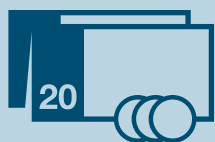




Chapter 5

The Banco de España: financial information

The year in figures



€917 billion
Total assets

The Banco de España's total assets decreased to €917 billion in 2024 as a result of the restrictive monetary policy stance adopted in mid-2022 in response to rising inflation



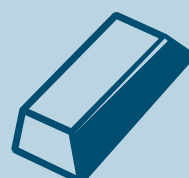
€566 billion
Securities held for monetary policy purposes

Since 2015, the Banco de España has acquired a significant volume of securities as part of its monetary policy decisions, with the total figure standing at €566 billion at end-2024



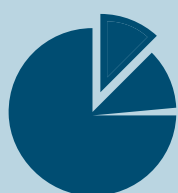
–€8.4 billion
Result of monetary policy operations

Monetary policy operations resulted in an €8.4 billion loss in 2024, compared with a €5.8 billion loss in 2023



€22.7 billion
Gold and gold receivables

Holdings of fine gold ounces have remained constant over recent years, albeit appreciating steadily, reaching a market price of €22.7 billion at the end of 2024



€52.8 billion
Own resources

In 2024, capital and reserves, generic provisions and revaluation accounts, which constitute the Banco de España's own resources, increased slightly compared with 2023 due to a significant increase in the revaluation accounts, which offset the decrease in the general provisions released to cover losses



€0 million
Profit

The Banco de España broke even in 2024, after applying provisions of €7,549 million. It is worth noting that the objective of a central bank is not to make a profit, but rather to fulfil its mandate of maintaining price stability

This chapter aims to look at how the functions entrusted to the Banco de España affect its financial statements (balance sheet and profit and loss account). To this end, it sets out a comprehensive analysis of the main balance sheet items and the institution's results, showing how they have evolved over the last five years and how this relates to the key events and the monetary policy measures adopted over this period.¹ It concludes by describing the risks and uncertainties facing the Banco de España as a result of its actions, with details of the management policies set in place to mitigate them.



The Banco de España's own funds increased slightly compared with 2023 thanks to a significant increase in the revaluation accounts

¹ The *Annual Accounts of the Banco de España* provide more detailed information on the composition of the balance sheet and profit and loss account and can be found on the institution's website.

1 Balance sheet

The Banco de España's balance sheet sets out a true and fair view of its economic and financial position. On the asset side, it records the resources available, while the sources of financing used can be seen on the liability side.

The Banco de España's financial functions and activities are detailed on its balance sheet as follows:

The Eurosystem's monetary policy operations are based on the decisions adopted by the European Central Bank (ECB) Governing Council, and are implemented by the euro area national central banks (NCBs) on a decentralised basis. These operations are reflected in the financial statements of each central bank. Thus, monetary policy securities purchases can be found on the asset side of the Banco de España's balance sheet (see Schema 5.1 (d)), as can the loans granted to Spanish credit institutions (Schema 5.1 (c)), while the deposits held by such institutions can be seen on the liability side (Schema 5.1 (g)).

The management of official foreign currency reserves is reflected under foreign currency-denominated assets and liabilities (the latter being of little significance) on the balance sheet (Schema 5.1 (a)).

The Banco de España uses the TARGET² system to manage settlements of domestic and cross-border euro-denominated payments. These transactions are primarily initiated by private entities (i.e. credit institutions, corporations and individuals), although they may also be originated by the NCBs themselves or by the ECB. The settlement of cross-border payments gives rise to intra-Eurosystem assets or liabilities on the balance sheet of the NCBs vis-à-vis the ECB.³ In the case of the Banco de España, this item is included on the liability side of the balance sheet (Schema 5.1 (h)).

The issue of legal tender banknotes is recognised on the balance sheet under liabilities (Schema 5.1 (f)), and the allocation of euro banknotes among the euro area NCBs in accordance with their allocation key⁴ gives rise to intra-Eurosystem accounts on their balance sheets. At the Banco de España, this account is recorded under assets (Schema 5.1 (e)), since the volume of banknotes put into circulation is lower than the corresponding amount per the institution's allocation key. As explained in Chapter 3, this is because the net issuance of banknotes by the Banco de España (both in 2024 and earlier) was negative. In other words, the inflow of banknotes exceeded the outflow, owing essentially to the impact of tourism.

2 TARGET is the platform owned and operated by the Eurosystem for processing large-value payments in euro that are settled instantly.

3 All settlements are automatically aggregated to form a single position for each NCB vis-à-vis the ECB.

4 The "banknote allocation key" is the result of applying 92% to each NCB's capital key in the Eurosystem (the remaining 8% is allocated to the ECB). At the end of 2024, the Banco de España's banknote allocation key was 10.879%.

Schema 5.1

Simplified balance sheet of the Banco de España as at 31 December 2024

€m

ASSETS		LIABILITIES	
Gold and foreign currency-denominated assets (a)	105,378	Banknotes in circulation (f)	172,796
Euro-denominated own portfolio (b)	27,826		
Monetary policy loans (c)	18	Deposits held by credit institutions (g)	210,321
Monetary policy portfolio (d)	566,412	Intra-Eurosystem liabilities (h)	446,668
Intra-Eurosystem assets (banknotes) (e)	199,341	Other liabilities (i)	34,217
Other assets	17,789	Own resources	52,762
TOTAL	916,764	TOTAL	916,764

SOURCE: Banco de España.

Meanwhile, the treasury service provided by the Banco de España to the Treasury and other public entities is managed through accounts opened at the Bank. These accounts are recorded on the liabilities side, under deposits in euro from other euro area residents (Schema 5.1 (i)).

The Banco de España also manages its own euro-denominated financial assets, comprising debt securities and recorded on the asset side of the balance sheet (Schema 5.1 (b)).

