3. RESOURCE MANAGEMENT

1 About the annual accounts

Why are they important?	The Banco de España is a self-funded independent public entity, meaning that it does not depend on the State budget. As such, it transparently shows how it manages its funds and fulfils its functions, thereby ensuring accountability to the public and strengthening trust in the institution.
What information does the Banco de España publish?	The Bank provides relevant, complete and reliable information about its economic and financial situation. The annual accounts and the balance sheet reflect the Bank's responsible and efficient management of its operations, including those linked to monetary policy, banking supervision and reserve management.

When explaining the Banco de España's balance sheet and profit and loss account, it is useful to briefly review monetary policy developments, since they affect both financial statements. The composition of the Banco de España's balance sheet and profit and loss account is shaped by the evolution of the European Central Bank's (ECB) monetary policy (i.e. the instruments it uses to maintain price stability). From 2008 onwards an expansionary monetary policy was adopted to support economic activity during the prolonged downturn triggered by the global financial crisis, which was followed by the sovereign debt crisis and, later, the COVID-19 pandemic. The non-standard measures adopted during this period of greater liquidity – such as long-term loans to credit institutions and assets purchases under the monetary policy portfolios – led to a significant increase in the balance sheets of both the Banco de España and the Eurosystem as a whole. The Bank's balance sheet peaked at €1.23 trillion in October 2022.

In mid-2022, once the crises had passed, and given the rise in inflation, the ECB started tightening its monetary policy. This involved successive interest rate hikes totalling more than 4 percentage points (pp) in a year, accompanied by measures affecting central banks' balance sheets – namely, the winding down of the non-standard monetary policy assets that had been created, such as sovereign and corporate bonds purchased under the ECB's extraordinary asset purchase programmes. Central banks are letting the assets purchased under those programmes mature without reinvesting them and gradually reducing the size of their balance sheets.

Subsequently, as inflation showed signs of moderation, the ECB lowered policy interest rates eight times between June 2024 and June 2025, bringing the deposit facility rate to 2% by end-2025. At the same time, the Banco de España's balance sheet shrank gradually owing to the discontinuation of reinvestments in the monetary policy portfolio and the maturity of loans under the third Targeted Longer-Term Refinancing Operations (TLTRO III) programme. The ECB activated this non-standard instrument in 2019 to encourage banks to lend money to firms and households.

As a result, the balance sheet contracted by around 30% between the 2022 peak and end-2025.

This chapter provides a comprehensive analysis of the Banco de España's financial statements – the balance sheet and profit and loss account – charting changes over the past five years and linking them with key events and monetary policy decisions.

1.1 Balance sheet

The Banco de España's balance sheet gives a true and fair view of its economic and financial position. It records the funds available to it (assets) and the sources of financing used (liabilities). The Banco de España's functions and activities are reflected on its balance sheet as follows:

- The Eurosystem's monetary policy operations are the result of the decisions adopted by the ECB's Governing Council, which are implemented in a decentralised manner by the euro area national central banks (NCBs). These operations are reflected in the Banco de España's balance sheet: on the asset side, in the monetary policy portfolio, which includes government debt, corporate bonds and other assets purchased under asset purchase programmes, and loans to Spanish credit institutions; and on the liability side, in the deposits held by such institutions at the central bank.

- At the Banco de España we manage the settlement of national and cross-border euro payments via TARGET, the platform that enables European banks to transfer funds between one another instantly and securely. The settlement of these cross-border payments leads to intra-Eurosystem assets and liabilities, or TARGET balances, on NCBs' balance sheets vis-à-vis the ECB. In the case of the Banco de España, these are recorded on the liability side. A negative balance indicates a net outflow of funds from Spain to other countries. This means that credit institutions have sent more money than they have received.

- The issuance of legal tender banknotes is recognised on the liabilities side of the balance sheet. It reflects the share of the total value of euro banknotes in circulation in the Eurosystem allocated to the Banco de España. The difference between this amount and the banknotes actually put into circulation is recorded under "Intra-Eurosystem claims – Net claims related to the allocation of euro banknotes within the Eurosystem". In the case of the Banco de España, this account is recorded on the asset side, indicating that the amount of banknotes put into circulation by the Banco de España is lower than its allocated share.

