

ANNUAL ACCOUNTS OF THE BANCO DE ESPAÑA  
2009

## 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)<sup>1</sup> 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 rules, the Banco de España has established its own internal rules 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 Economy and Finance, to approve the Bank’s balance sheet and accounts for the year, which will be sent to Parliament (Cortes Generales) for informational purposes. The Governing Council of the Bank, under the provisions of Article 21.g) of the aforementioned Law, is responsible for formulating the Bank’s annual accounts.

Unless otherwise indicated, the figures are expressed in millions of euro. Those relating to 2008 are presented solely for comparison with 2009. 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 2009. Section 2 includes the balance sheet and profit and loss account at 31.12.09; Section 3 contains the notes on the accounts, with the accounting policies that have served as a framework for their formulation, the explanatory notes on the most important aspects of the balance sheet and profit and loss account, and the changes in capital, reserves, provisions and revaluation accounts; and Section 4, in compliance with Article 4.2 of the Law of Autonomy, details the contributions made to the Deposit Guarantee Funds 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, giving estimates of those amounts.

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.

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1. Guideline of the European Central Bank of 10 November 2006 on the legal framework for accounting and financial reporting in the ESCB (ECB/2006/16), as amended.

## 2 Balance sheet and profit and loss account

BALANCE SHEET OF THE BANCO DE ESPAÑA AS AT 31 DECEMBER 2009

EUR m

	NOTE NUMBER	2009	2008
<b>ASSETS</b>			
<b>1 Gold and gold receivables</b>	<b>1</b>	<b>6,938.31</b>	<b>5,627.29</b>
<b>2 Claims on non-euro area residents denominated in foreign currency</b>		<b>12,306.81</b>	<b>8,378.73</b>
2.1 Receivables from the IFM	2	4,119.17	867.67
2.2 Balances with banks and security investments, external loans and other external assets	3	8,187.65	7,511.06
<b>3 Claims on euro area residents denominated in foreign currency</b>	<b>4</b>	<b>0.01</b>	<b>8,940.60</b>
<b>4 Claims on non-euro area residents denominated in euro</b>		<b>1,014.96</b>	<b>2,929.01</b>
4.1 Balances with banks, securities investments and loans	5	1,014.96	2,929.01
4.2 Claims arising from the credit facility under ERM II		—	—
<b>5 Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>6</b>	<b>90,087.62</b>	<b>92,576.70</b>
5.1 Main refinancing operations		657.70	22,168.90
5.2 Longer-term refinancing operations		89,421.45	70,284.55
5.3 Fine-tuning reverse operations		—	—
5.4 Structural reverse operations		—	—
5.5 Marginal lending facility		—	63.00
5.6 Credits related to margin calls		8.47	60.25
<b>6 Other claims on euro area credit institutions denominated in euro</b>	<b>7</b>	<b>1,151.64</b>	<b>2.15</b>
<b>7 Securities of euro area residents denominated in euro</b>	<b>8</b>	<b>84,340.68</b>	<b>75,903.94</b>
7.1 Securities held for monetary policy purposes		3,400.37	—
7.2 Other securities		80,940.31	75,903.94
<b>8 General government debt denominated in euro</b>	<b>9</b>	<b>4,665.45</b>	<b>5,248.92</b>
<b>9 Intra-Eurosystem claims</b>	<b>10</b>	<b>13,121.19</b>	<b>4,786.88</b>
9.1 Participating interest in ECB		663.30	437.71
9.2 Claims equivalent to the transfer of foreign reserves		4,783.65	4,349.18
9.3 Net claims related to the allocation of euro banknotes within the Eurosystem		7,674.24	—
9.4 Other claims within the Eurosystem (net)		—	—
<b>10 Items in course of settlement</b>		<b>0.34</b>	<b>0.77</b>
<b>11 Other assets</b>		<b>4,324.48</b>	<b>4,592.75</b>
11.1 Tangible and intangible fixed assets	11	240.45	235.85
11.2 Other financial assets	12	50.45	49.57
11.3 Off-balance sheet instruments revaluation differences	13	—	620.86
11.4 Accruals and prepaid expenses	14	2,126.12	2,430.26
11.5 Sundry	15	1,907.47	1,256.21
<b>TOTAL ASSETS</b>		<b>217,951.50</b>	<b>208,987.73</b>

	NOTE NUMBER	2009	2008
<b>LIABILITIES</b>			
<b>1 Banknotes in circulation</b>	<b>16</b>	<b>88,273.78</b>	<b>76,018.16</b>
<b>2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>17</b>	<b>35,089.02</b>	<b>54,314.92</b>
2.1 Current accounts (covering the minimum reserve system)		24,736.02	24,136.03
2.2 Deposit facility		10,352.00	30,106.40
2.3 Fixed-term deposits		—	—
2.4 Fine-tuning reverse operations		—	—
2.5 Deposits related to margin calls		1.00	72.49
<b>3 Other liabilities to euro area credit institutions denominated in euro</b>		<b>0.09</b>	<b>—</b>
<b>4 Debt certificates issued</b>		<b>—</b>	<b>—</b>
<b>5 Liabilities to other euro area residents denominated in euro</b>		<b>32,725.57</b>	<b>20,544.59</b>
5.1 General government	18	31,233.05	18,770.52
5.2 Other liabilities	19	1,492.52	1,774.07
<b>6 Liabilities to non-euro area residents denominated in euro</b>	<b>20</b>	<b>264.49</b>	<b>172.27</b>
<b>7 Liabilities to euro area residents denominated in foreign currency</b>		<b>0.86</b>	<b>1.47</b>
<b>8 Liabilities to non-euro area residents denominated in foreign currency</b>		<b>0.69</b>	<b>71.85</b>
8.1 Deposits, balances and other liabilities	21	0.69	71.85
8.2 Liabilities arising from the credit facility under ERM II		—	—
<b>9 Counterpart of special drawing rights allocated by the IMF</b>	<b>22</b>	<b>3,078.08</b>	<b>330.12</b>
<b>10 Intra-Eurosystem liabilities</b>	<b>23</b>	<b>41,033.92</b>	<b>42,046.77</b>
10.1 Net liabilities related to the allocation of euro banknotes within the Eurosystem		—	7,125.42
10.2 Other liabilities within the Eurosystem (net)		41,033.92	34,921.35
<b>11 Items in course of settlement</b>	<b>24</b>	<b>103.69</b>	<b>246.64</b>
<b>12 Other liabilities</b>		<b>375.92</b>	<b>491.58</b>
12.1 Off-balance-sheet instruments revaluation differences	25	79.67	—
12.2 Accruals and income collected in advance	26	69.06	220.16
12.3 Sundry	27	227.19	271.42
<b>13 Provisions</b>	<b>28</b>	<b>5,312.04</b>	<b>4,847.66</b>
<b>14 Revaluation accounts</b>	<b>29</b>	<b>7,020.16</b>	<b>5,811.51</b>
<b>15 Capital and reserves</b>		<b>2,000.00</b>	<b>2,000.00</b>
15.1 Capital	30	1,000.00	1,000.00
15.2 Reserves	31	1,000.00	1,000.00
<b>16 Profit for the year</b>	<b>32</b>	<b>2,673.18</b>	<b>2,090.19</b>
<b>TOTAL LIABILITIES</b>		<b>217,951.50</b>	<b>208,987.73</b>

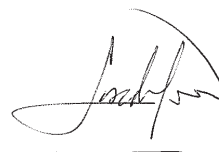
	NOTE NUMBER	2009	2008
1 Interest income	1	4,669.85	6,207.26
2 Interest expense	2	1,005.29	2,873.86
<b>3 Net interest income (1 – 2)</b>		<b>3,664.57</b>	<b>3,333.41</b>
4 Realised gains/losses arising from financial operations	3	108.54	108.62
5 Write-downs on financial assets and positions	4	193.12	16.13
6 Transfer to/from provisions for foreign exchange rate, price and credit risks	5	688.14	319.99
<b>7 Net result of financial operations, write-downs and risk provisions (4 – 5 – 6)</b>		<b>-772.72</b>	<b>-227.50</b>
8 Fees and commissions income		23.77	23.33
9 Fees and commissions expense		13.20	11.04
<b>10 Net income from fees and commissions (8 – 9)</b>	<b>6</b>	<b>10.57</b>	<b>12.29</b>
11 Income from equity shares and participating interests	7	117.94	144.71
12 Net result of pooling of monetary income	8	193.99	-684.56
13 Other income and losses	9	-12.93	-4.35
<b>14 TOTAL NET INCOME (3 + 7 + 10 + 11 + 12 + 13)</b>		<b>3,201.42</b>	<b>2,573.99</b>
15 Staff costs	10	230.96	223.63
16 Administrative expenses	11	121.51	132.80
17 Depreciation of tangible and intangible fixed assets	12	25.58	23.35
18 Banknote production services	13	71.45	65.08
19 Other expenses		2.85	2.28
<b>20 TOTAL OPERATING EXPENSES (15 + 16 + 17 + 18 + 19)</b>		<b>452.35</b>	<b>447.15</b>
21 Transfers and additions to other funds and provisions	14	75.89	36.65
<b>22 PROFIT FOR THE YEAR (14 – 20 – 21)</b>	<b>15</b>	<b>2,673.18</b>	<b>2,090.19</b>

Countersigned by  
The Governor,



MIGUEL FERNÁNDEZ ORDÓÑEZ

The Comptroller,



JOSÉ MIGUEL GARCÍA HERNANDO

### 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, 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 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 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,<sup>2</sup> 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 expense 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, affecting the foreign currency position from that date. Gains and losses on the spot sale of foreign curren-

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<sup>2</sup> 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 or, alternatively, they are used to offset unrealised losses.

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

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

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

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

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

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

#### Foreign banknotes

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

#### Special drawing rights (SDRs)

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

#### Securities

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

In all three cases, the securities are recorded initially at acquisition cost, which is determined by the cash amount paid, less any accrued gross coupon.

The cost of securities sold or redeemed is determined by the average book value of the security in question. The securities in the held-to-maturity portfolio may not be sold except in exceptional circumstances and with the authorisation of the Operations Committee.

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 (with the exception of unrealised losses at year-end) are reflected in adjustment accounts and credited or debited, respectively, to revaluation and expense accounts. Unreal-

ised 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. These unrealised losses are considered irreversible.