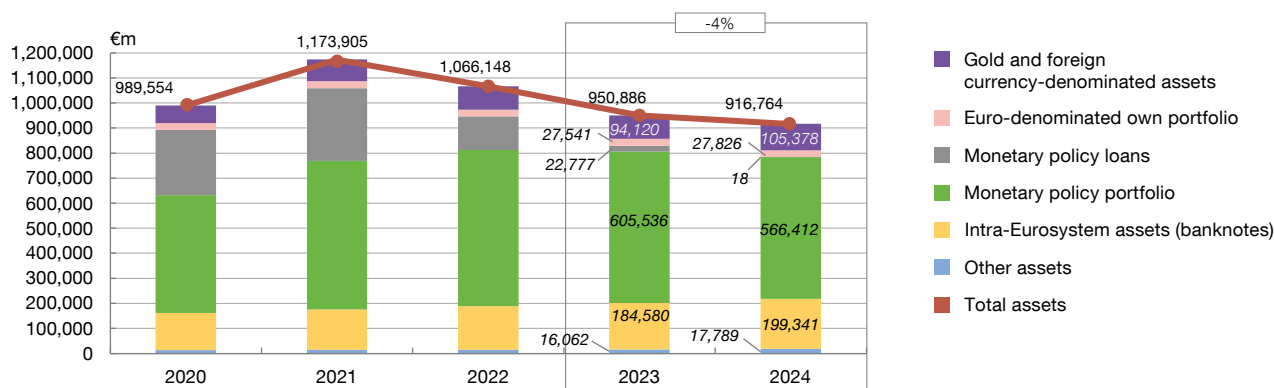
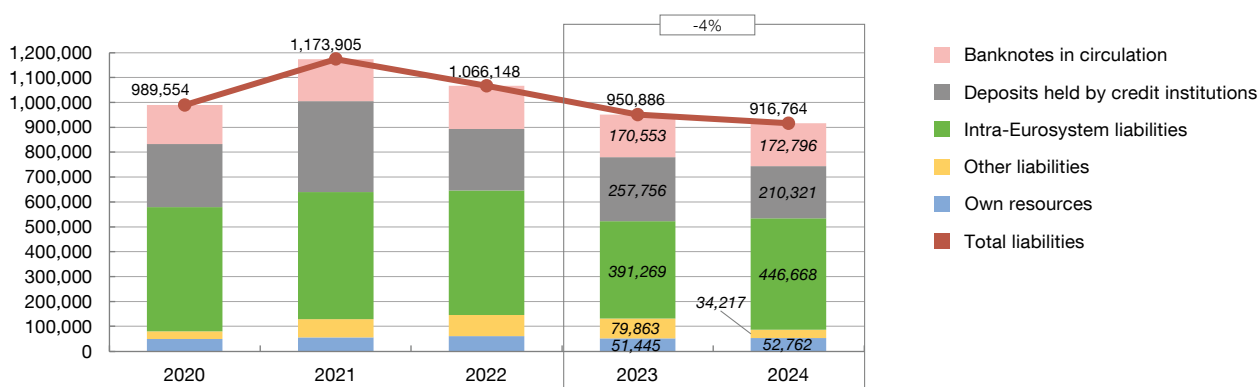
Schema 5.1 shows the Banco de España's balance sheet in simplified form.

The current composition of the balance sheet reflects the monetary policy implemented over recent years, which has pursued different approaches and objectives to address the major economic challenges of the period. Starting in 2008, an accommodative monetary policy was introduced in a bid to kickstart the economy amid a prolonged economic slump caused by the global financial crisis, later followed by the debt crisis and, finally, the COVID-19 crisis. The unconventional measures rolled out to address these unprecedented challenges, such as the long-term loans granted to credit institutions and the securities purchased for monetary policy portfolios, led to a significant expansion of the balance sheets of the Banco de España and the other Eurosystem central banks. Midway through 2022, having overcome these crises and in response to rising inflation, the ECB embarked on a new strategy, characterised by the steady normalisation of monetary policy, hiking policy interest rates and adjusting an additional range of parameters in its monetary policy operations. Between July 2022 and September 2023, the ECB increased its reference rate on 10 consecutive occasions, from 0% (set in March 2016) to 4.5%. Meanwhile, the ECB has adopted a passive

strategy for normalising (contracting) its balance sheet, opting not to renew the non-standard monetary policy assets originated in the previous expansionary phase as and when they mature. As a result, the Banco de España's balance sheet contracted markedly in 2022 and 2023 (by 9% and 11%, respectively), thanks largely to the maturity and early repayment of a sizeable portion of the targeted long-term loans granted to credit institutions (under the **TLTRO-III programme**).

Beginning in mid-2024, with inflation showing signs of abating, the ECB cut policy interest rates on four consecutive occasions, leaving the deposit facility rate at 3% at the end of the year.⁵ Balance sheet normalisation continued throughout 2024, albeit at a slower pace (–4%) than in the previous two years. The remaining TLTRO-III loans matured, and the monetary policy securities portfolio was gradually reduced as maturities are spread over a long time horizon. The impact of previous operations on the liabilities side resulted in a decline in both deposits from other institutions and intra-Eurosystem liabilities (TARGET), with balances falling from their mid-2022 peak, reflecting the decline in excess liquidity.

Chart 5.1 shows the Banco de España's balance sheet over the last five years.

Chart 5.1
Balance sheet of the Banco de España
5.1.a Assets

5.1.b Liabilities


SOURCE: Banco de España.

⁵ In March 2024, the ECB Governing Council announced changes to the operational framework for implementing monetary policy, including the setting of the deposit facility rate as a guide for the monetary policy stance.