- The management of foreign reserves is reflected in the foreign currency assets on the balance sheet.

- The treasury service the Banco de España provides to the Treasury and other public sector entities is managed through accounts opened at the Bank. These accounts are recorded on the liabilities side of the balance sheet as liabilities to other residents denominated in euro.

- The Banco de España manages its own financial investments in euro, comprising debt securities, which are recorded on the asset side of the balance sheet.

The economic context described above and the ensuing monetary policy decisions adopted between 2021 and 2025 had a particularly strong impact on the following balance sheet items: on the asset side, the monetary policy portfolio and monetary policy loans, and on the liabilities side, deposits from credit institutions and intra-Eurosystem liabilities (Table 3.1).

Table 3.1
Balance sheet of the Banco de España

€bn

	2021	2022	2023	2024	2025
Assets					
Gold and foreign currency assets	86.43	92.48	94.12	105.38	111.78
Euro-denominated own funds portfolio	28.76	27.43	27.54	27.83	28.68
Monetary policy loans	289.69	133.90	22.78	0.02	0.20
Monetary policy portfolio	593.44	623.96	605.54	566.41	496.74
Intra-Eurosystem claims (banknotes)	161.04	173.41	184.85	199.34	212.34
Other assets	14.54	14.96	16.06	17.79	14.42
TOTAL ASSETS	1173.90	1066.15	950.89	916.76	864.17
Liabilities					
Banknotes in circulation	169.43	172.46	170.55	172.80	176.19
Deposits from credit institutions	364.52	247.50	257.76	210.32	187.47
Intra-Eurosystem liabilities	511.66	500.88	391.27	446.67	414.49
Other liabilities	72.77	84.70	79.86	34.22	29.53
Own funds	55.53	60.61	51.44	52.76	56.49
TOTAL LIABILITIES	1173.90	1066.15	950.89	916.76	864.17

SOURCE: Banco de España.

The largest item on the asset side was the monetary policy portfolio, which accounted for 57% of total assets at end-2025. This item includes the assets purchased by the Banco de España under the various securities purchase programmes: the Asset Purchase Programme (APP), launched in 2014, and the Pandemic Emergency Purchase Programme (PEPP), created in 2020.

From 2014 onwards the Banco de España made significant purchases under these programmes, peaking at almost €630 billion in 2022 Q3.

With the new monetary policy stance, the ECB resolved to end net purchases of securities under both programmes that year and to only continue to reinvest the principal of maturing securities. These reinvestments were subsequently ended as well (in 2023 for the APP portfolio and in 2024 for the PEPP), leading to a reduction in this item over the past three years, bringing holdings to €496,739 million[1] at end-2025 (-12% compared with 2024).

1 For more detailed information about its composition, see Note 7(a) to the balance sheet in the *Annual Accounts of the Banco de España*.

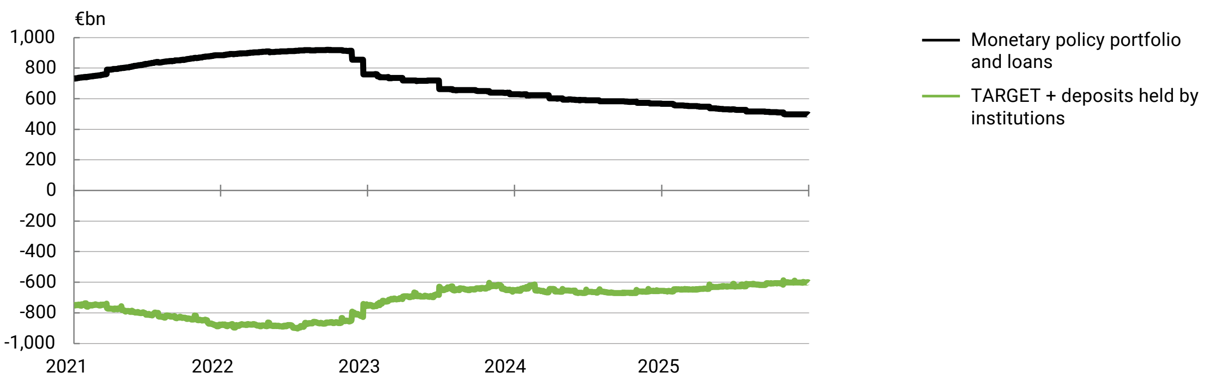
Loans for monetary policy purposes, which previously accounted for a large share of the Banco de España's balance sheet (25% in 2021), were practically zero at end-2025. This item had reached a substantial size in recent years due to transactions under TLTRO III (targeted longer-term refinancing operations), a programme offering credit institutions loans on favourable terms – very long maturities and very low, or even negative, interest rates – to encourage bank lending to the real economy. Under the new monetary policy stance, the balance of these operations declined as loans matured and banks made early repayments. At end-2025, this item amounted to €200 million, entirely from main refinancing operations.[2]

