	0.8644
Česká národní banka	1.4472	1.4539
Danmarks Nationalbank	1.4835	1.4754
Latvijas Banka	0.2837	0.2742
Lietuvos bankas	0.4256	0.4093
Magyar Nemzeti Bank	1.3856	1.3740
Narodowy Bank Polski	4.8954	4.8581
Banca Națională a României	2.4645	2.4449
Sveriges Riksbank	2.2582	2.2612
Bank of England	14.5172	14.4320
Hrvatska narodna banka	–	0.5945
Subtotal for non-euro area NCBs	30.0295	30.4419
TOTAL (a)	100.0000	100.0000

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

This item also includes the participating interest in the rest of ECB equity. Its balance of €184.30 million at 31 December 2013 is the amount paid for the Banco de España's participating interest in ECB reserves due to the increase in the Banco de España's share of the ECB capital key. In 2013, as a result of the aforementioned change in the capital key, this participating interest decreased by €0.78 million. Accordingly, the Banco de España's share in ECB capital is €1,077.72 million.

A noteworthy post-balance-sheet event was that, as a result of the third five-yearly change in the capital keys, on 1 January 2014 the key for subscription of ECB capital increased from 8.2533% to 8.8409%.

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

These represent the ECB's debt to the Banco de España arising from the transfer of foreign reserve assets to the ECB. The claims equivalent to the transferred reserves are denominated in euro at a value fixed from the time of their transfer. They are remunerated at the latest available marginal rate for the Eurosystem's main refinancing operations, reduced by 15% to reflect a zero return on the gold component, which at the time accounted for 15% of the total reserves transferred. Their year-end balance amounted to €4,782.87 million, down €0.77 million from the previous year. The reasons for this decrease is that the adjustments to the capital key and the resulting changes in the NCBs' participating interests in the subscribed capital of the ECB made it necessary to also adjust the assets that the ECB credited to the NCBs for their contributions of external reserve assets to it.

A noteworthy post-balance-sheet event was that, due to the increase in the Banco de España's share of the ECB capital key on 1 January 2014, an additional contribution of foreign reserve assets was made to the ECB for the equivalent of €340.52 million, as a result of which the balance this year rose to €5,123.39 million.

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

This item, the balance of which amounted to €47,244.47 million at end-2013, consists of the claims and liabilities of the Banco de España vis-à-vis the Eurosystem in relation to the allocation of euro banknotes within the Eurosystem when there is an overall debit balance (see "Banknotes in circulation" and "Intra-Eurosystem balances" in the section on accounting policies).

The increase with respect to 2012 (€13,028.33 million) was basically due to the decrease in banknotes put into circulation by the Banco de España in 2013 (-12.7%, €8,292.53 million) and the contrasting rise in the Eurosystem as a whole (growth of 4.8%), which resulted in the aforementioned increase in the balance of these accounts.¹⁷

d Other claims within the Eurosystem (net)

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

10 OTHER ASSETS. TANGIBLE AND INTANGIBLE FIXED ASSETS

The balance of this item amounted to €257.97 million at end-2013, of which €664.05 million related to cost and €406.07 million to accumulated depreciation.

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

¹⁷ The increase in the Eurosystem as a whole was €43,593.28 million, of which €4,758.64 million related to the Banco de España.

EUR m

	2013	2012	Change
Tangible fixed assets	521.19	511.86	9.34
Land and unbuilt plots	5.35	5.35	–
Buildings, structures and renovation work	111.51	109.96	1.55
Plant in buildings	191.28	185.41	5.87
Furniture and fittings	38.78	38.09	0.68
Office machines other than computer equipment	54.77	54.16	0.61
Computer equipment	61.48	60.97	0.52
Transport equipment	8.12	8.12	–
Libraries	5.02	5.29	-0.28
Other tangible fixed assets	5.11	5.07	0.04
Art collection	39.78	39.43	0.34
Intangible fixed assets	89.10	83.43	5.66
Computer applications	89.04	83.38	5.66
Industrial property	0.06	0.06	–
Fixed assets in progress	53.76	47.77	5.99
Buildings, plant in buildings and other structures	8.15	9.41	-1.26
Computer applications of Banco de España	18.60	13.05	5.55
Computer applications of Eurosystem	25.90	24.43	1.47
Other fixed assets in progress	1.10	0.87	0.23
TOTAL	664.05	643.06	20.99

EUR m

Accumulated depreciation or amortisation	2013	2012	Change
Tangible fixed assets	-338.00	-319.88	-18.11
Buildings, structures and renovation work	-41.50	-38.96	-2.55
Plant in buildings	-151.44	-143.01	-8.44
Furniture and fittings	-31.43	-28.95	-2.48
Office machines other than computer equipment	-45.42	-44.36	-1.06
Computer equipment	-52.96	-49.97	-2.99
Transport equipment	-7.67	-7.29	-0.38
Libraries	-3.06	-3.13	0.07
Other tangible fixed assets	-4.52	-4.22	-0.30
Intangible fixed assets	-68.08	-59.50	-8.58
Computer applications	-68.02	-59.45	-8.58
Industrial property	-0.06	-0.06	–
TOTAL	-406.07	-379.39	-26.69

The increase in fixed assets in 2013 basically arose from increased investment in development of certain computer applications, from the acquisition and updating of software licences and from the implementation of various projects for the Eurosystem. It was also due to the new security control centre of the Cibeles building and to the continuing refurbishment of the banking hall and adjacent areas at the Cibeles building. Notwithstanding the above, fixed assets net of depreciation decreased with respect to the previous year by €5.70 million.

11 OTHER ASSETS. OTHER FINANCIAL ASSETS

This item includes €25.25 million of financial investments relating to the Banco de España's participating interests in the Bank for International Settlements. The decrease of €20.45 million in these financial assets was due to the sale of Banco de España's holding in Sociedad Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (see Note 9 on the profit and loss account).

12 OTHER ASSETS. OFF-BALANCE-SHEET INSTRUMENTS REVALUATION DIFFERENCES

This item includes the amount of the net debtor position arising from foreign-exchange forward and swap transactions valued at the exchange rates prevailing at the end of the year. When the position is a creditor one, it is recorded under the same heading in liability item 12.1. Its debit balance of €104.07 million as at end-2013 is the net value of the swap and forward transactions outstanding at that date that are listed below:

Operation	Position	Currency	2013			2012
			Currency amount (million)	Market exchange rate	Equivalent (million €)	Equivalent (million €)
Swap	Debtor	EUR	-	1.0000	-	304.95
		USD	2,858.83	1.3791	2,072.97	2,232.73
	Creditor	JPY	284,942.93	144.7200	1,968.93	2,072.26
		USD	-	1.3791	-	303.17
Forward	Debtor	USD	0.58	1.3791	0.42	0.67
	Creditor	JPY	57.08	144.7200	0.39	0.62
NET POSITION					104.07	162.30

At year-end there were unexpired US dollar-yen swaps and forward sales of yen against US dollars yet to be executed.

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

Regarding the exceptional liquidity-providing transactions in the form of swaps, it should be noted that on 4 December 2012 the ECB Governing Council decided, in agreement with the central banks involved, to prolong the liquidity provision agreements (swap line) with the Federal Reserve until 1 February 2014. Previously, these agreements had been authorised until 1 February 2013. However, at year-end there were no outstanding transactions.