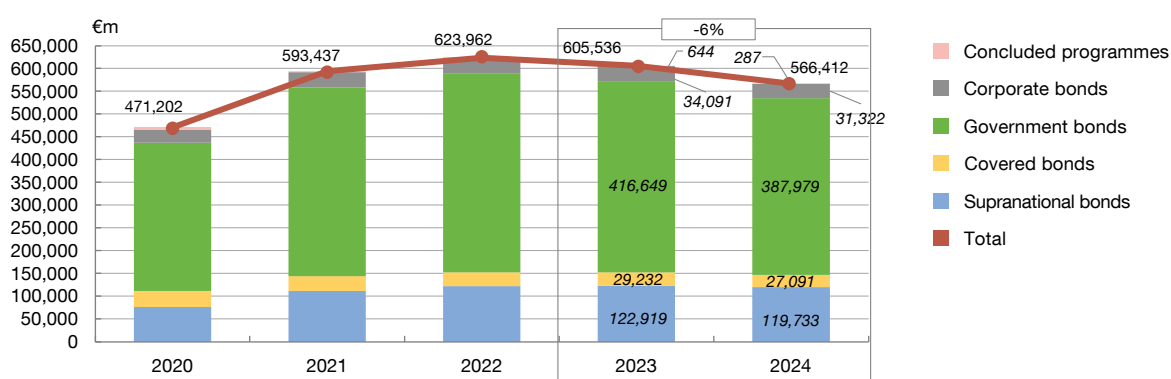
1.1 Assets

At the end of 2024, the monetary policy portfolio accounted for almost two-thirds of the Banco de España's total assets (62%). Under this balance sheet item, the Banco de España includes the assets acquired within the framework of the various purchase programmes carried out by the Eurosystem, as part of its non-standard monetary policy measures. Launched at various points since 2019, each programme targets a type of security issued by euro area residents. Chart 5.2 shows this item over the last five years.

The Asset Purchase Programme (APP) got underway in 2014, while the Pandemic Emergency Purchase Programme (PEPP) was launched in 2020. The security purchases within the framework of these programmes were made by the Eurosystem NCBs on a decentralised basis. The Banco de España began making significant acquisitions in 2014, its holdings peaking at around €630,000 million in 2022 Q3. As part of its new monetary policy stance, the ECB Governing Council decided to discontinue the net security purchases under both programmes in 2022, thereafter continuing to reinvest the principal of maturing securities. A later decision to put an end to reinvestments under these portfolios (in 2023 in the case of the APP and 2024 in the case of the PEPP) explains why this item has contracted over the last two years. These holdings stood at 566,412 million euros at end-2024.⁶

By the end of 2024, monetary policy loans accounted for an almost negligible share of the Banco de España's total balance sheet, with an outstanding balance of €18 million, corresponding to three-month lending operations.

Chart 5.2
Monetary policy portfolio



SOURCE: Banco de España.

⁶ A detailed breakdown can be found in explanatory note 7.a) to the balance sheet in the *Annual Accounts of the Banco de España*.

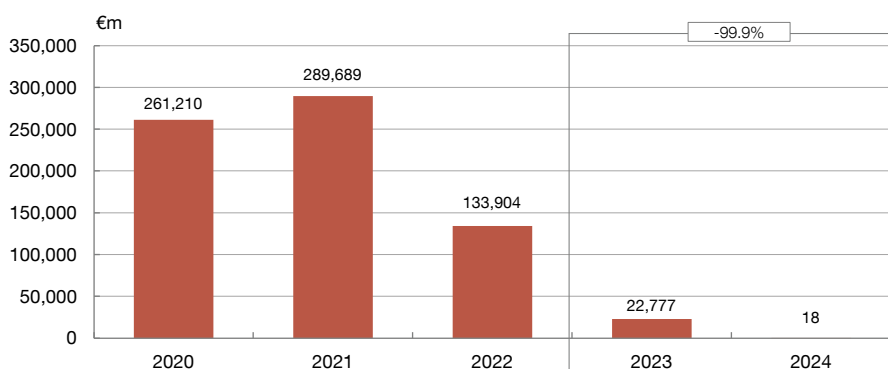
In previous years this item showed significant balances, almost entirely attributable to TLTRO-III operations. These loans were granted in quarterly auctions between September 2019 and December 2021, with a three-year maturity, to kickstart bank financing for the real economy. As 2021 drew to a close, with a balance of just under €290,000 million, they represented 25% of the balance sheet. From that moment on, the balance began to decline gradually as loans matured and institutions began to make early repayment (see Chart 5.3). This lending programme was discontinued in late 2024.

Foreign currency-denominated assets primarily comprise assets denominated in US dollars, Special Drawing Rights, Canadian dollars, pounds sterling, yen and renminbi. The breakdown by currency has remained largely unchanged over recent years, the US dollar being the main component. By type of instrument, foreign currency-denominated assets mainly comprise debt securities, most of them denominated in US dollars. Chart 5.4 shows a breakdown of investments in foreign currency-denominated assets by currency and type of instrument at end-2024.