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

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

The above references to acquisition cost and market prices shall, in relation to securities denominated in foreign currency, be understood to refer to the currency concerned, these amounts being 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 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 NCBs shall be indemnified, in exceptional circumstances, for specific losses arising from monetary policy operations undertaken for the ESCB. Indemnification shall be in a form deemed appropriate in the judgment of the Governing Council; these amounts may be offset against the national central banks’ monetary income (see Note 28 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 10 November 2006 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2006/16), they are valued at nominal amount (see Notes 9 and 28 to the balance sheet and Note 5 to the profit and loss account).
Shares and participating interests	Shares and participating interests in national and/or international institutions, including the participating interest in the European Central Bank (ECB), are valued at cost. The participating interest in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros S.A. is valued at its underlying book value.
Tangible and intangible fixed assets	<p>Fixed assets are defined as those non-financial assets owned by the Bank that are intended be used for a period exceeding 12 months and contribute directly or indirectly to fulfilling its objectives and/or to the probable generation of income in the future and, in addition, their cost can be reliably assessed).</p> <p>Fixed assets are generally valued initially at cost, defined as the amount of the monetary disbursements made or committed to, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner, such as transport, installation, professional fees for legal services, non-refundable taxes and the fair value of other consideration given.</p> <p>Trade discounts and those for defects in assets received are recorded as a reduction in the cost of the related assets. Cash discounts and those for late delivery are recorded in the profit and loss account under other income or, where appropriate, as a reduction in expenses, and do not affect the acquisition cost of the asset purchased.</p> <p>Fixed assets are deemed not to include those assets which, although meeting the conditions to be classed as such, do not generally exceed the amount of €600 (€6,000 in the case of buildings, structures and plant in buildings), although there may be exceptions, normally for control reasons.</p> <p>Only extensions, replacements, rehabilitations and improvements that exceed €6,000 are capitalised, provided also that the elements replaced can be removed from the balance sheet or that they are fully depreciated.</p> <p>Computer applications developed specifically for the Banco de España the cost of which does not exceed €300,000 are recorded directly as expenses and are not eligible for subsequent capitalisation.</p> <p>After initial recognition, fixed assets are valued at acquisition cost less accumulated depreciation or amortisation and any impairment losses.</p> <p>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.</p> <p>The depreciation/amortisation rates and estimated useful lives applied to the various fixed assets in 2009 were as follows:</p>

	Depreciation /Amortisation Rate (%)	Useful life (years)
Buildings and structures	2	50
Renovation work	4	25
Plant in buildings	10	10
Security-related plant in buildings	20	5
Furniture and fittings	10	10
Office machines for the handling of banknotes and coins	10	10
Other office machines	20	5
Computer equipment	25	4
Transport equipment. Cars and motor bikes	25	4
Transport equipment. Trucks and buses	10	10
Library collection	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 national central banks (NCBs), which together comprise the Eurosystem, have issued euro banknotes since 1 January 2002.<sup>3</sup> 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.<sup>4</sup>

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 balance sheet liability item "Banknotes in circulation".

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation also gives rise to remunerated intra-Eurosystem balances. These claims or liabilities, which incur interest,<sup>5</sup> 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 period<sup>6</sup> 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 reduced in annual stages until

3. Decision of the European Central Bank of 6 December 2001 on the issue of euro banknotes (ECB/2001/15), OJ 337, 20.12.2001, as amended. 4. The banknote allocation key is that which results from applying 92% to the Eurosystem subscribed capital key. 5. Decision of the European Central Bank of 6 December 2001 on the allocation of monetary income of the national central banks of participating Member States from the financial year 2002 to 2007, inclusive (ECB/2001/16), OJ 337, 20.12.2001, as amended. 6. The reference period taken has a duration of 24 months and it begins 30 months prior to the euro cash changeover date.

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 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.

In accordance with the ECB Decision of 17 November 2005 (ECB/2005/11) on the distribution of the income of the ECB on euro banknotes in circulation to the national central banks (NCBs) of the participating Member States, this income arising from the 8% share of euro banknotes allocated to the ECB belongs to the NCBs and shall be distributed to them annually. This Decision stipulates however that the ECB’s Governing Council may decide before the end of the financial year to transfer part or all of this income to an ECB provision for foreign exchange rate, interest rate, credit risk and gold price risks. The ECB Governing Council may also decide before the end of the financial year not to distribute part or all of this income if it expects that the ECB will incur a loss or that its net profit for that year may be less than the amount of seigniorage income on its euro banknotes in circulation. Finally, the distribution of this income may be reduced in accordance with any decision by the ECB’s Governing Council in respect of expenses incurred by the ECB in connection with the issue and handling of euro banknotes.

#### 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 TARGET2<sup>7</sup> among the NCBs of the ESCB, including the ECB. They also arise from the balances vis-à-vis the ECB resulting from allocation of euro banknotes within the Eurosystem, from the outcome of the contribution and allocation of monetary income and from the positions vis-à-vis the ECB owing to the deferral of sundry receipts and payments.

In the case of TARGET2 operations, the resulting balance is included as an asset or liability, as appropriate, under the 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. 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.

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

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 internal rate of return method.

#### Pension Scheme

The Pension Scheme for Bank employees is of the defined-contribution type. The Pension Fund is external and closed-end. Contributions made by the Banco de España on behalf of the employees who, having joined the Bank after 1 February 1986, are eligible to and do participate in the Scheme, are established at 7.5% of the so-called "regulating salary", consisting of the salary items determined in the Scheme Rules. The amounts contributed by the Bank are recognised as a current expense in the year to which they relate.

#### 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 28 on the balance sheet).

#### Off-balance-sheet positions<sup>8</sup>

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.

As a general rule, profits and losses arising from off-balance-sheet positions are recognised and treated in a similar manner to those arising from on-balance-sheet assets and liabilities. Specifically, in application of the economic approach, the gains and losses on positions in 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.

#### Post-balance-sheet events

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

### 3.2 Notes on the balance sheet

#### 1 GOLD AND GOLD RECEIVABLES

The Banco de España's gold holdings amount to €6,938.31 million, consisting of 9.054 million troy ounces<sup>9</sup> of fine gold valued at a market price of €766.35 per ounce. The value of these holdings is €1,311.03 million more than in 2008, as a result of the rise in the market price (at end-2008 the price per ounce was €621.54). This increase is included in the liability revaluation accounts. The cost of the gold holdings is €850.43 million.

8. 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 under items 11.3 on the assets side and 12.1 on the liabilities side, depending on their sign. 9. One troy ounce is equal to 31.1035 grams.

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.
- b) Special drawing rights (allocations). These represent the euro equivalent of the successive allocations of this currency by the IMF. The changes in allocations are mainly due to loan agreement transactions with third countries 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 Poverty Reduction and Growth Facility. This fund is used to finance low-interest loans to the poorest countries. The Banco de España has undertaken to contribute a maximum of SDR 425 million to this fund.

The breakdown in 2008 and 2009 is as follows:

EUR m				
Type of asset	2009	2008	Change	
Reserve tranche position	541.30	466.58	74.72	
Special drawing rights (allocation)	3,221.20	160.10	3,061.10	
Other claims on the IMF	356.66	240.99	115.67	
<b>TOTAL</b>	<b>4,119.17</b>	<b>867.67</b>	<b>3,251.49</b>	

The overall amount of claims on the IMF increased by €3,251.49 million with respect to the balance at end-2008.

The increase in the reserve tranche position account (€74.72 million) is basically due to the Banco de España's net contributions to the IMF for loans to third countries (Turkey, Hungary, Sri Lanka and Romania). Of this increase, €82.78 million related to the net increase in amounts denominated in foreign currencies, reduced by €8.06 million due to the effect of the change in market foreign exchange rates between the two years. Spain's IMF quota was not changed in 2009, remaining at SDR 3,048.90 million.

The increase of €3,061.10 million in the "Special drawing rights (allocation)" account is mostly explained by the extraordinary SDR allocations agreed in the IMF. These amounted to €2,752.80 million (€2,528.75 million SDRs). The net increase explained by the rise in foreign currencies (€3,109.04 million) was reduced by €47.94 million due to the year-end exchange rate effect.

The increase in the "Other claims on the IMF" account (€115.67 million) is due to the Banco de España's contributions to the IMF's PRGF III programme, which resulted in an increase of €120.98 million, less €5.31 million due to the change in exchange rates between the two years.

SDRs are valued at the year-end market rate, calculated by the ECB for all the Eurosystem NCBs, of €1 = SDR 0.918611. 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 interest rate, which is updated weekly, remained between 0.82% and 0.23% during the year.

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 09 was €8,187.65 million, with the following breakdown:

EUR m				
Type of asset	2009	2008	Change	
Deposits	144.65	95.69	48.96	
Security investments	8,042.39	7,413.75	628.65	
<i>Trading portfolio</i>	<i>4,149.24</i>	<i>3,374.09</i>	<i>775.15</i>	
<i>Held-to-maturity portfolio</i>	<i>3,893.15</i>	<i>4,039.65</i>	<i>-146.50</i>	
Other	0.60	1.62	-1.02	
<b>TOTAL</b>	<b>8,187.65</b>	<b>7,511.06</b>	<b>676.59</b>	

As at 31 December 2009, 99.74% of these assets were denominated in US dollars. The equivalent value in euro of this US dollar amount was transferred to the balance sheet at the year-end market exchange rate (€1= USD 1.4406).

The increase in the balance of this item (€676.59 million) was due to the net effect of the factors listed in the following table:

EUR m		
Reason for change	Amount	
Net investment	1,052.20	
Changes of market exchange rates as at 31 December	-285.91	
Changes of securities market prices as at 31 December	-107.96	
Accrued interest receivable	18.64	
Other	-0.38	
<b>TOTAL</b>	<b>676.59</b>	

4 CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

This balance sheet item may include current accounts, balances with banks and security investments. Its balance of €0.01 million at 31 December 2009 is €8,940.58 million less than that of the previous year. This decrease was because at end-2009 no US dollar denominated deposits at monetary financial institutions were held (the euro equivalent of these deposits at end-2008 was €718.55 million) and because in the closing months of 2009 no reverse operations were carried out with Eurosystem counterparties in connection with the US dollar Term Auction Facility, the balance of which at the previous year-end amounted to €8,222.03 million.

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

Included here is the balance of current accounts at correspondents and trading and held-to-maturity portfolio securities denominated in euro. The held-to-maturity portfolio consists of 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	2009	2008	Change
Balances with banks	0.21	0.22	-0.01
Security Investments	1,014.75	2,928.78	-1,914.03
<i>Trading portfolio</i>	<i>108.94</i>	<i>110.41</i>	<i>-1.48</i>
<i>Held-to-maturity portfolio</i>	<i>905.81</i>	<i>2,818.37</i>	<i>-1,912.56</i>
<b>TOTAL</b>	<b>1,014.96</b>	<b>2,929.01</b>	<b>-1,914.05</b>

Of the total of this heading (€1,014.96 million), most (€905.81 million) relates to fixed-income securities included in the held-to-maturity portfolio, which, however, decreased by €1,912.56 million with respect to the balance as at 31 December 2008 as a result of redemptions during the year. This portfolio consists of euro-denominated securities issued by non-euro area States and by international organisations (the European Investment Bank and the Bank for International Settlements). The balance of €108.94 million of the securities included in the trading portfolio is €1.48 lower than in the previous year and relates in full to securities issued by international agencies (European Investment Bank).