13 OTHER ASSETS. ACCRUALS AND PREPAID EXPENSES

The main components of this item, the balance of which amounts to €4,492.89 million, are as follows:

EUR m

	2013	2012	Change
Accrued interest arising from securities acquisitions and accrued coupon interest receivable	2,069.67	2,183.95	-114.28
Trading portfolio	763.85	873.78	-109.93
Denominated in foreign currency	34.17	54.59	-20.42
Denominated in euro	729.68	819.19	-89.50
Held-to-maturity portfolio	700.80	643.12	57.67
Denominated in foreign currency	54.46	37.97	16.50
Denominated in euro	646.33	605.16	41.18
Held for monetary policy purposes	605.02	667.04	-62.02
Other accrued interest receivable	2,418.18	2,636.78	-218.60
On monetary policy operations	2,347.68	2,521.93	-174.26
On intra-Eurosystem claims arising from banknotes adjustments	41.84	59.99	-18.15
On claims equivalent to the transfer of foreign reserves to the ECB	22.81	36.43	-13.61
On foreign currency deposits	3.57	15.11	-11.54
Claims on the IMF	1.28	1.54	-0.26
On swaps operations	0.96	1.58	-0.61
Other	0.04	0.20	-0.16
Accrued commissions receivable and prepaid expenses	5.04	4.58	0.46
TOTAL	4,492.89	4,825.31	-332.42

As can be seen in the above table, the most significant item relates to accrued interest receivable on monetary policy operations, which decreased (by €174.26 million) due to the smaller volume of outstanding long-term transactions at year-end, as institutions availed themselves of the early redemption options offered by the three-year refinancing operation. The other main accounts are accrued interest arising from securities purchases and accrued coupon interest receivable denominated in euro arising from the trading portfolio (€729.68 million), from the held-to maturity portfolio (€646.33 million) and from monetary policy operations (€605.02 million). Overall, this interest decreased by €114.28 million from the previous year, due to the smaller year-end balance of the trading and monetary policy operations portfolios. There was also a decrease in interest receivable on claims equivalent to the transfer of foreign reserve assets to the ECB, the interest accrued on intra-Eurosystem banknote adjustment and offsetting accounts as a result of the lower interest rate on main refinancing operations and the lesser interest receivable on foreign-currency deposits .

14 OTHER ASSETS. SUNDRY

The most significant components of this item, which totals €1,577.52 million, are the transfer to the Treasury on 2 December 2013 of €1,385.56 million, equivalent to 70% of the Bank's profits earned to 30 September 2013, adjusted in line with the projected performance of profits up to year-end (see Note 15 on the profit and loss account), which was €346.98 million lower than in the previous year, and the home loans and repayable advances granted to Bank employees, the balance of which, at €177.57 million, was down by €11.20 million from 2012.

15 BANKNOTES IN CIRCULATION

The balance of banknotes in circulation (€104,377.15 million) represents the Banco de España's share in the total euro banknotes in circulation (see "Banknotes in circulation" in Section 3.1 "Accounting Policies") according to the Eurosystem euro banknote

allocation key, which went from 10.9185% of the total issue by all central banks to 10.9160% of the total. This key is obtained by taking the Eurosystem capital key and deducting the 8% of the total corresponding to the ECB. The decrease arose from the changes in the ECB capital key as a result of the central bank of Croatia joining the ESCB on 1 July 2013.¹⁸

This balance was €4,735.80 million higher than in the previous year because of the greater volume of euro banknotes in circulation in the Eurosystem. The difference between the balance of the banknotes allocated as per the balance sheet and those put into circulation by the Banco de España is recorded in an adjustment account under this heading, with a balancing entry in item 9.4 on the assets side of the balance sheet.

The composition of the banknotes put into circulation by the Banco de España as at end-2013 is as follows:

Series	Number of banknotes (thousands)	Millions of euro
€500	80,976	40,487.80
€200	13,048	2,609.69
€100	23,663	2,366.29
€50	862,136	43,106.80
€20	-1,132,119	-22,642.38
€10	-839,848	-8,398.48
€5	-79,408	-397.04
Euro banknotes put into circulation by the Banco de España		57,132.68
Adjustment as per banknote allocation key		47,244.47
Banknotes in circulation		104,377.15

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

The overall balance of the different types of deposit held by credit institutions with the Banco de España amounted to €30,783.49 million at end-2013, €41,221.20 million less than in the previous year. This decline was basically due to the sharp decrease in the deposit facility, minimally offset by the increase in the balances of credit institution current accounts (including minimum reserves).

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

EUR m				
Type of liability	2013	2012	Change	
Current accounts (covering the minimum reserve system)	15,949.79	12,851.75	3,098.04	
Deposit facility	14,833.00	59,046.50	-44,213.50	
Fixed-term deposits	-	-	-	
Fine-tuning reverse operations	-	-	-	
Deposits related to margin calls	0.70	106.45	-105.74	
TOTAL	30,783.49	72,004.69	-41,221.20	

¹⁸ Following the five-yearly revision of the central banks' share of ECB capital and the accession of the Latvian central bank to the Eurosystem on 1 January 2014, the banknote allocation key increased to 11.6230%.

The first component, which includes the total current accounts held by credit institutions at the Banco de España, in which they maintain the minimum reserves required for monetary policy implementation purposes, underwent an increase of €3,098.04 million (24.1%). These accounts are remunerated at the average of the marginal interest rate on main refinancing operations in the period. Its average balance also increased during the year, rising from €12,338.95 million in 2012 to €13,446.87 million in 2013 (9.0%).

The item "Deposit facility", which includes overnight deposits remunerated at a fixed interest rate (lower than the interest rate on main refinancing operations), decreased sharply from €59,046.50 million in 2012 to €14,833.00 million in 2013. Its average balance also decreased (€9,446.23 million in 2013 compared with €35,059.14 million in 2012), since remuneration of these deposits ceased on 11 July 2012.

The balance of fixed-term deposits was zero as at 31 December 2013. They are fine-tuning operations (liquidity withdrawals) that take the form of deposits. During 2013 the Eurosystem carried out 53 operations of this type. The average balance decreased during the year from €39.50 million in 2012 to €4.57 million in 2013.

The other captions in this item relate to fine tuning reverse operations and deposits related to margin calls. Fine tuning reverse operations are used to withdraw liquidity. As at 31 December 2013, fine tuning reverse operations had a zero balance, while institutions' deposits related to margin calls (see Note 6 on the balance sheet) amounted to €0.70 million (€106.45 million in 2012).

17 OTHER LIABILITIES TO EURO
AREA CREDIT INSTITUTIONS
DENOMINATED IN EURO

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

Its balance was €0.63 million at end-2013, €109.38 million less than in 2012, because of the release in the reporting year of the deposit of a credit institution which had been frozen in 2012 to prevent the legal limit on covered bond issuance being breached as a result of the transfer of assets to Sareb (asset management company for assets arising from bank restructuring).

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

This item includes the deposits held by general government with the Banco de España. The outstanding balance at year-end was €2,116.77 million, which breaks down as follows:

EUR m	2013	2012	Change
Central government (State)	410.92	6,306.83	-5,895.91
Treasury current account	100.12	2,500.42	-2,400.30
Other central government agencies and similar bodies	310.80	3,806.41	-3,495.61
Territorial government	555.44	498.88	56.57
Regional (autonomous) governments, administrative agencies and similar bodies	554.76	498.53	56.23
Local government	0.68	0.35	0.34
Social security funds	1,150.41	2,204.28	-1,053.88
Social Security System	1,148.60	2,203.36	-1,054.76
Other	1.81	0.92	0.89
TOTAL	2,116.77	9,009.99	-6,893.22

The decrease in this item (€6,893.22 million) was due to the lower balances held by central government (down €5,895.91 million from 2012) and by social security funds (€1,053.88 million). The balances held by territorial governments increased by €56.57 million. As regards average balances, there was a decrease in those held by central government (€4,631.23 million in 2013 against €6,017.80 million in 2012) and by social security funds (€2,820.82 million in 2013 against €3,657.87 in 2012). By contrast, there was an increase in the average balances held by regional governments (€534.94 million in 2013 against €364.60 million in 2012).