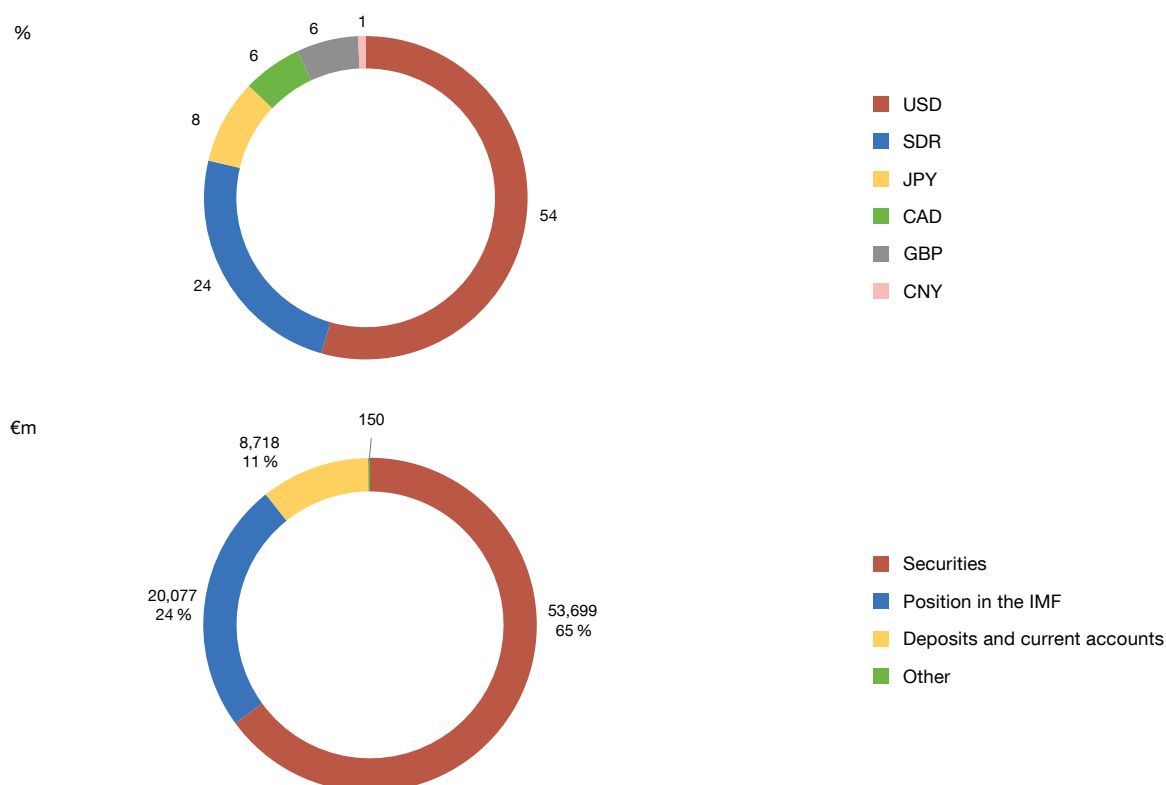
The asset side of the Banco de España's balance sheet also includes holdings in gold and gold receivables. Between 2020 and 2024, holdings of ounces of fine gold held steady (9,054 million troy ounces), while the market price trended upwards. The market value at end-2024 stood at €22,735 million, up 34% over the year. Chart 5.5 shows recent trends in gold and gold receivables.

Lastly, in addition to its economic policy financial assets, the Banco de España has another series of euro-denominated assets that are recognised in the accounts as its euro-denominated non-monetary policy portfolio, with the results belonging entirely to the institution. These investments are made up entirely of debt securities: 79% issued by Spanish residents, 18% by residents of other euro area countries, and 3% by non-euro area residents. The balance of this item has remained broadly unchanged over recent years, standing at €27,826 million at end-2024. These investments are managed so as to prevent interferences with monetary policy operations.

Chart 5.3
Monetary policy loans

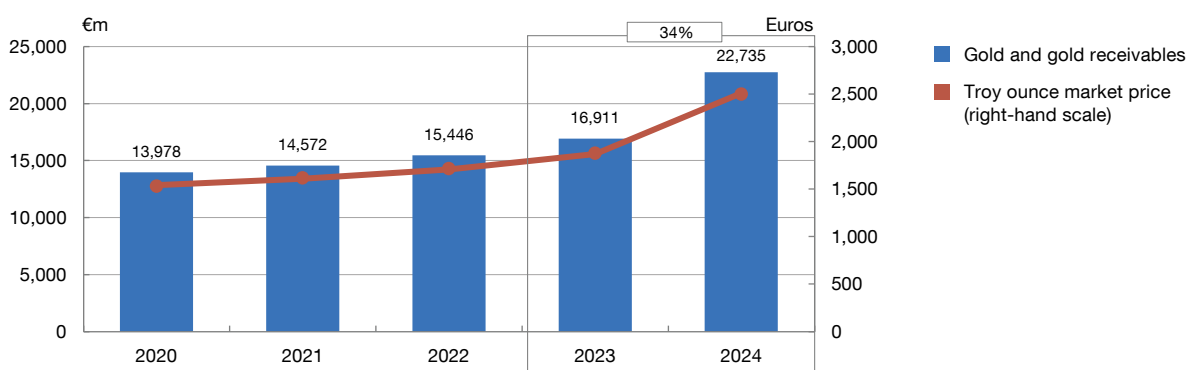


SOURCE: Banco de España.

Chart 5.4
Breakdown of investments in foreign currency-denominated assets, by currency and type of instrument, at 31/12/2024


SOURCE: Banco de España.

NOTE: USD: US dollars; SDR: Special Drawing Rights; JPY: yen; CAD: Canadian dollars; GBP: pounds sterling; CNY: renminbi.

Chart 5.5
Gold and gold receivables


SOURCE: Banco de España.

1.2 Liabilities

During the expansionary phase, the non-standard monetary policy measures primarily affected two areas on the liability side: the balance of intra-Eurosystem liabilities (TARGET) and deposits from credit institutions. The balance sheet reduction of recent years has led to a decline in both liabilities.

Chart 5.6 shows the combined evolution of the asset items targeted by these measures and the two liability items referred to above, and shows how they are clearly interrelated.

Deposits held by credit institutions include both current accounts, where the minimum reserves required of such institutions are kept, and the overnight deposits arranged under the deposit facility. Until 2016, these deposits largely comprised the minimum reserves required of institutions. In the years that followed these deposits grew steadily as a result of the expansionary monetary policy measures designed by the ECB to stimulate the euro area economy, leading to greater liquidity in the system (see Chart 5.7). The amount deposited peaked in October 2022, before declining notably as the year ended, essentially as institutions used part of their surplus reserves to make early repayments on their monetary policy loans. Deposit levels held steady in 2023 and even rose slightly (+ 4%), before resuming their gradual decline in 2024, to stand at €210,321 million at the end of the year (23% of total liabilities).