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 €749,890 million, of which €90,087.62 are included in the balance sheet of the Banco de España. Pursuant to Article 32.4 of the ESCB/ECB Statute, any counterparty risks that materialise in monetary policy operations must be shared by all Eurosystem 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 risk in monetary policy operations, in Note 28.- Provisions).

The breakdown by type of transaction is as follows:

EUR m			
Type of operation	2009	2008	Change
Main financing operations	657.70	22,168.90	-21,511.20
Longer-term refinancing operations	89,421.45	70,284.55	19,136.90
Fine-tuning reverse operations	—	—	—
Structural reverse operations	—	—	—
Marginal lending facility	—	63.00	-63.00
Credits related to margin calls	8.47	60.25	-51.78
<b>TOTAL</b>	<b>90,087.62</b>	<b>92,576.70</b>	<b>-2,489.08</b>

Throughout the whole of 2009, against a background of money market tensions in the euro area, the ECB conducted liquidity-providing operations of various maturities to meet the additional liquidity demands of counterparties.

The balance of this item as at 31 December 2009 is 2.69% less than that of 2008. However, the average daily balance of the financing granted during the year increased by 42.13% (€80,937.90 million in 2009, against €56,946.04 million in 2008).

19.21% of the annual average balance of daily financing was extended through “Main refinancing operations” and another 80.75% was granted under “Longer-term refinancing operations”, which represents a very significant increase with respect to the previous year. Only 0.04% of this balance was financed through other instruments.

a. Main refinancing operations

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 the reporting year they lost ground, being replaced in this function by longer-term 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. From October 2008, the operations are conducted at fixed rate with allotment of the total amount bid.

The balance of this item as at 31 December 2009 was €657.70 million, which was €21,511.20 million less than at 31 December 2008, this reduction being offset by the increase in financing extended through longer-term operations. The average balance decreased from €20,794.04 million in 2008 to €15,544.88 in 2009.

b. Longer-term refinancing operations

Originally these operations aimed to provide counterparties with additional longer-term refinancing. They were executed through liquidity-providing reverse transactions with a monthly frequency and a maturity of three months, normally by means of standard tenders. However, to improve liquidity provision in the Eurosystem in 2008 and 2009, these regular main longer-term refinancing operations were accompanied by other supplementary longer-term refinancing operations with maturities of three months, six months and one year (the latter only in 2009), as well as by financing operations with special maturities equal to the reserve maintenance. From October 2008 these operations are also being conducted at fixed rate with allocation of the whole amount bid.

As a result, at end-2009 the balance of this item was very high at €89,421.45 million (99.26% of the total), having increased by €19,136.90 million with respect to the previous year. Similarly, its average balance rose from €36,009.21 million in 2008 to €65,354.89 in 2009. This increase was for the reasons explained above.

c. Fine-tuning reverse operations

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

The end-2009 balance was zero, as it was at the previous year-end. No fine-tuning reverse operations took place during the year.

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-2009 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 NCBs 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 2009 was zero. There were few of these operations during the year and, as a result, the average balance decreased significantly from €67.50 million in 2008 to €9.86 million in 2009.



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 17). If the market value of the underlying assets, following their revaluation, exceeds the amount of the financing obtained from the NCB plus the variation margin, the counterparty may withdraw an amount of underlying assets equal to that excess (or receive this difference as a cash payment in its account).

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

As at 31 December 2009 this item had a balance of €8.47 million, down €51.78 million with respect to the previous year.

7 OTHER CLAIMS ON EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

This item includes claims on credit institutions unrelated to monetary policy operations. Its balance of €1,151.64 million as at 31 December 2009 includes the amount of the correspondent accounts in euro with credit institutions (€1.64 million, down €0.51 million on 2008) and liquidity-support loans to credit institutions (€1,150.00 million).

8 SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

On 7 May 2009 the ECB Governing Council approved the creation of a monetary policy securities portfolio. The securities included in this portfolio should be recorded in the balance sheet separately from the other euro-denominated securities issued by euro-area residents. Consequently, in 2009 this item was broken down into two sub-items: "Securities held for monetary policy purposes" and "Other securities" (previously, the latter constituted the whole item).

a. Securities held for monetary policy purposes

This item includes the amount of euro-denominated fixed-income securities issued by euro area residents which were acquired by the Banco de España for monetary policy purposes under the programme of purchases approved by the ECB Governing Council on 7 May 2009. The purchases began in July 2009. The Governing Council decided to classify these securities as held-to-maturity (see "Securities" in Section 3.1 "Accounting policies". The balance at 31 December 2009 was €3,400.37 million and there was no objective evidence that these assets were impaired at year-end.

b. Other securities

This item includes that part of the Bank's trading and held-to-maturity portfolio which consists of euro-denominated fixed-income securities issued by euro area residents. 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	2009	2008	Change
Trading portfolio	40,279.80	42,293.25	-2,013.44
Held-to-maturity portfolio	40,660.51	33,610.69	7,049.82
<b>TOTAL</b>	<b>80,940.31</b>	<b>75,903.94</b>	<b>5,036.37</b>

The balance of this item as at 31 December 2009 was €80,940.31 million, of which 49.76% related to trading portfolio securities and the remainder (50.24%) to held-to-maturity securities.

Overall, these securities increased by €5,036.37 million in 2009. It was, however, held-to-maturity securities which underwent an increase, of €7,049.82 million, whereas trading securities decreased by €2,013.44 million.

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 of securities	-1,720.46	7,075.18	5,354.72
Unrealised gains at year-end (a)	50.59	—	50.59
Unrealised losses at year-end (a)	-14.11	—	-14.11
Accrued implicit interest	-329.46	-25.36	-354.83
<b>TOTAL</b>	<b>-2,013.44</b>	<b>7,049.82</b>	<b>5,036.37</b>

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.

## 9 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 of 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. A provision has been set up for losses arising from early repayment of these loans (see Note 28 on the balance sheet).

Under that agreement, in 2009 two instalments of the Law 3/1983 loan (that of the reporting year and the last outstanding instalment of the original repayment schedule) and the instalments of the other two loans corresponding to the reporting year were paid.

The outstanding nominal balance as at 31 December 2009 of the loans granted to the State amounted to €4,665.45million, broken down as follows:

EUR m			
	2009	2008	Change
Treasury. Law 3/1983 special account	1,171.51	1,366.76	-195.25
Treasury. Law 4/1990 special account	3,126.59	3,473.99	-347.40
Treasury. Credits arising from subscription for participating interests, contributions and quotas in international agencies	367.35	408.17	-40.82
<b>TOTAL</b>	<b>4,665.45</b>	<b>5,248.92</b>	<b>-583.47</b>

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.

10 INTRA-EUROSISTEM  
BALANCES

This heading includes the amounts of the following items:

EUR m				
Type of asset	2009	2008	Change	
Participating interest in the ECB	663.30	437.71	225.59	
Claims equivalent to the transfer of foreign reserve assets to the ECB	4,783.65	4,349.18	434.47	
Net claims related to the allocation of euro banknotes within the Eurosystem	7,674.24	—	7,674.24	
Other claims within the Eurosystem (net)	—	—	—	
<b>TOTAL</b>	<b>13,121.19</b>	<b>4,786.88</b>	<b>8,334.31</b>	

a. Participating interest in the  
ECB

As at 31 December 2009 this item totalled €663.30 million. This total amount is divided into two components: participating interest in capital and participating interest in equity excluding capital. Regarding the first of these components, the capital subscribed and paid by the Banco de España amounted to €478.36million, which is equal to a share of 8.3040% in such capital. This percentage is that corresponding to the Banco de España in accordance with the capital key established using European Commission data on the basis of Spain's population and GDP relative to those of the total ESCB countries. The second component (participating interest in ECB equity excluding capital) amounted at that date to €184.94 million, which 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.

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 29.3 of the ESCB Statute, which must be adjusted every five years or whenever new Member States join the European Union and their NCBs thus join the ESCB. In this respect the second five-yearly change in the capital keys took place on 1 January 2009. That date also saw the admission of a new Eurosystem member, the Central Bank of Slovakia. 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 January 2009, as follows.

%

	ECB's capital key (%)	
	Up to 31 December 2008	From 1 January 2009
Nationale Bank van België/Banque Nationale de Belgique	2.4708	2.4256
Deutsche Bundesbank	20.5211	18.9373
Central Bank and Financial Services Authority of Ireland	0.8885	1.1107
Bank of Greece	1.8168	1.9649
Banco de España	7.5498	8.3040
Banque de France	14.3875	14.2212
Banca d'Italia	12.5297	12.4966
Central Bank of Cyprus	0.1249	0.1369
Banque centrale du Luxembourg	0.1575	0.1747
Central Bank of Malta	0.0622	0.0632
De Nederlandsche Bank	3.8937	3.9882
Oesterreichische Nationalbank	2.0159	1.9417
Banco de Portugal	1.7137	1.7504
Banka Slovenije	0.3194	0.3288
Národná banka Slovenska		0.6934
Suomen Pankki – Finlands Bank	1.2448	1.2539
Subtotal for euro area NCBs	69.6963	69.7915
<b>Българска народна банка (Bulgarian National Bank)</b>	0.8833	0.8686
Česká národní banka	1.3880	1.4472
Danmarks Nationalbank	1.5138	1.4835
Eesti Pank	0.1703	0.1790
Latvijas Banka	0.2813	0.2837
Lietuvos bankas	0.4178	0.4256
Magyar Nemzeti Bank	1.3141	1.3856
Narodowy Bank Polski	4.8748	4.8954
Banca Națională a României	2.5188	2.4645
Národná banka Slovenska	0.6765	
Sveriges Riksbank	2.3313	2.2582
Bank of England	13.9337	14.5172
Subtotal for non-euro area NCBs	30.3037	30.2085
<b>TOTAL</b>	<b>100</b>	<b>100</b>

On 1 January 2009 the Banco de España's share in the subscribed capital of the ECB (€5,761million) increased by 7.5498% to 8.3040% and its participating interest in the capital of the ECB rose from €434.92 million to €478.36 million.

Additionally, as a result of the aforementioned changes in capital keys, the Banco de España had to disburse the amount relating to the increase in its participating interest in ECB equity excluding capital, the paid-up amount of which increased from €2.79 million in 2008 to €184.94 million.