Most of the balances held by central government are subject to a collateralised assignment to credit institutions through an auction conducted on behalf of the Treasury.

- 19 LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO.- OTHER LIABILITIES
- Included here are the current accounts of financial institutions other than credit institutions, such as the Deposit Guarantee Fund, other financial intermediaries associated with securities markets settlement, other intermediaries in the debt book-entry market, etc., as well as the current accounts of non-administrative public and autonomous agencies of the State, the current accounts of employees and pensioners and other accounts of legal entities classified in “Other resident non-financial sectors”.

The balance of €2,047.62 million at end-2013 was €105.76 million higher than at end-2012, basically due to the opening of new deposits in the name of the securitisation special purpose entities which so requested (€78.61 million) and to the larger balance held in deposits by legal entities classified in “Other resident non-financial sectors” (€42.07 million).

- 20 LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO
- This item includes basically the euro-denominated accounts held by international organisations, non-Eurosystem monetary authorities and central banks to which reserve management services are provided. The balance of €144.98 million was €3.29 million higher than a year earlier due to an increase in deposits of international organisations and non-Eurosystem monetary authorities and to a decrease in deposits of central banks to which reserve management services are provided.

- 21 COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF
- This item of €3,162.06 million shows the equivalent amount of the special drawing rights allocated to Spain by the IMF, the balancing entry to the initial allocation of SDRs recorded in item 2.1 on the assets side of the balance sheet. The total amount of this item decreased by €134.02 million with respect to the previous year, due to the variation in the exchange rate.

- 22 INTRA-EUROSYSTEM BALANCES
- This item, which as at 31 December 2013 had a balance of €213,382.14 million, comprises the following two sub-items:

- a Net liabilities related to the allocation of euro banknotes within the Eurosystem
- In accordance with Eurosystem rules, since the accounts making up this item have a net debit balance, this information is presented on the assets side of the balance sheet (see Note 9 on the balance sheet).

- b Other liabilities within the Eurosystem (net)
- The balance of €213,382.14 million as at 31 December 2013 represents the sum of three components: 1) the position of the Banco de España vis-à-vis the ECB in respect of the transfers issued and received through TARGET2 by the ESCB national central banks, including the ECB, plus the balances held with Eurosystem central banks through correspondent accounts; 2) the position vis-à-vis the ECB in respect of the pooling and allocation of monetary income within the Eurosystem pending settlement; and 3) the

Banco de España's position vis-à-vis the ECB in respect of any amounts receivable or refundable, basically in respect of the seigniorage income relating to euro banknotes issued by the ECB and of the income on securities acquired by the ECB under the Securities Markets Programme.

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

EUR m	2013	2012	Change
BDE's position vis-à-vis ECB due to transfers made and received through TARGET2 and correspondent banking	213,684.62	337,344.39	-123,659.77
Position with BCE due to contribution and allocation of monetary income	-139.97	-444.95	304.99
Dividend from banknote seigniorage and SMP income	-162.52	-68.20	-94.32
TOTAL	213,382.14	336,831.24	-123,449.10

Regarding the first component, the year-end net transfers via TARGET2 had a credit balance of €213,684.70 million, while the correspondent accounts showed a debit balance of €0.07 million. The remuneration of this position is calculated daily at the marginal interest rate of Eurosystem main refinancing operations. Its average balance decreased considerably during the year from €329,060.42 million in 2012 to €283,518.09 million in 2013 as a result of the decrease in the monetary policy loans on the assets side of the balance sheet.

The second component, i.e. the position vis-à-vis the ECB in respect of the annual pooling and allocation of monetary income within the Eurosystem national central banks, had a debit balance of €139.97 million at year-end (see "Net result of pooling of monetary income" in Note 8 on the profit and loss account).

Finally, in 2014 the ECB Governing Council resolved to distribute substantially all the income obtained from the securities purchased under the securities markets programme and from the seigniorage of euro banknotes.¹⁹ The amount corresponding to the Banco de España was recorded as 2013 income and received on 31 January 2014. Its debit balance as at 31 December 2013 was €162.52 million (see "Income from equity shares and participating interests" in Note 7 on the profit and loss account).

23 ITEMS IN COURSE OF SETTLEMENT

Included here are various accounts which as at 31 December 2013 were in the course of settlement, such as transfer instructions pending execution and transfers sent to deposit institutions yet to be reimbursed.

The balance of this item amounted to €1,679.49 million at end-2013, of which most notably €1,656.92 million related to transfers ordered by customers of the Banco de España not yet paid to the receiving entities and €20.44 million to transfers received from the TARGET2 Platform but yet to be processed.

¹⁹ Decision of the European Central Bank of 19 December 2012 (ECB/2012/33) amending Decision ECB/2010/24 on the interim distribution of the income of the European Central Bank on euro banknotes in circulation and arising from securities purchased under the Securities Markets Programme.

24 OTHER LIABILITIES
OFF-BALANCE-SHEET
INSTRUMENTS
REVALUATION DIFFERENCES

This item includes the amount of the net creditor position arising from foreign-exchange forward and swap transactions valued at the exchange rates prevailing at the end of the year. When the position is a debtor one, as in the reporting year, it is recorded under the same heading in asset item 11.4 (see Note 12 on the balance sheet).

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

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

As at 31 December 2013, its balance amounted to €55.74 million and the main component was interest incurred on intra-Eurosystem accounts relating to TARGET2 transactions (€51.42 million), the balance of which was €175.53 million less than a year earlier due to decreases in both its balance and its interest rate.

26 OTHER LIABILITIES. SUNDRY

This includes other liabilities not classifiable above.

As at 31 December 2013 the balance of this item amounted to €120.27 million (€7.22 million more than in 2012) and its main sub-items were the “Cash immobilised under EU legislation drawn from book-entry government debt. Redemptions and interest” (€27.56 million) and “Sundry accounts payable and unallocated items. Accrued operating expenses” (€26.98 million).

27 PROVISIONS

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

EUR m

	2013	2012	Change
For financial risks	8,713.12	7,274.95	1,438.17
For early repayment of special loans	99.17	363.89	-264.73
For exchange of withdrawn peseta banknotes	59.86	22.54	37.32
For counterparty risks in Eurosystem monetary policy operations	—	33.58	-33.58
For operational risk	40.75	24.83	15.92
For 2011-2014 collective labour agreement	7.28	—	7.28
For death and retirement assistance	61.35	56.74	4.61
For early and regular retirement	27.05	28.66	-1.61
For sundry liabilities and charges	5.10	1.14	3.95
TOTAL	9,013.67	7,806.34	1,207.33

Provision for financial risks

This is the most important provision. It results from merging the provision for exchange rate and interest rate risks with the provision for credit risks.

The balance of this provision as at 31 December 2013 amounted to €8,713.12 million, which was €1,438.17 million more than in 2012. Of the balance as at 31 December 2012 (€7,274.95 million), €241.40 million were used to cover exchange losses and €43.96 million to cover interest rate losses (no credit risk losses were incurred) and €1,723.53 million were provisioned for the estimated risk as at 31 December 2013 (see Note 5 to the profit and loss account).

The balance of this provision is revised annually based on the Banco de España’s valuation of its exposure to the aforementioned risks by value-at-risk methodology. In this connection,

on 7 February 2014 the Executive Commission reviewed the methodology for calculating the provision and, as a result, decided to increase the level of risk coverage.