The balance of intra-Eurosystem liabilities shows the net position of the Banco de España vis-à-vis the Eurosystem as a result of transfers made through TARGET. Intra-Eurosystem liabilities increased in 2024, to stand at €446,668 million at the end of the year (up 14% on 2023), accounting for 49% of total liabilities.

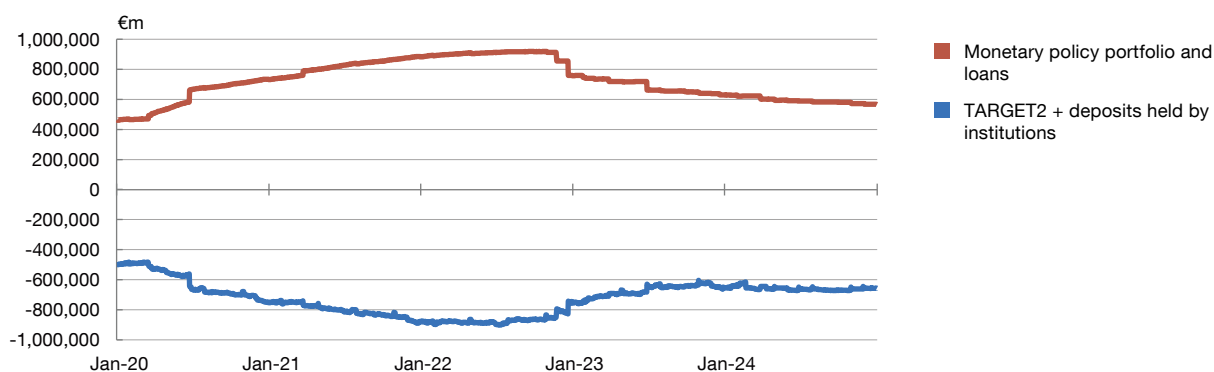
The balance of banknotes in circulation recognised on the liability side of the balance sheet reflects the amount allocated to the Banco de España as a share of the total value of euro banknotes put into circulation by the Eurosystem, based on the allocation key.⁷ The difference between this amount and the banknotes actually put into circulation by the Banco de España is recorded in the intra-Eurosystem adjustment account for banknotes.⁸ In the case of the Banco de España, this account is shown in the intra-Eurosystem assets. Its inclusion on the asset side shows that the Banco de España put fewer banknotes into circulation than those to which it is entitled as a share of the total euro banknotes in circulation according to the allocation key.

⁷ See footnote 4 to this chapter.

⁸ For more information, see note 14 to the balance sheet in the [Annual Accounts of the Banco de España](#).

Chart 5.6

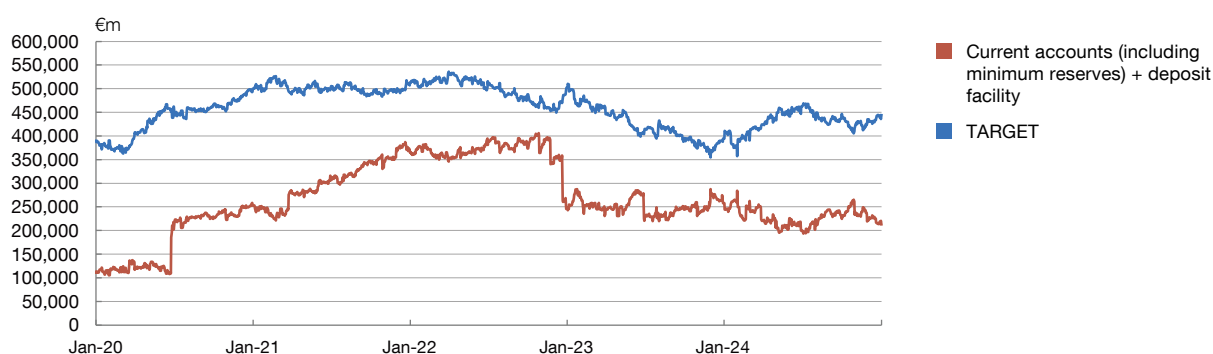
Monetary policy assets and liabilities



SOURCE: Banco de España.

Chart 5.7

Deposits held by credit institutions and TARGET



SOURCE: Banco de España.



For more information on the balance sheet, see the *Annual Accounts of the Banco de España*.

2 Own funds

The Banco de España's own funds consist of its capital and reserves, general provisions and revaluation accounts. Until 2022, these funds grew steadily. The general provisions recorded in previous years were used to offset the losses in 2023 and 2024, thus breaking even (see Section 3, "Profit and loss account"). This led to a decline in own funds in 2023, albeit recovering slightly in 2024 (+ 3%) thanks to the growth in the revaluation accounts (see Chart 5.8).

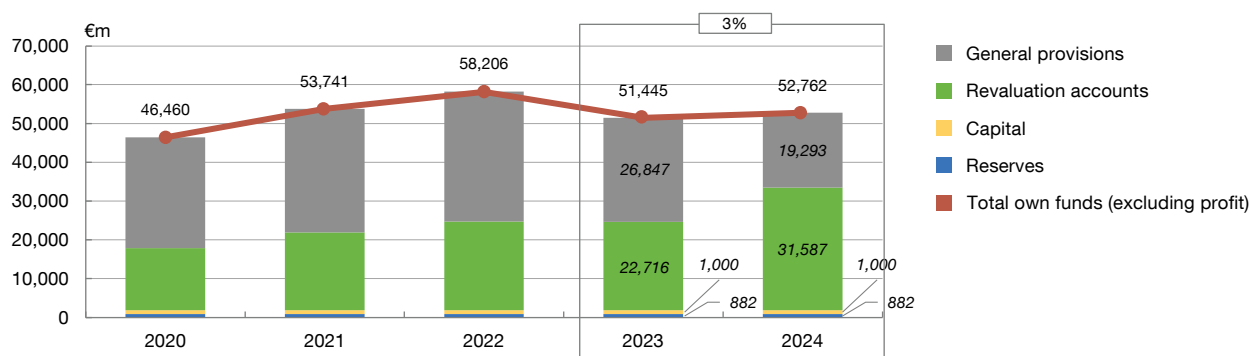
Capital and reserves stood at €1,882 million at end-2024 and have remained largely unchanged since 2006.