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

These represent 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 marginal rate for the Eurosystem's main refinancing operations, reduced by 15% to reflect a zero return on the gold component.

The change in the ECB's capital key on 1 January 2009 made it necessary to adjust the assets that the ECB credited to the NCBs for their contributions of external reserve assets to it. To reflect the increase in the Banco de España's share of the ECB capital key, an additional contribution of foreign reserve assets was made to the ECB for the equivalent of €434.47 million, as a result of which the balance rose to €4,783.65 million in 2009.

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

This account, the balance of which amounted to €7,674.24million at end-2009, 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 (see “Banknotes in circulation” and “Intra-Eurosystem balances” in the section on accounting policies).

At 31 December 2008 these accounts had a net credit balance (€7,125.42 million) and were included in item 10.1 on the liabilities side. The change is due both to the increase from 9.9660% to 10.9465% in the share in the Eurosystem banknote allocation key as a result of the changes in the ECB's capital key derived from the five-yearly adjustment, and to the decrease in banknotes in circulation in Spain during 2009 (-3.06%) as opposed to the increase in the Eurosystem as a whole (5.72%).

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.

11 TANGIBLE AND INTANGIBLE FIXED ASSETS

The balance of this item amounted to €240.45 million at end-2009, of which €553.49 million related to cost and €313.04 million to accumulated depreciation.

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

EUR m	2009	2008	Change
<b>TANGIBLE FIXED ASSETS</b>	<b>470.11</b>	<b>449.21</b>	<b>20.90</b>
Land and unbuilt plots	5.35	5.35	
Buildings, structures and renovation work	106.41	103.11	3.31
Plant in buildings	162.67	146.91	15.75
Furniture and fittings	36.42	34.98	1.43
Office machines other than computer	47.59	43.54	4.06
Computer equipment	55.56	54.77	0.79
Transport equipment	8.67	8.54	0.12
Library collection	5.01	9.78	-4.77
Other tangible fixed assets	3.90	3.74	0.16
Art collection	38.54	38.49	0.05
<b>INTANGIBLE FIXED ASSETS</b>	<b>53.03</b>	<b>47.51</b>	<b>5.52</b>
Computer applications	52.97	47.45	5.52
Industrial property	0.06	0.06	
<b>FIXED ASSETS IN PROGRESS</b>	<b>30.35</b>	<b>35.19</b>	<b>-4.84</b>
Buildings, plant in buildings and other structures under construction	20.28	28.81	-8.52
Computer applications under development	9.20	5.50	3.70
Other fixed assets in progress	0.87	0.89	-0.02
<b>TOTAL</b>	<b>553.49</b>	<b>531.91</b>	<b>21.58</b>

EUR m			
Accumulated depreciation or amortisation	2009	2008	Change
<b>TANGIBLE FIXED ASSETS</b>	<b>-274.75</b>	<b>-263.30</b>	<b>-11.44</b>
Buildings, structures and renovation work	-32.92	-30.60	-2.31
Plant in buildings	-121.86	-114.71	-7.15
Furniture and fittings	-23.36	-21.62	-1.74
Office machines other than computer	-39.44	-37.72	-1.72
Computer equipment	-45.14	-42.75	-2.39
Transport equipment	-6.27	-5.68	-0.60
Library collection	-2.39	-7.09	4.69
Other tangible fixed assets	-3.36	-3.13	-0.23
<b>INTANGIBLE FIXED ASSETS</b>	<b>-38.30</b>	<b>-32.76</b>	<b>-5.53</b>
Computer applications	-38.24	-32.71	-5.53
Industrial property	-0.06	-0.05	—
<b>TOTAL</b>	<b>-313.04</b>	<b>-296.07</b>	<b>-16.98</b>

The increase in fixed assets in 2009 basically arose from investment in electrical and air conditioning fixtures in Madrid buildings and in several branches, and from the refurbishment of those buildings.<sup>10</sup> Also noteworthy was the increased investment in non IT office equipment, mainly for processing banknotes and coins, and the increased development of certain computer applications. In 2009, as required by the new rules applicable to these fixed assets, the investments in bibliographical resources were removed from the balance sheet as they had been depreciated in full.

#### 12 OTHER FINANCIAL ASSETS

This item includes €50.45 million of financial investments relating basically to the Banco de España's participating interests in the Bank for International Settlements and Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. The increase of €0.88 million in these financial assets was basically due to the rise in the underlying book value of the shares of the latter company.

#### 13 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, as in 2009, it is recorded under the same heading in liability item 12.1 (see Note 25 on the balance sheet).

#### 14 ACCRUALS AND PREPAID EXPENSES

The main components of this item, the balance of which amounts to €2,126.12 million, are as follows:

10. The refurbishment of buildings is accounted for as an addition to fixed assets if it meets the criteria set out in Section 3.1 "Accounting policies" in regard to tangible and intangible fixed assets.

EUR m	2009	2008	Change
ACCRUED INTEREST ARISING FROM SECURITIES ACQUISITIONS AND ACCRUED COUPON INTEREST	1,720.19	1,680.49	39.70
Trading portfolio	813.46	873.40	-59.95
<i>Denominated in foreign currency</i>	8.89	16.81	-7.92
<i>Denominated in euro</i>	804.56	856.59	-52.03
Held-to-maturity portfolio	848.17	807.08	41.09
<i>Denominated in foreign currency</i>	34.30	35.49	-1.19
<i>Denominated in euro</i>	813.87	771.59	42.28
Securities held for monetary policy purposes	58.56	—	58.56
OTHER ACCRUED INTEREST RECEIVABLE	402.72	742.57	-339.85
On forward foreign exchange transactions	0.78	—	0.78
On deposits and other assets denominated in foreign currency	—	12.38	-12.38
On exceptional liquidity-providing operations	0.01	18.25	-18.24
On claims equivalent to the transfer of foreign reserves to the ECB	52.72	151.70	-98.98
On intra-Eurosystem claims arising from banknote adjustments	19.66	—	19.66
On monetary policy operations	324.73	555.48	-230.75
On liquidity-providing loans	2.02	—	2.02
Other	2.80	4.78	-1.98
ACCRUED COMMISSIONS RECEIVABLE AND PREPAID EXPENSES	3.21	2.81	0.40
ACCRUED DIVIDENDS RECEIVABLE	—	4.40	-4.40
<b>TOTAL</b>	<b>2,126.12</b>	<b>2,430.26</b>	<b>-304.14</b>

As can be seen from the foregoing table, the most significant accounts are accrued interest arising from securities acquisitions and accrued coupon interest receivable denominated in euro arising from the trading portfolio (€804.56 million) and from the held-to-maturity portfolio (€813.87 million). In total, this interest increased by €39.70 million with respect to 2008. Furthermore, accrued interest receivable on monetary policy operations decreased significantly (by €230.75 million) due to the lower interest rate applied. Additionally, there was a decrease in interest receivable on claims equivalent to the transfer of foreign reserve assets to the ECB, on exceptional liquidity-providing transactions and on deposits and assets denominated in foreign currency. Lastly, in 2009 the interest accrued on intra-Eurosystem banknote adjustment and offsetting accounts became interest receivable (€19.66 million, relating to accruals in the fourth quarter), whereas in 2008 it was payable.

#### 15 OTHER ASSETS. SUNDRY

The most significant components of this item, which totals €1,907.47 million, are the transfer to the Treasury on 1 December 2009 of €1,706.67 million, equivalent to 70% of 80% of the Bank's distributable profits earned to 30 September 2009 (see Note 15 on the profit and loss account), which was €652.85 million higher than in the previous year, and the home loans and repayable advances granted to Bank employees, the balance of which, at €189.40 million, was up by €0.30 million.

#### 16 BANKNOTES IN CIRCULATION

The balance of banknotes in circulation (€88,273.78 million) represents the Banco de España's share in the total euro banknotes in circulation (see "Banknotes in circulation" in Section 3.1 - Accounting policies) according to the Eurosystem euro banknote allocation key (10.9465% of

the total issue by all the central banks) after deducting those corresponding to the ECB (8% of the total). This balance was €12,255.62 million higher than in the previous year because of the greater volume of euro banknotes in circulation in the Eurosystem.

The overall balance of the different types of deposit held by credit institutions with the Banco de España amounted to €35,089.02 million at end-2009, €19,225.90 million less than in the previous year. This decline was basically due to the 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:

EURm				
Type of liability	2009	2008	Change	
Current accounts (covering the minimum reserve system)	24,736.02	24,136.03	599.99	
Deposit facility	10,352.00	30,106.40	-19,754.40	
Fixed-term deposits	—	—	—	
Fine-tuning reverse operations	—	—	—	
Deposits related to margin calls	1.00	72.49	-71.49	
<b>TOTAL</b>	<b>35,089.02</b>	<b>54,314.92</b>	<b>-19,225.90</b>	

The first component, which includes the total current and treasury accounts held by credit institutions at the Banco de España, in which they maintain the minimum reserves required for monetary policy implementation purposes, underwent a decrease of €599.99 million. Its average balance also increased during the year, rising from €24,009.94 million in 2008 to €26,052.70 million in 2009.

The item “Deposit facility”, which includes overnight deposits remunerated at a fixed interest rate (appreciably lower than the market rate), increased significantly from €30,106.40 million in 2008 to €10,352.00 million in 2009. However, analysis of the average balance shows a slight increase (€7,535.94 million in 2009, against €6,777.25 in the previous year), since in 2008 was only used, albeit substantially, in the closing months of the year, against a background of marked tension in the funding markets.

With regard to fixed-term deposits, as in 2008, there was no balance as at 31 December 2009.

They are fine-tuning operations (liquidity withdrawals) that take the form of deposits. In 2009 12 operations of this type were conducted in the Eurosystem. They coincided with the last day of the minimum reserve maintenance period and Spanish institutions participated in all of them.

The captions in this item relate to the deposits placed by credit institutions in relation to fine-tuning reverse operations and deposits related to margin calls. As at 31 December 2009, institutions’ balances of deposits related to margin calls amounted to €1.00 million (€72.49 million in 2008).



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 €31,233.05 million, which breaks down as follows:

EUR m	2009	2008	Change
Central government (State)	14,429.06	7,086.58	7,342.48
<i>Treasury current account</i>	305.25	4,501.72	
<i>Other central government agencies and similar bodies</i>	14,123.81	2,584.86	
Territorial government	960.17	1,880.97	-920.79
<i>Regional (autonomous) governments, administrative agencies and similar bodies</i>	954.85	1,875.53	
<i>Local government</i>	5.32	5.44	
Social security funds	15,843.81	9,802.98	6,040.84
<i>Social Security System</i>	14,773.28	8,939.17	
<i>Other</i>	1,070.54	863.81	
<b>TOTAL</b>	<b>31,233.05</b>	<b>18,770.52</b>	<b>12,462.52</b>

The increase in this item (€12,462.52 million) was basically due to the rise of €12,005 million in the balances held by the Fund for the Orderly Restructuring of Banks (FROB) under “Other central government agencies and similar bodies” and “Social security funds”, while the year-end balances of the Treasury and of territorial (regional and local) government declined with respect to the previous year.