Provision for losses arising from early repayment of special loans

The agreement in 2007 with the Spanish State government whereby the Treasury can ask to repay a portion or all of these loans early, paying a cash amount equal to their market value at that time instead of their nominal amount, led the Banco de España to set up in that year a provision for the possible losses that may arise from early repayment of special loans, recorded in asset item 8 (see Note 8 on the balance sheet). The balance of this provision was set at the difference between the nominal amount and the current market value of the loans. As at 31 December 2013 it had a balance of €99.17 million, down €264.73 million from the previous year (€95.24 million used in relation to repayment of the amount due in the year and €169.49 million for adjustment of loans to their market value).

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

This is the most important of the two provisions set aside for the exchange of peseta banknotes withdrawn from circulation.²⁰ It was recorded initially in 2005 to cater for the exchange of any peseta banknotes withdrawn from circulation due to the introduction of the euro that may be tendered at the Banco de España. At the same time, the Council of Ministers decided that if the amount of banknotes tendered for exchange exceeded the amount of the provision at that time, the Banco de España would meet the excess with a charge to its reserves.

In November 2010 the balance of the provision fell to zero. Accordingly, pursuant to a resolution of the Executive Commission, an additional €50 million were provisioned (provision for a period of approximately five years), using the Banco de España reserves arising from the retention of 2005 earnings.

According to current estimates, the balance of the provision as at 31 December 2013 (€8.77 million) will foreseeably be exhausted by October 2014, so an additional amount has been provisioned to raise the balance to €58.96 million, which, according to the analysis by the Cash and Issue Department, is the estimated amount of banknotes which may be tendered for exchange up to 2020, the scheduled end-date of the exchange period.

Provision for counterparty risk in Eurosystem monetary policy operations

Based on the general accounting principle of prudence, the ECB Governing Council considered it appropriate in 2008 to create a buffer totalling €5,736 million against counterparty risks in monetary policy operations (see these operations in Note 6 on the balance sheet). In accordance to Article 32.4 of the ESCB/ECB Statute, this buffer will be funded among all the national central banks of participating Member States in proportion to their subscribed capital key shares in the ECB prevailing at the time. As a result, a provision for €621.35 million, equivalent to 10.8324% of the total provision, was created in that year. This provision is revised annually and its balance in the Eurosystem as a whole was €310 million at 31 December 2012 (€33.58 at the Banco de España). On 23 January 2014 the ECB Governing Council reviewed the adequacy of the amount of this provision with effect as at 31 December 2013 and decided to cancel it due to the disappearance of the risks covered. As a result of this, the Banco de España released in full the provision, which had a balance of zero at the end of the year (see Note 8 on the profit and loss account).

²⁰ The provisions for exchange of peseta banknotes withdrawn from circulation also include another one for €0.90 million.

Provision for operational risk

The Executive Commission approved in 2009 a methodology for calculating operational risk with a view to setting aside a provision for any losses arising from operational risk. It recorded a provision equal to 10% of the operational risk exposure. This exposure is quantified on the basis of one-year VaR (value at risk) with a confidence level of 99.9%.

This provision was used to cover the operational risk events which occurred in 2013 (see Note 14 on the profit and loss account) for an amount of €0.03 million, and the €15.95 million set aside took its balance to €40.75 million.

The increase in operational risk was mainly caused by the impact on VaR calculation of the losses recorded in 2012 as a result of discontinuation of the Eurosystem CCBM2 project.

Other provisions

In the reporting year there was a decrease in the provision for the expense of payments to early and regular retirees (€1.61 million), basically due to the provisioning of payments to be made under Article 184 of the Banco de España Conditions of Employment, the fifth transitional provision of the collective labour agreement for 2001 and the 2011 branch closure agreement.

The report year also saw an increase of €4.61 million in the provision for death and retirement assistance and a new provision of €7.28 million as a result of signature of the collective labour agreement for 2011-2014 (see Notes 10 and 14 on the profit and loss account).

28 REVALUATION ACCOUNTS

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

EUR m				
Type of account	2013	2012	Change	
Gold	7,037.38	10,567.97	-3,530.59	
Foreign currency	0.02	888.44	-888.43	
Securities (trading portfolio)	2,001.13	1,096.14	904.99	
Issued in foreign currency by non-euro area residents	11.92	61.87	-49.95	
Issued in euro by euro area residents	1,989.21	1,034.28	954.93	
Other	-	16.04	-16.04	
TOTAL	9,038.52	12,568.59	-3,530.07	

The balance of revaluation accounts at end-2013 was €9,038.52 million, down €3,530.07 million on 2012. The main change was in gold, the unrealised gains on which were €3,530.59 million lower as a result of the change in its market price (down from €1,261.18 per ounce at 31 December 2012 to €871.22 per ounce at 31 December 2013).

With regard to securities price revaluation accounts, the main change was in trading-book debt securities of euro area residents denominated in euro, the unrealised gains on which increased by €954.93 million as a result of the fall in interest rates.

As regards the foreign exchange revaluation accounts, the unrealised gains on foreign currencies decreased by €888.43 million, basically due to the depreciation of the US dollar and the SDR against the euro (€814.86 million and €73.57 million, respectively).

Losses on both currencies were recorded at year-end (see Note 4 on the profit and loss account)

29 CAPITAL

As at 31 December 2013 the capital of the Banco de España amounted to €1,000 million, with no change in the year. Of this amount, €1.37 million were constituted pursuant to Decree-Law 18/1962 of 7 June 1962 and €998.63 million as a capital increase carried out in 2006 through the retention of 2005 earnings.

30 RESERVES

As at 31 December 2013 the reserves of the Banco de España amounted to €899.81 million, down €50.19 million from the previous year. Included in this item is, first, the amount of capital, reserves and profits that arose in 1973 when the now-defunct Spanish Foreign Currency Institute was included in the Banco de España (€3.17 million) and, second, the portion of 2005 and 2006 profit taken to reserves, authorised by the Council of Ministers, respectively, on 28 July 2006 and 29 June 2007. The balance of the reserves derived from 2005 profits decreased as a result of the recording of the provision for exchange of peseta banknotes withdrawn from circulation due to the introduction of the euro (see Note 27 on the balance sheet).

31 PROFIT FOR THE YEAR

The net profit for 2013 amounted to €3,147.58 million, down 18.1% from 2012. Of this amount, €1,385.56 million was paid to the Treasury on 2 December 2013, in accordance with Royal Decree 2059/2008 of 12 December 2008 (see Note 15 on the profit and loss account "Profit for the year") and are included in asset item 11.6.

During the year, the following amounts were also paid to the Treasury out of 2012 profits:

- a) On 1 March 2013, €1,728.17 million, which, together with the payment in December 2012, amounted to 90% of the €3,845.23 million of distributable profit for that year.
- b) On 13 August 2013, once the balance sheet and profit and loss account for the year 2012 had been approved by the Council of Ministers, €384.52 million, representing the rest of the distributable profit for that year.

The details of the various components of the profit for 2013 and the reasons for the changes in them with respect to 2012 are given in Section 3.3 below on the profit and loss account.