General provisions (€19,293 million) include the provision for financial risk and the provision for operational risk. The Banco de España reviews the balance of these provisions annually based on its exposure to these risks, using methodologies consistent with those used by the Eurosystem.⁹ Until 2022, the provision for financial risk increased steadily, in line with a prudent risk management policy, to account for the greater exposure deriving from the balance sheet growth, particularly due to the asset purchases under the Eurosystem's monetary policy programmes. In 2023 and 2024, these provisions declined by €6,621 million and €7,554 million, respectively, essentially as they were used to offset the losses in both years and break even. This aspect is further explored in the next section.

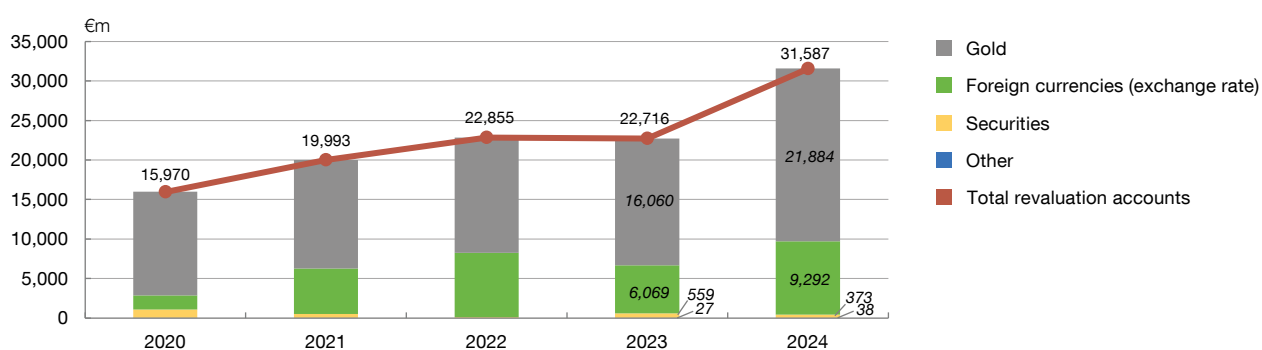
The revaluation accounts (31,587 million) record unrealised gains on gold, foreign currencies and mark-to-market securities. These gains (the difference between the market value and the carrying amount) are not recognised as income in the profit and loss account, but rather on the liability side of the balance sheet. The balances of these accounts can help offset the impact of future adverse price or exchange rate movements, making the Banco de España better able to face risks. In recent years, the balance of these accounts has trended upwards, albeit with variations, as it is heavily influenced by changes in currency exchange rates and the price of gold (see Chart 5.9).

In 2024, the balance of the revaluation accounts increased significantly in comparison to 2023 (+39%). This increase was due largely to higher gold prices and the appreciation of the US dollar against the euro.

⁹ Additional information on risk management at the Banco de España can be found in section 3.6 of the explanatory notes to the *Annual Accounts of the Banco de España*.

Chart 5.8
Own funds (excluding profit)


SOURCE: Banco de España.

Chart 5.9
Revaluation accounts


SOURCE: Banco de España.



See the *Annual Accounts of the Banco de España* for more information on own funds.

3 Profit and loss account

In the exercise of its functions, the Banco de España earns income and incurs a series of expenses. Historically, the institution has consistently achieved earned profits through its activities. These profits are transferred in full to the Public Treasury.

In 2023, as was the case for most Eurosystem central banks, this unbroken track record of profits was cut short, and losses were again posted in 2024.

The Eurosystem balance sheet grew significantly between 2013 and 2021 due to the monetary policy operations implemented over this period. During those years, economic stimulus programmes (known as quantitative easing) were rolled out, involving securities purchases on a large scale. The goal was to inject liquidity into the economy, lower long-term interest rates and spur credit and investment. At that time, with interest rates close to zero, the yields on security purchases were very low.

The sharp increase in policy interest rates between June 2022 and September 2023 (by 450 basis points (bp)) in response to rising inflation led to the materialisation of “structural balance sheet risk”, stemming from the differing sensitivity of financial income and expenses to interest rate variations. The increase in policy interest rates had an immediate impact on the cost of liabilities, most of which were demand liabilities. However, the return on assets did not keep pace with the higher market rates, since they largely consisted of securities acquired during a period of low returns and with long maturities. This led to a negative gap in net interest income, making 2023 the first year in which losses were posted. This imbalance between the return on assets and the cost of liabilities continued in 2024, since, although interest rates began falling midway through 2024, the average deposit facility rate was 42 bp higher than a year previously, while the return on assets remained at similar levels (slightly higher) to those seen in 2023. The losses recorded in 2024, before provisions, amounted to €7,549 million (€6,612 million in 2023). Meanwhile, the ECB’s losses stood at €7,944 million in 2024 and €7,886 million in 2023 (before the application of its provision for general risks).

Nonetheless, thanks to a judicious provisioning and profit distribution policy implemented in previous years, the Banco de España currently has sufficient financial buffers to cover these losses. In 2023 and 2024, the provision for financial risks was used to offset the above losses, meaning that the institution broke even in both years.

It is important to remember that the losses posted by the Eurosystem central banks are exceptional and temporary, and are the result of the monetary policy implemented to maintain price stability in the euro area. This policy is designed with no regard to its impact on central banks’ financial results, since the existence or otherwise of an accounting profit has no bearing on their ability to effectively implement monetary policy. Net income is expected to rise gradually over time, as the gradual withdrawal of excess liquidity will reduce interest expenses. Moreover, as the balance sheet normalises, the income earned on credit transactions is also expected to rise over the medium and long term. The net income of the Eurosystem is therefore expected

to return to positive territory in time, aided by the existence of other interest-bearing assets, together with cost-free liabilities such as banknotes.