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 Funds, 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 at end-2009 was €1,492.52 million, and its decrease of €281.55 million with respect to end-2008 was basically due to the decrease in the balances of the current accounts of State agencies (€265.70 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 €264.49 million was €92.21 million higher than a year earlier, mainly due to an increase in deposits of the central banks to which reserve management services are provided.

21 LIABILITIES TO NON-EURO  
AREA RESIDENTS DENOMINATED  
IN FOREIGN CURRENCY.-  
DEPOSITS, BALANCES AND  
OTHER LIABILITIES

This item includes the foreign-currency balances of non-euro area central banks and collateralised inward deposits recorded in respect of reverse transactions conducted under repurchase agreements. The end-2009 balance of €0.69 million was €71.16 million less than at the end of 2008 as a result of the significant decrease in US\$-denominated deposits placed by these institutions.

22 COUNTERPART OF SPECIAL  
DRAWING RIGHTS ALLOCATED BY  
THE IMF

This item of €3,078.08 million shows the amount of the special drawing rights allocated to Spain by the IMF in proportion to its quota. The total amount of this item increased by €2,747.96 million with respect to the previous year, due basically to the extraordinary SDR allocations

agreed in the IMF. There was an initial increase in August as a result of the IMF Board of Governors' approval of a general allocation to provide liquidity to the system, which in the case of the Banco de España amounted to SDR 2,260.18 million. In September there was a second extraordinary allocation of SDR 268.57 million.

#### 23. INTRA-EUROSISTEM BALANCES

This item, which as at 31 December 2009 had a balance of €41,033.92 million, comprises the following two sub-items:

##### a. Net liabilities related to the allocation of euro banknotes within the Eurosystem

This account, which had a zero balance at end-2009 (€7,125.42 million in 2008), consists of the claims and liabilities of the Banco de España vis-à-vis the Eurosystem in relation to the allocation of euro banknotes when they have an overall credit balance (see "Banknotes in circulation" and "Intra-Eurosystem balances" in the section on accounting policies).

It has had a debit balance since 1 January 2009, so it is shown in asset item 9.3 (see Note 10.c).

##### b. Other liabilities within the Eurosystem (net)

The balance of €41,033.92 million as at 31 December 2009 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.

Regarding the first component, the year-end net transfers via TARGET2 had a credit balance of €41,135.02 million, while the correspondent accounts showed a debit balance of €0.31 million. The remuneration of the Banco de España's credit position vis-à-vis the ECB is calculated daily at the marginal interest rate on Eurosystem main refinancing operations.

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 €7.13 million at year-end (see "Net result of pooling of monetary income" in Note 8 on the profit and loss account).

Finally, in regard to the position vis-à-vis the ECB relating to the distribution of income arising from the seigniorage of euro banknotes issued on its behalf by the NCBs, following approval of the Decision of the European Central Bank of 17 November 2005 on the distribution of the income of the European Central Bank on euro banknotes in circulation to the NCBs of the participating Member States (ECB/2005/11), the income on euro banknotes in circulation earned in each financial year is distributed by the ECB on the second working day of the following year, although the ECB Governing Council may decide before the end of the financial year not to distribute part or all of this income (see "Banknotes in circulation" in Section 3.1). In the reporting year, the ECB Governing Council decided to allocate in full the banknote seigniorage income among the Eurosystem central banks according to their respective keys. The Banco de España being allocated €93.66 million, this component posting a debit balance for this amount.

#### 24 ITEMS IN COURSE OF SETTLEMENT

Included here are various accounts which as at 31 December 2009 were in the course of settlement, such as transfer instructions pending execution and transfers sent to deposit institutions yet to be reimbursed.

25 OFF-BALANCE-SHEET  
INSTRUMENTS REVALUATION  
DIFFERENCES

Of the total balance of this item (€103.69 million) at end-2009, €56.16 million correspond to transfers sent to credit institutions via the Sistema Nacional de Compensación Electrónica (National Electronic Clearing System) pending payment at year-end and settled on the following business day, and €45.98 million relate to transfers the beneficiary offices of which, on the last day of the year, had a local holiday or for some other reason were unable to process the transfer on the day.

The decrease of €142.95 million in this item with respect to the previous year is mainly due to the decrease in transfers ordered by credit institutions pending payment at year-end (€158.71 million).

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 this position is a debit one, as it was in 2008, it is recorded under the same heading in asset item 11.3. Its balance of €79.67 million as at end-2009 is the net value of the forward and swap transactions outstanding at that date that are listed below:

Operation	Position	Currency	2009		2008	
			Currency amount (million)	Market exchange rate	Equivalent (million €)	Equivalent (million €)
SWAP	DEBTOR	EUR	170.00	1.0000	170.00	9,585.89
		CHF	233.43	1.4836	157.34	671.96
	CREDITOR	EUR	170.00	1.0000	170.00	743.00
		CHF	233.43	1.4836	157.34	671.96
		USD	—	—	—	8,222.03
		NET POSITION			79.67	-620.86
FORWARD	DEBTOR	EUR	2,627.54	1.0000	2,627.54	—
	CREDITOR	USD	3,900.00	1.4406	2,707.21	—

In 2008 the year-end balance related in full to swaps arranged within the framework of exceptional liquidity-providing transactions in foreign currencies. Under the agreements in place, both the Federal Reserve and the National Bank of Switzerland provided US dollars and Swiss francs to the ECB by means of swaps against euro. The ECB simultaneously carried out swaps with Eurosystem NCBs, which used the resulting funds to meet the liquidity needs of Eurosystem institutions, in the form of swaps and of repos (see Note 4 to the balance sheet). In 2009, in view of the lower liquidity needs of Eurosystem institutions, the volume of these operations decreased and at year-end there were no outstanding transactions in US dollars, while those in Swiss francs amounted to €170 million.

A post-balance-sheet event worthy of mention was that in January 2010 the ECB Governing Council decided, in accordance with the central banks involved, to discontinue these operations in view of the lower demand and the improved functioning of the financial markets in 2009.

Also, at end-2009 there were forward sales of US dollars pending execution for an amount of €3,900 million.

26 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 2009, its balance amounted to €69.06 million, the main component being interest accrued but not yet paid (€61.94 million). The decrease in this item in 2009 (€149.91 million) is essentially because the interest incurred on intra-Eurosystem accounts relating to the adjustment of banknotes in circulation did not have a balance as at 31 December 2009 (€67.75 million in 2008), since, as stated in Note 10.c, these accounts became a remunerated asset. Also, interest incurred on minimum reserves, interest incurred on intra-Eurosystem accounts relating to TARGET2 transactions and interest incurred on Social Security accounts decreased with respect to 2008. The decrease in interest payable in foreign currencies (€17.62 million) basically relates to the sharp drop in exceptional liquidity-providing swap transactions in foreign currencies which had not yet matured at year-end. These decreases were partly offset by the interest payable to remunerate the Fund for the Orderly Restructuring of Banks (FROB) accounts created in 2009 (€7.65 million).

## 27 OTHER LIABILITIES. SUNDRY

This includes other liabilities not classifiable above.

As at 31 December 2009 the balance of this item amounted to €227.19 million (€44.22 million less than in 2008) and its main component was the “Banco de España employee social welfare scheme (Mutualidad de empleados).- Contributions payable” (€119.47 million). The most significant change relates to the decrease of €42.31 million in this debt to the employee social welfare scheme.

## 28 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	2009	2008	Change
For exchange rate and interest rate risks	3,808.71	3,103.92	704.79
For early repayment of special loans	734.01	967.75	-233.74
For counterparty risks in Eurosystem monetary policy operations	434.49	621.35	-186.86
For credit risk	168.91	—	168.91
For operational risk	22.86	—	22.86
For exchange of withdrawn peseta banknotes	17.70	37.13	-19.42
For early and regular retirement	33.05	39.05	-6.00
For death and retirement assistance	72.47	70.26	2.22
For sundry liabilities and charges	19.84	8.21	11.62
<b>TOTAL</b>	<b>5,312.04</b>	<b>4,847.66</b>	<b>464.38</b>

### Provision for exchange rate and interest rate risks

This is the most important provision. It was created by a resolution of the Executive Commission of 26 January 1999 to cover exchange rate risks affecting the external reserves of the Banco de España. Subsequently, on 14 April 2004 the Executive Commission resolved to extend the purpose of this provision to include the coverage of interest rate risk. The balance of this provision as at 31 December 2009 amounted to €3,808.71 million, which was €704.79 more than in 2008 (see Note 5 on 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. This review takes into account, in addition to that valuation, a number of factors, including the estimated profit for the

coming year and the envisaged behaviour of risk assets and any others deemed to be worthy of consideration under the circumstances. In this respect, on 30 December 2009 the Executive Commission adjusted to the new market conditions, inter alia, the calculation basis and the percentages of coverage to be applied for exchange rate and interest rate risks in each portfolio. With regard to exchange rate risk, it decided that the amount of coverage would be the total value at risk of the USD and SDR currencies. For interest rate risk, it decided on total coverage of the value at risk of the trading and monetary policy portfolios, and on coverage of 10% for the held-to-maturity portfolio.

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 instead of their nominal amount, led the Banco de España to set up in that year a provision for losses due to early repayment of special loans, so as to cover the possible losses that may arise from early repayment of these loans (recorded in asset item 8; see Note 9). The balance of this provision was set at the difference between the nominal amount and the current market value of the loans. Its balance of €734.01 million as at 31 December 2009 was €233.74 million less than in the previous year.

Provision for counterparty risk in Eurosystem monetary policy operations

In accordance with the general accounting principle of prudence, the ECB Governing Council considered it appropriate in 2008 to establish a buffer totalling €5,736 million against counterparty risks in monetary policy operations (see these operations in Note 6 to 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. On 4 February 2010 the ECB Governing Council reviewed the adequacy of the amount of this provision with effect as at 31 December 2009 and decided to reduce it from €5,736 million to €4,011 million. As a result, the Banco de España provision was set at €434.49 million and, accordingly, a portion of it amounting to €186.86 million was released (see Note 8 to the profit and loss account).

Provision for credit and operational risks

In 2009 the Executive Commission approved a methodology for calculating the credit risk on Banco de España investment portfolios, as a basis for setting up a provision for credit risk, as well as the percentage of coverage to be applied to the value of the risk exposure. This methodology was used to set aside a provision in this connection of €168.91 million.