3.3 Notes on the profit and loss account

This item includes income from interest accrued on the financial assets of the Banco de España. The breakdown in 2013 and 2012 is as follows:

1 INTEREST INCOME

	Interest income			Average investment		Average return	
	2013	2012	Change	2013	2012	2013	2012
Foreign currency	242.12	278.32	-36.20	28,269	26,016	0.8	1.1
Securities	205.21	225.34	-20.13	20,495	19,174	1.0	1.2
Deposits and other assets	25.34	24.05	1.29	7,774	6,842	0.3	0.3
Exceptional liquidity-providing operations, swap, forward and other transactions	11.57	28.94	-17.36				
Euro	6,146.36	7,945.52	-1,799.16	393,341	464,151	1.5	1.7
Securities	4,409.83	4,745.77	-335.94	91,085	100,454	4.8	4.6
Trading portfolio	1,728.85	1,818.05	-89.20	32,809	36,188	5.2	4.9
Held-to-maturity portfolio	977.24	1,159.58	-182.34	27,196	31,683	3.5	3.6
SMP	1,347.00	1,438.98	-91.98	22,996	24,701	5.8	5.7
CBPP and CBPP2	356.74	329.16	27.58	8,083	7,883	4.4	4.1
Monetary policy operations	1,494.88	2,896.35	-1,401.46	258,300	330,405	0.6	0.9
Main refinancing operations	133.30	293.47	-160.17	22,714	35,640	0.6	0.8
Longer-term refinancing operations	1,361.58	2,600.93	-1,239.35	235,586	294,563	0.6	0.9
Other monetary policy operations	–	1.94	-1.94	–	201	0.5	0.9
Intra-Eurosystem accounts	236.86	290.87	-54.01	43,956	33,293	0.5	0.9
Claims equivalent to the transfer of foreign reserves to the ECB	22.81	36.43	-13.61	4,783	4,784	0.5	0.7
Claims related to allocation of euro banknotes within the Eurosystem	213.78	254.39	-40.61	39,136	28,501	0.5	0.9
Other claims within the Eurosystem (net)	0.27	0.06	0.21	37	7	0.7	0.8
Other assets	4.78	12.53	-7.74				
TOTAL	6,388.48	8,223.84	-1,835.36	421,610	490,167	1.5	1.7

Interest income in 2013 amounted to €6,388.48 million, of which €6,146.36 million was euro-denominated interest income, basically from euro-denominated securities portfolios (€4,409.83 million) and monetary policy operations (€1,494.88 million), the average yield on securities portfolios (4.8%) being notably higher than that on monetary policy operations (0.6%).

This income decreased by €1,835.36 million in 2013 compared with 2012 as a result of declines in interest on foreign-currency investments (€36.20 million) and particularly in euro-denominated investments (€1,799.16 million).

The main reasons for the decrease of €1,799.16 million in euro-denominated income were the smaller remunerated average balance (down from €464,151 million in 2012 to €393,341 million in 2013) and the lower average yield on monetary policy operations (down from 0.9% in 2012 to 0.6% in 2013).

Specifically, analysis of the average investment made discloses the significant decreases in monetary policy operations (€330,405 million in 2012 against €258,300 million in 2013), derived from the lower funding requested by Spanish financial institutions from the ECB (see Note 6 on the balance sheet) and in securities (down from €100,454 million in 2012 to €91,085 million in 2013). Furthermore, there was an increase in claims related to the allocation of euro banknotes, the average balance of which rose from €28,501 million in 2012 to €39,136 million in 2013 as a result of changes in banknotes put into circulation (down 12.7% in Spain, compared with 4.8% in the Eurosystem as a whole).

2 INTEREST EXPENSES

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

EUR m and %

	Interest expense			Average financing		Average cost	
	2013	2012	Change	2013	2012	2013	2012
Foreign currency	6.81	20.52	-13.72				
Exceptional liquidity-providing operations and other liabilities	6.81	20.52	-13.72				
Euro	1,714.81	3,096.00	-1,381.19	313,023	385,967	0.5	0.8
Monetary policy operations	60.64	167.62	-106.98	22,908	48,191	0.3	0.3
Remuneration of minimum reserves	60.56	104.97	-44.41	13,447	12,339	0.4	0.8
Deposit facility	–	56.20	-56.20	9,446	35,059	–	0.2
Fixed-term deposits	–	0.19	-0.19	5	39	0.1	0.5
Changes in the value of collateral	0.07	6.26	-6.19	11	754	0.7	0.8
General government deposits	17.71	50.37	-32.66	6,597	8,716	0.3	0.6
Other liabilities within the Eurosystem (net)	1,625.49	2,871.65	-1,246.17	283,518	329,060	0.6	0.9
Other liabilities denominated in euro	10.98	6.36	4.62				
TOTAL	1,721.62	3,116.53	-1,394.91	313,023	385,967	0.5	0.8

In 2013 various items previously classified under “Transfers and applications to other funds and provisions” are included under this heading because it is considered that their nature coincides more closely with this caption. The amount relating to 2012 which was reclassified was €3.71 million.

The euro-denominated interest expenses (€1,714.81 million) arise mainly from the remuneration of intra-Eurosystem TARGET2-related balances on the liabilities-side of the balance sheet (€1,625.49 million) and, to a much lesser extent, from remuneration of monetary policy operations (€60.64 million).

Overall, interest expenses decreased by €1,394.91 million in 2013, mainly due to the lower expense of euro-denominated liabilities (€1,381.19 million).

The decrease in euro-denominated expenses (€1,381.19 million) was basically due to the lower average cost at which liabilities were remunerated, which fell from 0.8% in 2012 to 0.5% in 2013 due to the lower interest rate on main refinancing operations and to the smaller average balance of liabilities to be remunerated (€385,967 million in 2012 compared with €313,023 in 2013). Specifically, the net credit balance of intra-Eurosystem balances (TARGET2) decreased from €329,060 million in 2012 to €283,518 million in 2013.

Also notable was the significant decrease in the average balance of the deposit facility, which was down from €35,059 million in 2012 to €9,446 million in 2013, coinciding with the change in status of these deposits, which stopped being remunerated on 11 July 2012.

The decrease of €32.66 million in interest expenses for general government deposits was basically due to the lower average cost (0.6% in 2012 against 0.3% in 2013) and to

the average balance remunerated (down from €8,716 million in 2012 to €6,597 million in 2013).

3 REALISED GAINS/LOSSES
ARISING FROM FINANCIAL
OPERATIONS

This item includes the profits and losses arising from dealing in financial assets. In 2013 the net loss in this connection amounted to €1.94 million, arising from the following sources:

EUR m

	2013	2012	Change
Foreign currency	-15.25	64.05	-79.30
Sale of gold	–	–	–
Sale of foreign currency (exchange gains)	10.66	14.09	-3.43
Sale of securities (price losses)	-33.42	64.06	-97.49
Other gains/losses	7.51	-14.10	21.61
Euro	13.32	68.20	-54.89
Sale of securities	13.32	68.20	-54.89
TOTAL	-1.94	132.25	-134.19

With respect to the prior year, the total amount recorded in 2013 decreased by €134.19 million due to losses on the sale of securities denominated in US dollars as a result of the tighter unit margin and to the lower gains on the sale of fixed-income securities denominated in euro, basically because of the smaller volume of sales.

4 UNREALISED LOSSES
ON FINANCIAL ASSETS
AND POSITIONS

This item includes the loss arising in the currency position derived from the exchange rate depreciation, as well as that arising from depreciation of securities prices, for that portion that cannot be offset by unrealised gains from previous years. The breakdown in 2013 and 2012 is as follows:

EUR m

	2013	2012	Change
Foreign currency	285.34	0.99	284.35
Foreign currency (exchange rate losses)	241.40	0.10	241.30
Securities (price losses)	43.94	0.89	43.04
Euro	0.03	0.02	–
Securities (price losses)	0.03	0.02	–
TOTAL	285.36	1.01	284.35

Unrealised losses in 2013 amounted to €285.36 million. They mostly related to unrealised foreign currency exchange rate losses (€241.40 million), basically due to depreciation of the US dollar and the SDR, but a smaller portion related to unrealised price losses on fixed-income securities denominated in foreign currency (€43.94 million), basically due to changes in the market price of these securities.