As for the Banco de España, positive margins are expected to return in the short term, provided the downward trend in policy rates that began in mid-2024 continues. In any event, the outstanding balance of the provision for financial risks remains high, and the financial soundness of the Banco de España is not therefore in question.



See the Banco de España's online blog for more information on [the change of trend in its results](#).

Chart 5.10 shows the composition and evolution of the Banco de España's profit and loss account over the last five financial years.

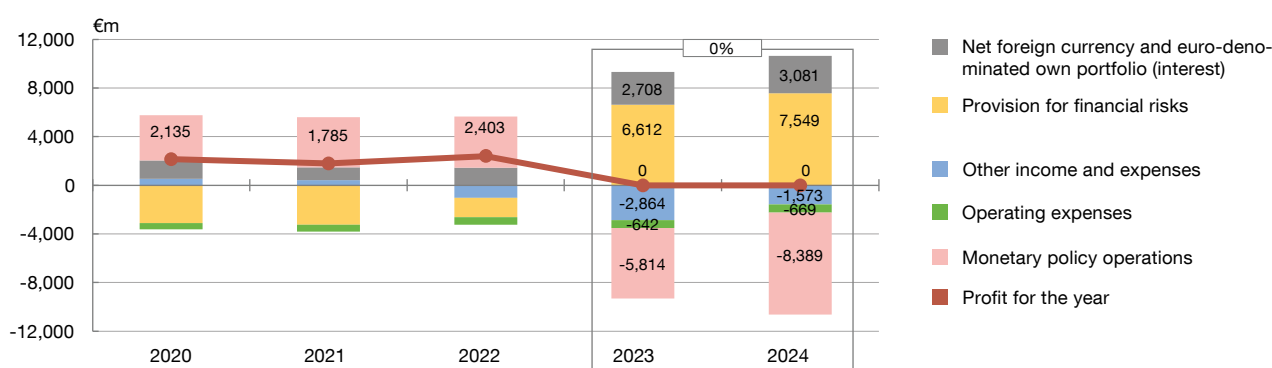
The results generated by monetary policy operations are particularly important. These operations include the monetary policy portfolio, monetary policy loans, deposits of credit institutions, intra-Eurosystem accounts and the redistribution of the monetary income generated by these operations among the NCBs of the Eurosystem. Overall, these operations yielded a net negative result of €8,389 million in 2024, compared with a negative result of €5,814 million in the previous year. These developments are shown in Chart 5.11.

The interest on the monetary policy portfolio stood at €6,287 million in 2024, up 3% on the previous year.

The interest income from monetary policy loans (mainly long-term loans to credit institutions) fell due to repayments. These loans generated €244 million in 2024, falling well below the previous year's figure (€2,147 million).

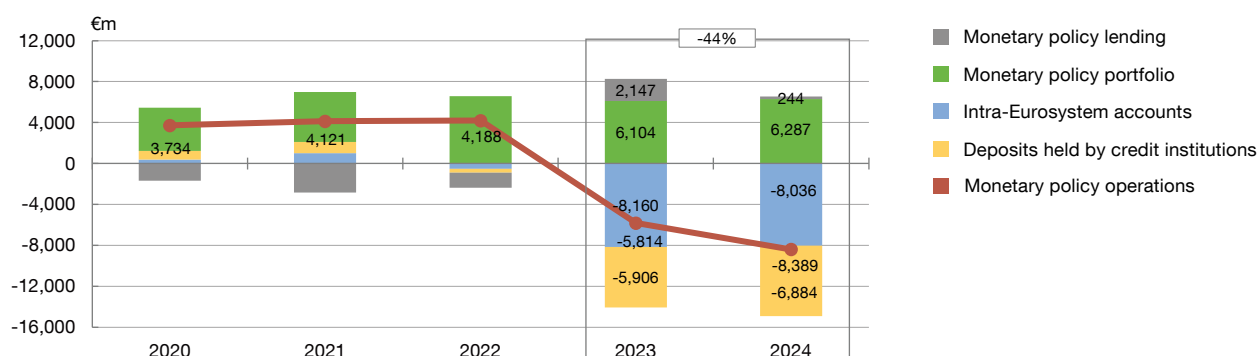
Chart 5.10

Results of the Banco de España



SOURCE: Banco de España.

Chart 5.11

Results of monetary policy operations


SOURCE: Banco de España.

The interest expense in respect of deposits by credit institutions declined slightly (€8,036 million in 2024, versus €8,160 million in 2023). First, minimum reserves have not been remunerated since September 2023. Furthermore, as a result of monetary policy normalisation, banks held lower excess balances, although their average cost in 2024 was higher than in the previous year, as policy rate cuts began in June 2024.

The intra-Eurosystem accounts include the remuneration of asset accounts (primarily due to the banknote adjustment according to the allocation key) and liability accounts (mainly related to TARGET operations), as well as the redistribution of monetary income.

This redistribution refers to the mechanism established by the Eurosystem for allocating the income and expenses generated by monetary policy-related assets and liabilities (specifically, those classified as shared income and risks). The total income and expenses generated by the Eurosystem are allocated annually according to the respective ECB capital keys, regardless of which central bank holds them on its balance sheet. Overall, intra-Eurosystem items showed a result of –€6,884 million. This negative result for the Banco de España can essentially be attributed to the fact that the net expenses generated by monetary policy assets and liabilities were lower than its share (based on its capital key) in the Eurosystem’s overall net expenses.