Also, the Executive Commission approved in 2009 a methodology for calculating operational risk, to be reviewed yearly. It will be used to set aside a provision for any losses arising from operational risk. As a result of this analysis, a provision of €22.86 million was set up.

Other provisions

In the reporting year there were decreases in the provision recorded for exchange of peseta banknotes withdrawn from circulation (€19.42 million) and in the provision for payments to early and regular retirees (€6 million), as a result of the use of these provisions for their intended purpose.

29 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	2009	2008	Change
	Gold	6,087.88	4,776.85	1,311.03
	Foreign currency	0.25	44.94	-44.69
	Securities (trading portfolio)	911.31	969.98	-58.67
	<i>Issued in foreign currency by non-euro area residents</i>	34.67	143.85	-109.18
	<i>Issued in euro by non-euro area residents</i>	2.85	2.93	-0.08
	<i>Issued in euro by euro area residents</i>	873.79	823.20	50.59
	Other	20.72	19.74	0.99
	<b>TOTAL</b>	<b>7,020.16</b>	<b>5,811.51</b>	<b>1,208.66</b>

The balance of revaluation accounts at end-2009 was €7,020.16, up €1,208.66 on 2008. The main change was in gold, the unrealised gains on which were €1,311.03 million higher as a result of the increase in its market price (up from €621.54 per ounce at 31 December 2008 to €766.35 per ounce at 31 December 2009). The balance as at 31 December 2009 was €6,087.88 million.

With regard to fixed-income securities in the trading portfolio, there was a decrease in unrealised gain on securities issued in foreign currencies by non-euro area residents (€109.18 million), as a result of security price movements driven by interest rates. This decrease was partly offset by the increase in euro-denominated securities issued by euro-area residents (€50.59 million)

As regards the foreign exchange revaluation accounts, the unrealised gains on foreign currencies decreased by €44.69 million, basically due to the depreciation of the US dollar against the euro.

### 30 CAPITAL

As at 31 December 2009 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 Royal Legislative Decree 18/1962 of 7 June 1962 and €998.63 million as a capital increase carried out in 2006. This capital increase resulted from the approval by the Council of Ministers on 28 July 2006 of the proposal submitted by the Governing Council of the Banco de España in application of Law 192/1964 that a portion of the 2005 profits, which were retained as permitted by the resolution of the Council of Ministers of 29 July 2005 and by Royal Decree 1198/2005 on the regime governing the payment of Banco de España profits into the Treasury, be used to increase capital at the Bank within the limits authorised by the thirty-eighth additional provision of Law 30/2005 of 29 December on the State Budget for 2006, i.e. until the capital of the Banco de España reaches the figure of €1,000 million.

### 31 RESERVES

As at 31 December 2009 the reserves of the Banco de España amounted to €1,000 million, with no change in the 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 on 28 July 2006 (€496.83 million) and 29 June 2007 (€500 million), respectively, in application of the legal provisions cited in the previous note.

### 32 PROFIT FOR THE YEAR

The net profit for 2009, after deducting the transfer to the Beneficent Social Fund (€27 million), amounted to €2,673.18 million, up 27.9% on 2008. Of this amount, €1,706.67 million was

paid to the Treasury on 1 December 2009, in accordance with Royal Decree 2059/2008 of 12 December 2008.

During the year, the following amounts were also paid to the Treasury out of 2008 profits:

- a) On 2 March 2009, €827.35 million, which, together with the payment in December 2008, amounted to 90% of the €2,090.19 million of distributable profit for that year.
- b) On 13 August 2009, once the balance sheet and profit and loss account for the year 2008 had been approved by the Council of Ministers, €209.02 million, representing the rest of the distributable profit for that year.

The details of the various components of the profit for 2009 and the reasons for the changes in them with respect to 2008 are given in Section 3.3 below on the profit and loss account.

### 3.3 Notes on the profit and loss account

#### 1 INTEREST INCOME

This item includes income from interest accrued on the main assets of the Banco de España. The breakdown in 2009 and 2008 is as follows:

	Interest income			Average investment in 2009	Average yield in 2009
	2009	2008	Change		
FOREIGN CURRENCY	305.63	447.24	-141.62	10,135.36	3.0
Securities	255.82	278.83	-23.00	7,627.85	3.3
Deposits and other assets	18.33	98.68	-80.35	2,507.51	0.7
Exceptional liquidity providing operations	31.48	69.73	-38.26	—	—
EURO	4,364.23	5,760.02	-1,395.79	171,070.37	2.5
Securities	2,945.21	3,071.12	-125.91	80,815.16	3.6
Monetary policy operations	1,280.53	2,529.06	-1,248.53	80,937.90	1.6
Intra-Eurosystem accounts	104.18	157.60	-53.42	9,317.31	1.1
<i>Claims equivalent to the transfer of foreign reserves to the ECB</i>	52.72	151.70	-98.98	4,783.65	1.1
<i>Claims related to allocation of euro banknotes within the Eurosystem</i>	51.46	—	51.46	4,533.66	1.1
<i>Other claims within the Eurosystem (net)</i>	—	5.91	-5.90	—	—
Other assets	34.30	2.24	32.07	—	—
<b>TOTAL</b>	<b>4,669.85</b>	<b>6,207.26</b>	<b>-1,537.41</b>	<b>181,205.73</b>	<b>2.5</b>

Interest income decreased by €1,537.41 million in 2009 with respect to 2008. This decrease resulted from the fall in interest earned on euro-denominated investments (€1,395.79 million) and on foreign currency (€141.62 million)

Of the €305.63 million of interest on foreign-currency investments, €255.82 million arose from investments in fixed-income securities denominated in US dollars, €31.48 million from special liquidity providing operations which generated expenses for the same amount, and €18.33 million from deposits and other assets. The interest on this dollar-denominated portfolio decreased by €23 million, basically due to the lower average return (down from 4.2% in 2008 to 3.3% in 2009). Also, interest on deposits and other assets was €80.35 million lower than in 2008. Practically half (€41.62 million) of this decrease relates to interest income on swaps, the

2008 balance contrasted with the absence thereof in 2009. Overall, the average return on foreign-currency investments was 3%, compared with 3.1% in 2008.

Euro-denominated interest income (€4,364.23 million) arose basically from the securities portfolios (€2,945.21 million, a decrease of €125.91 million), monetary policy operations (€1,280.53 million, down sharply by €1,248.53 million) and intra-Eurosystem balances (€104.18 million, down €53.42 million on the previous year).

The main reason for the decrease of €1,395.79 million in euro-denominated income with respect to the previous year was the lower average return in the reporting year (down from 4.1% in 2008 to 2.5% in 2009), in line with the trend in the ECB's key policy rate. Also noteworthy was that the intra-Eurosystem accounts relating to the adjustment of banknotes in circulation, which in 2008 gave rise to interest expenses of €510.19, became an interest-earning asset from 1 January 2009 due to the increase in the Banco de España's share of the Eurosystem, €51.46 million being recorded in this respect.

Analysis of the average investment made discloses the significant increase in monetary policy operations (€80,937.90 million in 2009 against €56,946.04 million in 2008). This resulted from the higher funding needs of the banking system and from the fact that foreign-sourced funding (via TARGET2) was largely replaced by monetary policy loans, in both cases as a consequence of the financial turmoil in the interbank market.

## 2 INTEREST EXPENSE

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

	Interest expense			Average financing in 2009	Average cost in 2009
	2009	2008	Change		
<b>FOREIGN CURRENCY</b>	<b>35.19</b>	<b>81.57</b>	<b>-46.38</b>	<b>1,287.46</b>	
Swap, forward and other transactions	—	1.75	-1.75		
Exceptional liquidity providing operations	31.48	69.73	-38.26		
Other liabilities	3.72	10.08	-6.37	1,287.46	0.3
<b>EURO</b>	<b>970.10</b>	<b>2,792.28</b>	<b>-1,822.19</b>	<b>87,617.81</b>	<b>1.1</b>
Remuneration of minimum reserves	333.08	975.33	-642.25	26,052.70	1.3
Deposit facility	59.06	192.70	-133.64	7,535.94	0.8
Fixed-term deposits	5.32	40.40	-35.08	475.06	1.1
General government deposits	147.96	606.46	-458.50	20,039.53	0.7
Intra-Eurosystem liabilities-Net liabilities related to allocation of euro banknotes within the Eurosystem	—	510.19	-510.19	—	
Other liabilities within the Eurosystem (net)	422.02	457.24	-35.22	33,514.58	1.2
Other liabilities denominated in euro	2.65	9.96	-7.31		
<b>TOTAL</b>	<b>1,005.29</b>	<b>2,873.86</b>	<b>-1,868.57</b>	<b>88,905.27</b>	<b>1.1</b>

Interest expenses decreased by €1,868.57 million in 2009, of which €1,822.19 million relate to euro-denominated liabilities and €46.38 to liabilities denominated in foreign currencies



Of the euro-denominated interest expenses (€970.10 million), €422.02 million relate to the remuneration of other intra-Eurosystem balances, €333.08 million to remuneration of minimum reserves, €147.96 million to remuneration of general government deposits and the remainder to remuneration of the deposit facility, fixed-term deposits (fine-tuning operations) and other euro-denominated liabilities.

The sharp decrease in euro-denominated expenses (€1,822.19 million) was basically due to the lower average cost at which liabilities were remunerated, which fell from 3.8% in 2008 to 1.1% in 2009, partly offset by the higher average balance to be remunerated, which rose from €71,555.45 million to €87,617.81 in 2009.

As stated in the preceding section, intra-Eurosystem balances related to the allocation of euro banknotes did not give rise to expenses in 2009 (€510.19 million in 2008), but rather to income.

Regarding the net credit balance of other intra-Eurosystem balances (TARGET2), despite the considerable increase in its average balance with respect to 2008 from €11,314.72 million to €33,514.58 million, the aforementioned replacement of this funding by monetary policy operations meant that the accrued expenses decreased by €35.22 due to the decline in average cost mentioned above.

Of the interest expenses denominated in foreign currencies (€35.19 million), €31.48 million relate to special liquidity providing operations (income for the same amount was recorded) and €3.72 million to other liabilities of less significance.