5 TRANSFERS TO/FROM
PROVISIONS FOR FINANCIAL
RISKS

In the reporting year the provision for exchange rate and interest rate risks and the provision for credit risk were merged into a single provision for financial risks as recommended by the Risk Management Committee.

The breakdown of and change in this item are as follows:

EUR m

	2013	2012	Change
Net transfers to provisions for financial risks	-1,438.17	-1,737.99	299.82
Transfers to provision	-1,723.53	-1,739.00	15.47
Reversal/transfer from provision	285.36	1.01	284.35
Transfer/reversal from provision for losses arising from early repayment of special loans	169.49	172.06	-2.58
TOTAL	-1,268.68	-1,565.92	297.25

This includes, first, the transfer of €285.36 million from the provision for financial risks to cover the losses recorded at end-2013 and, second, the transfer of €1,723.53 million to this provision to cover the estimated exposures in the financial positions subject to such risks, in accordance with the criteria for valuing these risks approved by the Executive Commission resolution on 7 February 2014.

Lastly, regarding the provision for losses arising from early repayment of special loans derived from the adjustment of the market value of these assets, in 2013 the provisioning expense underwent a negative change of €2.58 million with respect to 2012, due to the recovery of €169.49 million in 2013 as against the recovery of €172.06 million in 2012.

6 NET INCOME FROM FEES AND COMMISSIONS

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

EUR m

	2013	2012	Change
1 Income from fees and commissions	17.55	19.32	-1.76
Foreign operations	—	—	—
Domestic operations	17.55	19.32	-1.76
2 Expenses from fees and commissions	10.64	12.04	-1.40
Foreign operations	2.78	3.10	-0.32
Domestic operations	7.86	8.94	-1.08
NET INCOME FROM FEES AND COMMISSIONS (1-2)	6.91	7.27	-0.36

Net fee and commission income in 2013 (€6.91 million) was €0.36 million less than in 2012. This variation relates basically to the lower fee income from securities transactions. This decrease in income was partially offset by the lower expense of fees and commissions paid on securities transactions. Both the lower fee income from securities transactions and the lower fees and commissions paid were due to the decrease in the volume of transactions.

7 INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

This item includes the participating interest of the Banco de España in the profit of the ECB from ordinary operations, seigniorage income and income generated by the ECB portfolio derived from the Securities Markets Programme. It also includes the dividends on other shares and participating interests.

EUR m	2013	2012	Change
ECB	212.77	77.23	135.54
Ordinary dividend	50.25	9.04	41.21
Dividend from banknote seigniorage income and SMP income	162.52	68.20	94.32
OTHER	8.59	12.35	-3.76
TOTAL	221.36	89.58	131.78

Of the total amount of €221.36 million recorded, €162.52 million relate to the ECB dividend from banknote seigniorage income and income from the SMP portfolio, €50.25 million to the ECB ordinary dividend for 2012, €5.09 million to dividends on the participating interest in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, SA (BME) and €3.49 million to dividends from holdings in the Bank for International Settlements.

On 9 January 2014 the ECB Governing Council decided to distribute among Eurosystem NCBs €1,369.69 million relating to substantially all the seigniorage income from its banknotes and to the income from its securities portfolio purchased within the framework of the securities market programme. The Banco de España received €162.52 million of this amount. The amount retained by the ECB to add to the provision for financial risks amounted to €0.39 million and with this addition the upper limit of this provision was reached.

8 NET RESULT OF POOLING OF MONETARY INCOME

The amount of each Eurosystem NCB's monetary income is determined by calculating the annual income generated by the earmarkable assets held against the liability base net of the financial expenses incurred for the related liabilities. The liability base consists of the following items: banknotes in circulation; liabilities to credit institutions related to monetary policy operations denominated in euro; net intra-Eurosystem liabilities resulting from TARGET2 transactions whenever they have a credit balance; and net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem whenever they have a credit balance. Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled. The earmarkable assets include the following items: lending to euro area credit institutions related to monetary policy operations; monetary policy portfolio securities; intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB; net intra-Eurosystem claims resulting from TARGET2 transactions, whenever they have a debit balance; net intra-Eurosystem claims related to the allocation of euro banknotes in the Eurosystem, whenever they have a debit balance; and a limited amount of each NCBs gold holdings, in proportion to its capital key. Gold is considered to generate no income and the securities acquired under the covered bond purchase programme are deemed to generate income at the interest rate on main refinancing operations. If the value of a NCB's earmarkable assets exceeds or is less than the value of its liability base, the difference will be offset by applying to it the most recent marginal interest rate on main refinancing operations.

The breakdown of this income in 2012 and 2013 is as follows:

EUR m	2013	2012	Change
Monetary income pooled	-1,840.53	-2,342.71	502.18
Monetary income allocated	1,980.50	2,787.66	-807.16
Provision for counterparty risk in monetary policy operations	33.58	69.22	-35.64
TOTAL	173.55	514.17	-340.62

The monetary income pooled by the Eurosystem is to be allocated or pooled among NCBs according to the ECB subscribed capital key. The difference between the monetary income pooled by the Banco de España in 2013, amounting to €1,840.53 million, and that reallocated to it, amounting to €1,980.29 million, is equivalent to a net allocation of €139.76 million. This net allocation has to be increased by €0.20 million for the Banco de España's share in the recovery of prior year expenses and realised losses. Compared with 2012, there was a decrease of €340.62 million in these results.

The basic reason for the positive net allocation of €139.97 million was that certain Eurosystem central banks held deposit facilities and fixed-term deposits which were overly large in proportion to their capital keys and remunerated at very low interest rates, so the financial expenses that can be deducted by these NCBs in determining monetary income are small.

Also, on 23 January 2014 the ECB Governing Council approved the cancellation of the provision for counterparty risk in Eurosystem monetary policy operations. Accordingly, the Banco de España released the provision recorded (€33.58 million), which had a balance of zero as at 31 December 2013 due to the inexistence of the risks covered.

9 OTHER INCOME AND LOSSES

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

EUR m

	2013	2012	Change
Extraordinary profit	0.58	-7.18	7.76
Employee social welfare scheme	–	-2.24	2.24
Sundry	120.30	4.87	115.43
TOTAL	120.88	-4.55	125.43

This item discloses net income and losses of €120.88 million, compared with the losses of €4.55 million reported in 2012.

With respect to the previous year, the net income and losses increased by €125.43 million, basically due to the income on the sale in November of the shares of Bolsas y Mercados españoles, Sociedad Holding de Mercados y Sistemas Financieros S.A. (€117.42 million).

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 %

	2013	2012	Change	(%)
Gross staff costs	219.34	212.18	7.16	3.4
Wages and salaries	162.68	160.27	2.41	1.5
Social Security	32.11	31.05	1.06	3.4
Staff welfare expenses and contributions to pension scheme	24.55	20.85	3.70	17.7
Reversal of staff costs due to capitalisation of computer applications	-1.51	-1.27	-0.24	18.9
TOTAL	217.83	210.91	6.92	3.3

Its balance increased from €210.91 million in 2012 to €217.83 million in 2013, a rise of €6.92 million (3.3%). The main reasons for this increase were the disbursement of the December 2013 “extraordinary” salary payment, equivalent to one-fourteenth of annual wages (not paid in 2012), and the provision recorded due to the conclusion of the collective labour agreement for years 2011-2014 (see Note 27 on the balance sheet).