In addition to the results of monetary policy operations, the following items in the profit and loss account are worth noting:

- Income from the Banco de España’s own investments, which include net foreign currency assets and the euro-denominated portfolio, stood at €3,081 million, exceeding the €2,708 million earned in 2023, thanks to both higher returns and a higher average balance.

- The operating costs of the Banco de España, necessary for carrying out its assigned tasks, are recorded under operating expenses. This item also includes the costs of banknote production and the depreciation of fixed assets. In 2024, operating expenses amounted to €669 million (versus €642 million in 2023). Chart 5.12 shows how the Banco de España's operating expenses broke down in 2024.

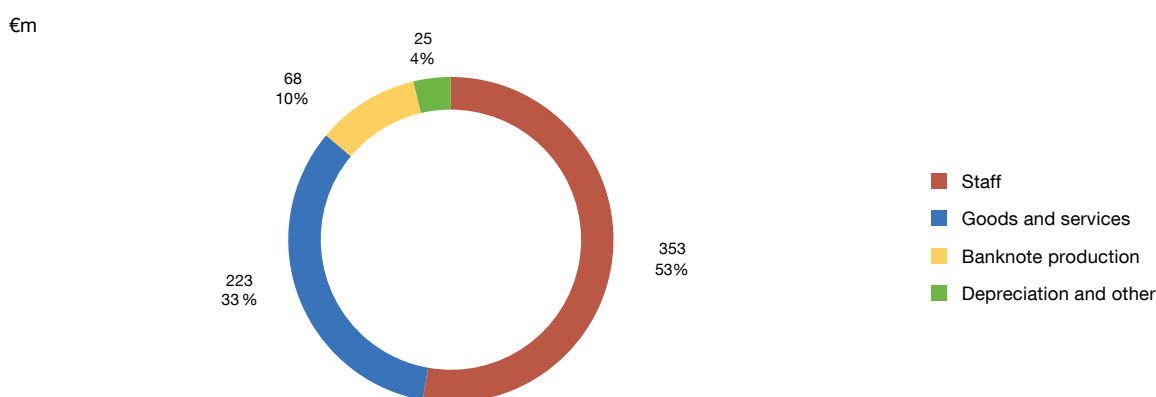
As noted above, the Banco de España posted a preliminary loss in 2024. As a result, the Executive Commission approved the application of €7,549 million from the provision for financial risks, meaning that the Banco de España ultimately broke even.



See the *Annual Accounts of the Banco de España* for more information on the profit and loss account.

Chart 5.12

Operating expenses of the Banco de España in 2024



SOURCE: Banco de España.

4 Operational and financial risks

The Banco de España faces operational and financial risks that may affect its financial position and reputation and its ability to meet its objectives. These risks are managed through an ongoing process: 1) identification and assessment; 2) response; 3) follow-up and monitoring; and 4) communication, through effective policies, methodologies, processes and systems.

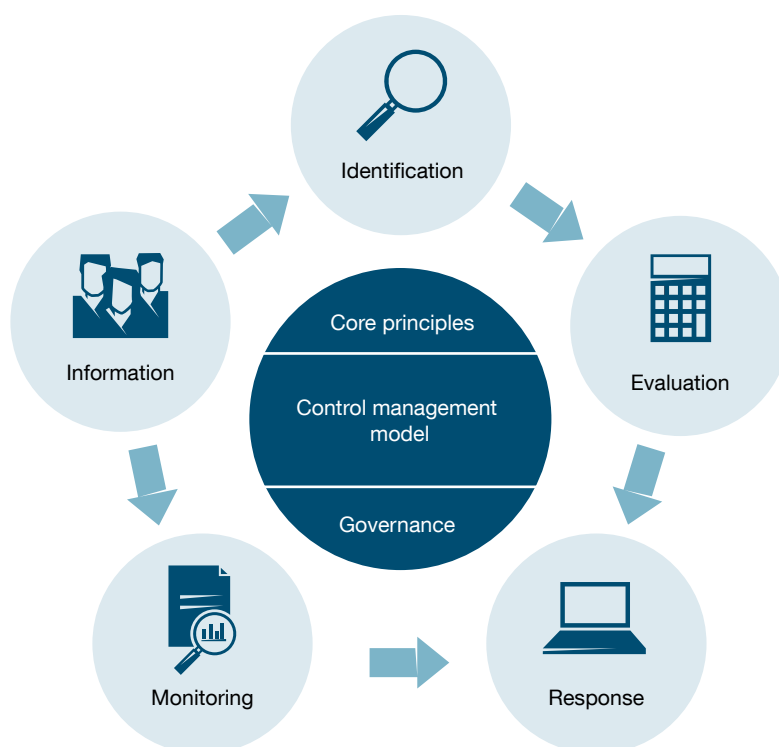
The Banco de España's risk management policy seeks to ensure that risks remain low and easy to foresee. This policy safeguards the institution's reputation and solvency and ensures it can fulfil its remit in accordance with the Law of Autonomy of the Banco de España and attain its objectives.

Last year saw a slight improvement in the Banco de España's operational risk profile. This was due to the progress made in mitigation plans, enhancing the control environment. The non-financial risks of most concern to the institution have to do with the major challenges it faces (e.g. risks relating to human capital, digital transformation, cybercrime, procurement, etc.).

The Banco de España has improved its measures for responding to potential disruptions or crises. It has also implemented its response structures and contingency plans. This has

Schema 5.2

Risk management cycle



SOURCE: Banco de España.

improved awareness of the procedures to be followed in such scenarios. As a result, the institution is now more operationally resilient.

Meanwhile, the key development in terms of financial risks was their reduction in absolute terms, mainly due to the winding down of the purchase programmes. The relative risk of the non-monetary and monetary policy portfolios remained stable.

Lastly, the Banco de España's internal credit assessment system (ICAS BE) continued to support the use of credit claims as collateral in monetary policy operations. In 2024, work was also carried out to incorporate climate risks as an additional factor in the credit quality assessment of non-financial corporations.