### 3 REALISED GAINS/LOSSES ARISING FROM FINANCIAL OPERATIONS

This item includes the profits and losses arising from dealing in financial assets. In 2009 the net gains in this connection amounted to €108.54 million, arising from the following sources:

EUR m			
	2009	2008	Change
<b>FOREIGN CURRENCY</b>	<b>-120.27</b>	<b>73.97</b>	<b>-194.24</b>
Sale of gold	0.00	0.04	-0.04
Sale of foreign currency (exchange gains)	-169.57	-0.91	-168.66
Sale of securities (price losses)	49.53	78.29	-28.76
Other gains/losses	-0.23	-3.45	3.22
<b>EURO</b>	<b>228.81</b>	<b>34.65</b>	<b>194.16</b>
Sale of securities (price losses)	228.81	34.65	194.16
<b>TOTAL</b>	<b>108.54</b>	<b>108.62</b>	<b>-0.08</b>

Compared with the prior year, the total amount recorded in 2009 decreased by €0.08 million due to the higher losses on the sale of foreign currencies, basically US dollars (€165.84 million) and SDRs (€3.79 million) and to the lower gains on the sale of US dollar-denominated fixed-income securities from the trading portfolio (€28.76 million), off-set almost in full by the higher gains on the sale of euro-denominated securities issued by euro area residents (€194.16 million).

### 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 2009 and 2008 is as follows:

EUR m

	2009	2008	Change
FOREIGN CURRENCY	179.01	0.25	178.76
Foreign currency (exchange rate losses)	175.57	0.19	175.38
Securities (price losses)	3.44	0.06	3.37
EURO	14.11	15.88	-1.77
Securities (price losses)	14.11	15.88	-1.77
<b>TOTAL</b>	<b>193.12</b>	<b>16.13</b>	<b>176.99</b>

Unrealised losses in 2009 amounted to €193.12 million, substantially all (€179.01 million) of which related to foreign-currency investments. Compared with 2008, unrealised foreign-exchange losses increased by €178.76 million, basically due to the higher unrealised exchange rate losses, specifically on US dollars (€162.72 million) and on SDRs (€12.67 million), and to unrealised losses on US dollar-denominated fixed-income securities, up by €3.37 million. For their part, unrealised losses on euro-denominated securities issued by euro-area residents decreased by €1.77 million.

5 TRANSFERS FROM/TO  
PROVISIONS FOR FOREIGN  
EXCHANGE RATE, PRICE AND  
CREDIT RISKS

EUR m

Description	2009	2008	Change
Transfers to provisions	-1,066.82	-698.11	-368.71
<i>Foreign exchange rate and interest rate risk</i>	<i>-897.91</i>	<i>-698.11</i>	<i>-199.80</i>
<i>Credit risk</i>	<i>-168.91</i>	<i>—</i>	<i>-168.91</i>
Transfer from exchange rate and interest rate provision	193.12	16.13	176.99
Reversal from provision for losses arising from early repayment of special loans	185.56	361.98	-176.43
<b>TOTAL</b>	<b>-688.14</b>	<b>-319.99</b>	<b>-368.16</b>

This includes, first, the transfer of €193.12 million from the provision for foreign exchange rate and interest rate risks to cover the losses recorded at end-2009 and, second, the transfer of €897.91 million to this provision to cover the estimated foreign exchange rate and price risks associated with the financial positions subject to such risks, in accordance with the Executive Commission resolution of 5 February 2010.

Also, for the first time, it includes in 2009 the transfer to the provision for credit risk in accordance with an Executive Commission resolution, which amounts to €168.91 million.

Finally, regarding the transfer to/from the provision for losses arising from early repayment of special loans, this item showed a negative change of €176.43 million in 2009 with respect to 2008. This was because in 2009 there were recoveries of €185.56 million as a result of the adjustment derived from changes in the market value of these assets, compared with recoveries of €361.98 million in 2008.

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

	2009	2008	Change
1 Income from fees and commissions	23.77	23.33	0.45
<i>Foreign operations</i>	0.02	0.09	-0.07
<i>Domestic operations</i>	23.76	23.24	0.52
2 Expenses from fees and commissions	13.20	11.04	2.16
<i>Foreign operations</i>	2.96	3.02	-0.05
<i>Domestic operations</i>	10.24	8.02	2.22
NET INCOME FROM FEES AND COMMISSIONS (1 - 2)	10.57	12.29	-1.72

Net fee and commission income in 2009 (€10.57 million) was €1.72 million less than in 2008. This changes basically relates to the Banco de España's incorporation in mid-2008 in the single shared TARGET2 platform. Its entry into operation entailed a change in the commissions charged to users and in the operating procedures of the system: central banks pool the amounts which previously they received from direct participants and linked systems (which are thus recorded as income and as expenses) and redistribute them quarterly in accordance with their participating interest in the system.

#### 7 INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

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

In 2009 the ECB Governing Council decided to allocate in full the banknote seigniorage income among the Eurosystem central banks in proportion to their respective keys. The Banco de España was allocated €93.66 million. Also, an amount of €12.63 million relating to the 2008 ordinary dividend from the ECB was received. Also included in this item are €8.86 million of dividends from the investment in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME) and €2.79 million from the investment in international organisations (Bank for International Payments). The amount recorded in 2009 was €26.77 million lower than in 2008, basically because less banknote seigniorage income was received from the ECB in 2009 (down €36.95 on 2008), partly offset by the absence of an ordinary dividend distribution by the ECB in 2008.

#### 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. 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 NCB's gold holdings, in proportion to its capital key. Gold is considered to generate no income. 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 item in various years is as follows:

EUR m				
Description	2009	2008	Change	
Monetary income pooled	-1,349.81	-3,044.72	1,694.92	
Monetary income allocated	1,356.94	2,981.51	-1,624.57	
Provision for counterparty risk in monetary policy operations and for ECB losses	186.86	-621.35	808.21	
<b>TOTAL</b>	<b>193.99</b>	<b>-684.56</b>	<b>878.55</b>	

The monetary income pooled by the Eurosystem is to be allocated among NCBs according to the ECB subscribed capital key. The difference between the monetary income pooled by the Banco de España in 2009, amounting to €1,349.81 million, and that reallocated to it, amounting to €1,358.43 million, is equivalent to a net allocation of €8.62 million. To this net allocation should be added €1.49 million for the Banco de España's share of the losses on Eurosystem monetary policy operations relating to expenses for the professional services of independent experts. Compared with 2008, there was a negative net change of €70.35 million in these results.

Also, with regard to the provision for counterparty risk in Eurosystem monetary policy operations, on 4 February 2010 the ECB Governing Council approved the amounts relating to each NCB. Accordingly, the Banco de España released a portion of the provision recorded in the prior year (€186.86 million out of a total of €621.35 million), resulting in a change of €808.21 million with respect to the prior year.

#### 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				
Description	2009	2008	Change	
Extraordinary profit	2.36	16.76	-14.40	
Employee social welfare scheme	-17.80	-21.99	4.19	
Sundry	2.51	0.88	1.63	
<b>TOTAL</b>	<b>-12.93</b>	<b>-4.35</b>	<b>-8.58</b>	

As can be seen, this item shows a net loss which is €8.58 million larger than in 2008, basically due to the smaller extraordinary gains arising from the adjustment to the allocation of expenses under the IMF Special Contingency Account (SCA)-1 for Liberia (€11.26 million) in 2008.

#### 10 STAFF COSTS

This item includes the headings "Wages and salaries", "Contributions to pension scheme" and "Social security contributions and employee benefits".

The breakdown of changes by component is as follows:

## STAFF COSTS

EUR m and %				
	2009	2008	Change	(%)
Gross staff costs	233.04	224.32	8.72	3.9
<i>Wages and salaries</i>	177.84	169.77	8.07	4.8
<i>Social Security</i>	32.09	31.38	0.71	2.3
<i>Staff welfare expenses</i>	17.05	17.64	-0.59	-3.3
<i>Contributions to pension scheme</i>	6.05	5.53	0.52	9.5
Reversal of staff costs due to capitalisation of computer applications	-2.07	-0.69	-1.39	202.5
<b>TOTAL</b>	<b>230.96</b>	<b>223.63</b>	<b>7.33</b>	<b>3.3</b>

This balance increased from €223.63 in 2008 to €230.96 million in 2009, a rise of €7.33 million (3.3%), as a result of: a) economic improvements included in the Collective Agreement for 2009, estimated at €5.08 million (2.3%); b) the higher expense of temporary hires (€1.67 million), affected by those for Eurosystem projects; and c) a number of factors of varying nature (wage increases for years of service, wage drift due to promotions, increased social security contributions, tax prepayments on account of compensation in kind, medical and pharmaceutical assistance, etc.)

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

	2009	2008	Change	(%)
AVERAGE NUMBER OF EMPLOYEES	2,745.8	2,772.2	18.7	0.7
1 Permanent staff	2,570.9	2,588.1	-17.2	-0.7
<i>Managerial staff</i>	1,476.2	1,464.1	12.1	0.8
<i>Administrative staff</i>	886.3	910.6	-24.3	-2.7
<i>Other</i>	208.4	213.4	-5.0	-2.3
2 Temporary staff	174.9	139.1	35.8	25.8
<i>Managerial staff</i>	107.8	75.5	32.3	42.7
<i>Administrative staff</i>	59.8	52.7	7.1	13.4
<i>Other</i>	7.4	10.9	-3.5	-32.1

As at 31 December 2009, the Bank's total staff numbered 2,727 employees, four fewer than at the same date of the previous year, as a result of the smaller number of permanent employees (down from 2,589 at 31 December 2008 to 2,545 at 31 December 2009, partly offset by a significant rise in temporary hires for the aforementioned reasons. Most noteworthy as regards staff composition by gender was the increase of 28 in the number of women, which, together with the decrease of 32 in the number of men, meant that women now account for 38% of the Bank's total staff.

## 11 ADMINISTRATIVE EXPENSES

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

EUR m and %	2009	2008	Change	%
Gross administrative expenses	123.81	135.90	-12.09	-8.9
<i>Rental and maintenance</i>	32.32	34.75	-2.43	-7.0
<i>Materials and supplies</i>	10.97	10.80	0.17	1.6
<i>External services</i>	64.08	74.05	-9.97	-13.5
<i>Training, promotion and selection</i>	3.20	3.36	-0.16	-4.8
<i>Sundry operating expenses</i>	13.23	12.94	0.29	2.3
Reversal of administrative expenses due to capitalisation of computer	-2.30	-3.10	0.80	-25.8
<b>TOTAL</b>	<b>121.51</b>	<b>132.80</b>	<b>-11.29</b>	<b>-8.5</b>

The above table shows that in 2009 the most significant administrative expenses were external services (€64.08 million), mainly IT services (€39.18 million) and rental and maintenance (€32.32 million), composed mainly of hardware and software rental and maintenance (€14.37 million) and property rental and maintenance (€13.09 million).