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

	2013	2012	Change	%
Average number of employees	2,655.3	2,655.9	-0.7	–
Managerial staff	1,656.3	1,637.1	19.2	1.2
Administrative staff	826.6	840.4	-13.8	-1.6
Other	172.4	178.4	-6.0	-3.4

As at 31 December 2013, the Bank’s total staff numbered 2,645 employees, 25 more than at the same date of the previous year. Regarding the staff composition by gender, at 31 December 2013 women accounted for 44.1% of the Bank’s total workforce.

The compensation of members of the governing bodies is set by the Minister for Economic Affairs and Competitiveness in accordance with the provisions of the Law of Autonomy of the Banco de España. In 2013 the Governor received a gross annual wage of €166,350 and the Deputy Governor received €195,730 in this connection. The elected members of the Governing Council received a gross annual wage of €51,800; if they belonged to the Executive Commission, the gross annual wage was €64,980.

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

11 ADMINISTRATIVE EXPENSES

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

	2013	2012	Change	%
Gross administrative expenses	129.44	123.54	5.90	4.8
Rental and maintenance	33.09	34.74	-1.65	-4.7
Material and supply	11.59	11.67	-0.08	-0.7
External services	67.27	61.67	5.59	9.1
Training, promotion and selection	4.51	3.74	0.77	20.6
Sundry operating expenses	12.99	11.73	1.26	10.7
Reversal of administrative expenses due to capitalisation of computer applications	-3.97	-4.16	0.18	-4.4
TOTAL	125.46	119.38	6.08	5.1

The above table shows that, as in 2012, in 2013 the most significant administrative expenses were external services (€67.27 million), mainly IT services (€41.10 million) and rental and maintenance (€33.09 million), composed mainly of hardware and software rental and maintenance (€17.44 million) and property rental and maintenance (€10.54 million).

Goods and services expenses increased in 2013 (€6.08 million). The largest increase in the item was in “External services” (€5.59 million), basically due to higher IT expenses (€4.37 million) and in operating expenses, due to SEPA advertising expenses (€1.05 million).

“External services” include €128,470.87 (including VAT) relating to the fees of the external auditors (Deloitte, SL: €74,115.37 and KPMG Auditores, SL: €54,355.50) for the audits of the Bank’s annual accounts and of certain aspects of the Bank’s management of European Central Bank reserves at the request of this institution’s external auditor, the latter being the only service provided by the auditor to the Bank. In 2013 no services were received from and, consequently, no amounts were paid to, other firms related to the auditor.

12 DEPRECIATION OF FIXED ASSETS

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

EUR m and %

	2013	2012	Change	%
Depreciation of buildings, structures and renovation work	2.54	2.49	0.05	2.0
Depreciation of plant in buildings	9.06	9.00	0.06	0.7
Depreciation of furniture and fittings	2.15	2.11	0.05	2.2
Depreciation of office machines other than computer equipment	1.58	2.10	-0.52	-24.9
Depreciation of computer equipment	5.39	5.58	-0.19	-3.4
Depreciation of transport equipment	0.37	0.48	-0.11	-23.0
Depreciation of other tangible fixed assets	0.31	0.33	-0.02	-6.0
Depreciation of libraries	0.46	0.49	-0.02	-4.6
Amortisation of computer applications	8.56	8.02	0.54	6.7
TOTAL	30.43	30.60	-0.17	-0.6

13 BANKNOTE PRODUCTION SERVICES

This amount (€70.31 million) corresponds to payments made by the Banco de España to purchase banknotes from the Spanish Royal Mint. The increase with respect to the previous year (€22.88 million) was due to the larger volume of banknotes supplied by the National Mint, as follows:

Series	Denomination	Banknotes charged (millions of banknotes)	
		December 2013	December 2012
1	€50	414.7	155.7
2	€10	80.1	-
2	€5	483.5	499.2
	TOTAL	978.3	654.9

14 TRANSFERS AND ADDITIONS TO OTHER FUNDS AND PROVISIONS

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

In 2013 various items were reclassified from this heading to the caption “Interest expenses” because it is considered that their nature coincides more closely with that caption. The amount relating to 2012 which was reclassified was €-3.71 million.

The net transfers to these funds were as follows:

EUR m

	2013	2012	Change
Provision for operational risk	15.92	0.33	15.59
Provision for death and retirement assistance	5.27	2.57	2.70
Provision for early and regular retirement	5.25	8.01	-2.76
Provision for sundry liabilities and charges	3.78	0.15	3.63
Other	-0.93	-	-0.93
Beneficent social fund	9.47	11.57	-2.10
TOTAL	38.75	22.63	16.13

The net balance of transfers and applications to other funds and provisions in 2013 amounted to €38.75 million, compared with €22.63 million in 2012. Noteworthy was the net provisioning for operational risk of €15.92 million (see Note 27 on the balance sheet) and the provision of €9.47 million to the Beneficent Social Fund in 2013, compared with €11.57 million in 2012, meaning that the expense was €2.10 million lower. In 2013 €5.35 million were transferred to the provision for expenses relating to early and regular retirees, €5.27 million to the provision for death and retirement assistance and €3.96 million to the provision for litigation risk.

The Banco de España, because of the nature of its activity, is not an institution with a high environmental risk. Accordingly, in 2013 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 1 December of the previous year.

On 2 December 2013 the Banco de España paid into the Treasury €1,385.56 million, equal to 70% of the profit recorded as at 30 September 2013.²¹

Given that the profit for the year amounted to €3,147.58 million, on 3 March 2014 €1,447.26 million were paid into the Treasury to complete the distribution of 90% of profits.

The payments to the Treasury of 2013 profit are as follows:

EUR m

1 Total profit for 2013	3,147.58
2 Payments to the Treasury	2,832.82
On 2.12.2013	1,385.56
On 3.3.2014. Difference between the above amount and 90% of profit as at 31.12.2013	1,447.26
3 Profit payable to the Treasury	314.76
At date of approval of the 2013 accounts	314.76

²¹ Pursuant to the aforementioned Royal Decree, the payment resolution must take into consideration the foreseeable performance of profits up to the end of the year. For this reason, account was taken of a number of factors which entailed a risk of lower profit estimated at €1,443.08 million. Accordingly, this amount was subtracted from the Banco de España profit of €3,422.45 million as at 30 September, resulting in a profit of €1,979.37 million, 70% of which was paid into the Treasury.

3.4 Changes in capital, reserves, provisions and revaluation accounts

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

EUR m

	Capital	Reserves	Revaluation accounts	Undistributed profit	Provisions for risks	Total
A) 2013 OPENING BALANCE	1,000.00	950.00	12,568.59	2,112.69	7,299.78	23,931.07
1 Unrecognised net gains in profit and loss			-3,530.07			-3,530.07
In gold			-3,530.59			-3,530.59
In foreign currency			-888.43			-888.43
In securities			904.99			904.99
Other			-16.04			-16.04
2 Change in provisions		-50.19			1,454.09	1,403.89
3 2013 profit				3,147.58		3,147.58
4 Appropriation of profit				-3,498.25		-3,498.25
Payment to the Treasury of 2012 profit				-2,112.69		-2,112.69
Payment to the Treasury of 2013 profit				-1,385.56		-1,385.56
B) CHANGES IN THE YEAR						
B = 1+2+3+4		-50.19	-3,530.07	-350.68	1,454.09	-2,476.86
C) 2013 CLOSING BALANCES						
C = A + B	1,000.00	899.81	9,038.52	1,762.02	8,753.87	21,454.21

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

Equity decreased by €2,476.86 million in 2013 due to the lower unrealised gains on gold (€3,530.59 million) and the higher provision for financial risks.