Goods and services expenses decreased in 2009 (€11.29 million) despite the updating of the prices of contracts currently in force. This decrease resulted from the decline in expenses for external services (€9.97 million), basically relating to the lower expense for IT services outsourcing (€11.35 million) and for rental and maintenance (€2.43 million)

“External services” include €137,636.34 (including VAT) relating to the fees of the external auditors Deloitte, S.L. for the audits in 2009 of the Bank’s annual accounts and of certain aspects of the Bank’s management of European Central Bank reserves. In 2009 no services were received from or amounts paid to other firms in the group.

## 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 %	2009	2008	Change	%
Depreciation of buildings, structures and renovation work	2.27	2.21	0.06	2.8
Depreciation of plant in buildings	7.25	5.63	1.62	28.8
Depreciation of furniture and fittings	1.94	1.75	0.20	11.2
Depreciation of office machines other than computer equipment	1.79	1.44	0.35	24.0
Depreciation of computer equipment	5.31	6.23	-0.92	-14.8
Depreciation of transport equipment	0.83	0.92	-0.09	-9.6
Depreciation of other tangible fixed assets	0.26	0.29	-0.03	-10.7
Depreciation of library collection	0.51	—	0.51	—
Amortisation of intangible fixed assets	5.42	4.40	1.02	23.2
<b>TOTAL</b>	<b>28.58</b>	<b>23.35</b>	<b>2.23</b>	<b>9.5</b>

## 13 BANKNOTE PRODUCTION SERVICES

This amount (€71.45 million) corresponds to payments made by the Banco de España to purchase banknotes from the National Mint. The increase with respect to the previous year (€6.37 million) was because in 2009, although €5 banknotes were not purchased and the volume of €20 banknote purchases decreased, the number of €50 banknotes purchased from

the National Mint, at a higher unit cost, increased considerably. All this was partly offset by the lower unit cost of the banknotes purchased by the Bank in the reporting year.

14 TRANSFERS AND ADDITIONS  
TO OTHER FUNDS AND  
PROVISIONS

The net balance of transfers and applications to other funds and provisions in 2009 amounted to €75.89 million, compared with €36.65 million in 2008. This change (€39.24 million) arose basically from the recording in 2009, by resolution of the Executive Commission, of a provision for operational risk amounting to €22.86 million and from the transfer to the provision for sundry risks and expenses of €17.61 million relating mainly to litigation in progress. Also, the transfer to the Beneficient-Social Fund increased in 2009 (€27.00 million against €21.11 million in 2008). These higher expenses were partly offset by the smaller transfer in 2009 to the provision for death and retirement assistance under Article 190 of the Banco de España Conditions of Employment (€11.79 million).

The Banco de España, because of the nature of its activity, is not an institution with a high environmental risk. Accordingly, in 2009 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 2010, 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.

In accordance with said Royal Decree, on 1 December 2009 the Banco de España paid into the Treasury €1,706.67 million, equal to 70% of the profit recorded as at 30 September 2009.

Once the year had ended, and taking into account that the provisional profits amounted to €2,673.18 million and that 90% of the profits was €2,405.86 million, a payment of €699.19 million was made to the Treasury on 1 March 2010.

The payments to the Treasury of 2009 profit are as follows:

EUR m	
1 Total profit for 2009	2,673.18
2 Payments to the Treasury	2,405.86
<i>On 1.12.2009. 70% of profit as at 30.09.2009</i>	<i>1,706.67</i>
<i>On 1.3.2009. Difference between the above amount and 90% of profit as at 31.12.2009</i>	<i>699.19</i>
3 Profit payable to the Treasury	267.32
<i>At date of approval of the 2009 accounts</i>	<i>267.32</i>

**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	Total
<b>A) 2009 OPENING BALANCE</b>	<b>1,000.00</b>	<b>1,000.00</b>	<b>5,811.51</b>	<b>1,036.37</b>	<b>4,847.66</b>	<b>13,695.54</b>
1 UNRECOGNISED NET GAINS IN PROFIT AND LOSS			1,208.66			1,208.66
In gold			1,311.03			1,311.03
In foreign currency			-44.69			-44.69
In securities			-58.67			-58.67
Other			0.99			0.99
2 2009 PROFIT				2,673.18		2,673.18
3 CHANGE IN PROVISIONS					464.38	464.38
4 APPROPRIATION OF PROFIT				-2,743.04		-2,743.04
Payment to the Treasury of 2008 profit				-1,036.37		-1,036.37
Payment to the Treasury of 2009 profit				-1,706.67		-1,706.67
<b>B) CHANGES IN THE YEAR</b>						
<b>B = 1 + 2 + 3 + 4</b>	<b>—</b>	<b>—</b>	<b>1,208.66</b>	<b>-69.86</b>	<b>464.38</b>	<b>1,603.18</b>
<b>C) 2009 CLOSING BALANCES</b>						
<b>C = A + B</b>	<b>1,000.00</b>	<b>1,000.00</b>	<b>7,020.16</b>	<b>966.51</b>	<b>5,312.04</b>	<b>15,298.72</b>

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 28 on the balance sheet), revaluation accounts (Note 29 on the balance sheet), capital (Note 30 on the balance sheet), reserves (Note 31 on the balance sheet) and profit for the year (Note 32 on the balance sheet and Note 15 on the profit and loss account).



#### 4 Specific information required by Article 4.2 of the Law of Autonomy of the Banco de España of 1 June 1994

##### 4.1 Contributions made by the Bank to the Deposit Guarantee Funds

The contribution of the Banco de España to the Deposit Guarantee Funds is regulated by Article 3 of Royal Decree 18/1982, according to the wording established by additional provision seven of Royal Legislative Decree 12/1995 of 28 December 1995 and Royal Decree 2606/1996 of 20 December 1996, which implemented the legal regime for such funds.

The aforementioned Royal Decree-Law established that the Deposit Guarantee Funds may only exceptionally “be supplemented by contributions from the Banco de España, the amount of which shall be fixed by Law”. In 2009 the Banco de España made no contributions whatsoever to these Funds.

##### 4.2 Loss of profit

The table below shows the loans outstanding in 2009 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	Estimated average balance in 2009	Interest rate received (%)	Reference interest rate (%)	Estimated loss of profit
Net State debt	1,581.20	—	1.28%	20.24
Housing loans and repayable advances to employees	71.35	0.55%	1.28%	0.52
<i>Housing loans</i>	<i>34.85</i>	<i>1.13%</i>	<i>1.28%</i>	<i>0.05</i>
<i>Repayable advances</i>	<i>36.50</i>	<i>—</i>	<i>1.28%</i>	<i>0.47</i>
<b>TOTAL</b>	<b>1,652.55</b>	<b>0.02%</b>	<b>1.28%</b>	<b>20.76</b>

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 2009 payment was received of two instalments of the first of the aforementioned facilities (that for the reporting year and the last outstanding instalment of the original repayment schedule), along with the reporting year instalments of the other two facilities, the repayment date of all of them being brought forward from 31 December to 30 April. In accordance with the foregoing, on 30 April 2009 the Treasury paid to the Banco de España the amount of €535,284,017.98, the effective market price of the debt repaid on that date.

## ANNEXES

### 1 Report of the external auditors



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*Translation of a report originally issued in Spanish based on our work performed in accordance with International Standards on Auditing. In the event of a discrepancy, the Spanish-language version prevails.*

To the Governor of the Banco de España:

We have audited the financial statements of the Banco de España which, in accordance with Article 29.1 of its Internal Rules, comprise the balance sheet at 31 December 2009 and the related income statement and notes to the financial statements for the year then ended.

#### Responsibility for the financial statements

The Executive Commission of the Banco de España is responsible for organising the Bank and appointing its directors general. Under the Internal Rules of the Banco de España, the Directorate General Services is responsible for preparing the financial statements in accordance with the internal accounting rules and principles of the Banco de España, which are indicated in Note 3.1 to the accompanying financial statements and are based on the accounting regulations established for the member central banks of the European System of Central Banks. This responsibility, which is exercised through the Control, Budget and Accounting Department, includes the supervision of operations and, therefore, the design, implementation and maintenance of the relevant internal controls required for the preparation and adequate presentation of financial statements that are free from material misstatement due either to fraud or error; the selection and application of appropriate accounting rules; and the performance of the estimates considered to be reasonable in the circumstances. Pursuant to Article 21.g) of Law 13/1994, of 1 June, on the Autonomy of the Banco de España, these financial statements are prepared by the Governing Council of the Banco de España.

#### Responsibility of the auditor

Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with International Standards on Auditing, which require that we comply with certain ethical requirements and that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements or irregularities.

An audit entails the performance of procedures designed to obtain evidence supporting the amounts and disclosures contained in the financial statements. The procedures selected depend on the auditor's judgment, which includes the assessment of the risks of the occurrence of material misstatement or irregularities in the financial statements due either to fraud or error. In assessing these risks, the auditor considers the internal control system applicable to the preparation and adequate presentation of the financial statements by the entity, in order to design audit procedures that are appropriate in view of 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 the evaluation of the adequacy of the accounting policies used and of the reasonableness of the accounting estimates made by the entity, as well as an assessment of the overall presentation of the financial statements. We consider that the evidence we have obtained is sufficient and adequate to provide a basis on which to express our audit opinion.

#### Comparative information

For comparison purposes, the accompanying financial statements present, in addition to the 2009 figures for each item in the balance sheet and income statement, the figures for 2008. Our opinion refers only to the 2009 financial statements. On 25 May 2009, we issued our auditors' report on the 2008 financial statements in which we expressed an unqualified opinion.

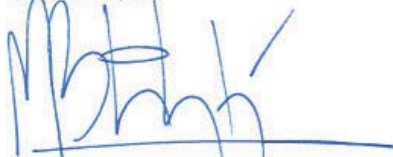
Deloitte S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F. B-79104469  
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid

Member of Deloitte Touche Tohmatsu

### Opinion

In our opinion, the accompanying financial statements for 2009 present fairly, in all material respects, the net worth and financial position of the Banco de España at 31 December 2009 and the results of its operations in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the internal accounting rules and principles of the Banco de España, which are indicated in Note 3.1 to the accompanying financial statements and are based on the accounting regulations established for the member central banks of the European System of Central Banks.

DELOITTE, S.L.



Miguel Ángel Bailón

20 May 2010

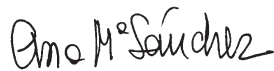
## 2 Report of the Audit Committee

We, the undersigned, Ángel Luis López Roa, Jesús Leguina Villa and Ana María Sánchez Trujillo, 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 2009.

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 2009, 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 2009, 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 and accounting procedures, of the accounting records and of the internal controls in place, it can be inferred that the annual accounts for the year 2009 give a true and fair view of the net worth and financial position of the Banco de España.

Madrid, 6 May 2010



ANA MARÍA SÁNCHEZ TRUJILLO



ÁNGEL LUIS LÓPEZ ROA



JESÚS LEGUINA VILLA