3.5 Risk management

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

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

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

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

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

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

At end-2013 a Financial Risk Department was created which in the future will be responsible for defining, developing and implementing risk policies and for measuring and controlling risks and reporting on them to the governing bodies of the Banco de España.

1 FINANCIAL RISKS

Financial risks comprise market risk, liquidity risk and credit risk. The risk assessment carried out by the Banco de España in 2013 found that the main risk, from a quantitative standpoint, is the market risk derived from foreign exchange rate and interest rate fluctuations. The Banco de España is also exposed, to a lesser extent, to credit risk.

1.1 Market risk

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

Interest rate risk

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

The Bank's exposure to this type of risk derives mainly from the fixed-income securities in the trading portfolio, since their market value is affected by interest rate movements.²² The level of exposure to this risk depends on the volume and maturity of holdings in this portfolio and on the volatility of interest rates.

The Bank's Operations Committee sets the modified duration of the strategic and tactical benchmarks of the euro-denominated and US dollar-denominated trading portfolios and establishes limits by means of +/- 0.25 fluctuation banks. On 17 December 2013 the target durations of the tactical benchmarks of US dollar-denominated and euro-denominated portfolios were set at 1 and 3, respectively.

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

As at 31 December 2013 the interest rate exposure on the trading portfolio is assessed at €2,288 million and is covered in full by the provision for financial risks.

Foreign exchange rate and gold price risks

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

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

²² For accounting purposes, the Bank's trading portfolio is valued at market prices and its held-to-maturity portfolio is valued at amortised cost.

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

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

Based on the VaR as at 31 December 2013, the exchange rate risk amounts to €4,919 million and is covered in full by the provision for financial risks.

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

1.2 Liquidity risk

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

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

1.3 Credit risk

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

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

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

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

Based on VaR methodology, the estimated credit risk as at 31 December 2013 is €1,506 million, which is the total amount to be provisioned for credit risk.

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

Also, the risks derived from the securities purchased under the Securities Markets Programme and under monetary policy loans are shared by the Banco de España in accordance with the ECB capital key, which is 11.87% for 2013.

2 OPERATIONAL RISK

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

The Operational Risk Management System developed by the Bank following the guidelines set in the document entitled "International Convergence of Capital Measurement and

Capital Standards” (BIS, Basel II, June 2004) sets out policies, functions and procedures for proper operational risk management.

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

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

Also, the system includes a VaR-type quantitative approach for calculating operational risk exposure, which stems from the Advanced Measurement Approach (AMA), which may serve as a reference for deciding on the possible general provisioning for this risk through the related allowance. The Bank’s VaR methodology estimates the maximum financial loss or value at risk due to operational losses affecting net worth, with a one-year time horizon and a 99% confidence interval.

The exposure to operational risk as at 31 December 2013 amounted to €407 million and a provision for operational risk was recorded for 10% of this amount.

4 SPECIFIC INFORMATION REQUIRED BY ARTICLE 4.2 OF THE LAW OF AUTONOMY OF THE BANCO DE ESPAÑA OF 1 JUNE 1994

4.1 Contribution made by the Bank to the Deposit Guarantee Fund

On 15 October 2011, Royal Decree-Law 16/2011 of 14 October 2011 creating the Credit Institution Deposit Guarantee Fund came into force and the three previously existing credit institution deposit guarantee funds were wound up. The contribution of the Banco de España to the Deposit Guarantee Fund continues to be regulated by Article 3 of Royal Decree 2606/1996 of 20 December 1996, in which references to the wound-up funds are deemed to be to the new fund.

Royal Decree 2606/1996 established that the Deposit Guarantee Fund may only exceptionally “be supplemented by contributions from the Banco de España, the amount of which shall be fixed by Law”. In 2013 the Banco de España made no contributions whatsoever to this Fund.

4.2 Loss of profit

The table below shows the loans outstanding in 2013 with interest rates below the reference rates used, in order to estimate the loss of profit for the year pursuant to the provisions of Article 4.2 of Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España.

EUR m and %

Type of credit/loan	Average balance in 2013	Interest rate received (%)	Reference interest rate (%)	Estimated loss of profit
Net State debt	1,441.64	–	0.55	7.93
Housing loans and repayable advances to employees	36.59	0.05	0.55	0.18
Housing loans	6.04	0.28	0.55	0.02
Repayable advances	30.55	–	0.55	0.17
TOTAL	1,478.23	–	0.55	8.11

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

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

4.3 Other transactions

On 26 March 2007 an agreement was entered into with the State government to bring forward the repayment schedule of the loans granted to the State prior to the entry into force of Law 21/1993 of 29 December 1993 on the State Budget for 1994 (Law 3/1983 loan, Law 4/1990 loan and credits arising from subscription for participating interests, contributions and quotas in international agencies), such that they all reach final maturity by 2015 at the latest and the Treasury can request early repayment of part or all of these facilities, paying on the due date the effective market price instead of the nominal amount. Under this agreement, in 2013 payment was received of two instalments of the aforementioned facilities (that for the reporting year and the last outstanding instalment of the original repayment schedule), the repayment date of all of them being brought forward from 31 December to 30 April. In accordance with the foregoing, on 30 April 2013 the Treasury paid to the Banco de España the amount of €876.44 million, the effective market price of the debt repaid on that date, equivalent to a nominal amount of €971.68 million.

ANNEXES

1 REPORT OF THE EXTERNAL AUDITORS



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

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

Independent Auditors' Report on the Annual Accounts

To the Honourable Governor of the Banco de España,

We have audited the annual accounts of the Banco de España which, in accordance with article 29.1 of its Internal Rules, comprise the balance sheet at 31 December 2013, the income statement for the year then ended and the notes thereto.

Responsibility for the annual accounts

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

The auditors' responsibility

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

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

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

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Opinion

In our opinion the accompanying annual accounts for 2013 present fairly, in all material respects, the equity and financial position of the Banco de España at 31 December 2013 and its financial performance for the year then ended, in accordance with the internal accounting principles of the Banco de España, which are specified in note 3.1 to the accompanying annual accounts, based on the accounting regulations stipulated for the central banks that are members of the European System of Central Banks.

KPMG Auditores, S.L.



María Eugenia Fernández-Villarán Ara

30 April 2014

2 REPORT OF THE BANCO DE ESPAÑA AUDIT COMMITTEE

We the undersigned, Ángel Luis López Roa, Carmen Alonso Ledesma and Maximino Carpio García, are members of the Governing Council of the Banco de España and of the Audit Committee appointed by the Governing Council. In accordance with Article 29 of the Internal Rules of the Banco de España, we were given the task of reviewing the accounts of the Institution for the year 2013.

As required by the aforementioned precept, the Audit Committee has analysed the operations of the Banco de España. This examination basically involved: 1) studying the annual accounts of the Banco de España for the year 2013, 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 2013, conducted by the Internal Audit Department; 3) studying the documentation requested by the members of this Committee from the independent external auditors; 4) interviewing the persons responsible for the independent external audit, for the Internal Audit Department and for the Control, Budget and Accounting Department; and 5) making proposals for the modification, correction or clarification of various matters, all of which have been satisfactorily incorporated in the annual accounts by the Control, Budget and Accounting Department.

The basic conclusion of our report is that from the analysis carried out of the examination of the accounting procedures, of the accounting records and of the internal controls in place, it can be inferred that the annual accounts for the year 2013 give a true and fair view of the net worth and financial position of the Banco de España.

Madrid, 7 April 2014.



ÁNGEL LUIS LÓPEZ ROA



CARMEN ALONSO LEDESMA



MAXIMINO CARPIO GARCÍA