As mentioned above, during the expansionary phase the non-standard monetary policy measures led to an increase on the liability side, namely in deposits from credit institutions and intra-Eurosystem liabilities (from TARGET balances). Likewise, the subsequent balance sheet reduction in recent years has been driven by a decline in these same liability items, especially deposits from credit institutions. Chart 3.1 illustrates how the asset and liability items mentioned above have changed over the period analysed and shows the clear relationship between them.

Deposits from credit institutions increased until 2022 owing to the ECB's expansionary monetary policy measures, which were designed to stimulate the euro area economy. These measures increased the system's liquidity. Subsequently, the gradual withdrawal of this liquidity in the current stage of monetary normalisation has steadily reduced their balance. At end-2025 the balance was €187,466 million, 11% less than in 2024.

As mentioned above, intra-Eurosystem liabilities reflect the Banco de España's net position vis-à-vis the Eurosystem for TARGET transfers. Their balance has progressively declined every year, except in 2024. In 2025 intra-Eurosystem liabilities reached €414,491 million at the end of the year (-7% compared with 2024) and accounted for 48% of total liabilities.

Chart 3.1
Monetary policy assets and liabilities



SOURCE: Banco de España.
NOTE: The chart shows developments in the main monetary policy asset items (monetary policy portfolio and loans) and their counterparts on the liabilities side (their financing), consisting of credit institutions' deposits and TARGET liabilities (negative area of the chart). Overall, the developments are virtually symmetrical.

2 Main refinancing operations are weekly liquidity providing operations (in the form of reverse transactions) with a one-week maturity conducted regularly by the Eurosystem's national central banks.

Lastly, the Banco de España's liabilities also include own funds, which comprise capital, reserves, general provisions and revaluation accounts (Table 3.2).

- Capital and reserves totalled €1,882 million at end-2025, remaining basically unchanged since 2006.

- General provisions[3] include the provision for financial risk and the provision for operational risk. In line with a prudent risk management policy, the provision for financial risk increased steadily until 2022 to cover the higher exposure stemming from balance sheet growth, largely driven by asset purchases under the Eurosystem's monetary policy programmes. In 2023 and 2024 this provision decreased, mainly because it was used to offset losses in both years and bring profit to zero. In 2025 it declined further – by €541 million – to cover unrealised losses from the valuation of assets, liabilities and financial positions at market prices and exchange rates.

- Revaluation accounts record unrealised gains[4] on gold, foreign currency and securities. They are valued at market value and their balances help to absorb the impact of future adverse movements in prices or exchange rates, thereby strengthening the Banco de España's resilience to risks. During the period under analysis these accounts have followed a rising trend, albeit with fluctuations, as they are closely linked to foreign exchange rates and gold prices. In 2025 their balance increased by 1.3% compared with 2024, mainly because of higher gold prices.

The Banco de España's own funds are the result of sound provisioning and profit distribution policies in previous years. They act as a financial buffer to absorb the losses recorded in previous years. Although the provision for financial risks was used to cover losses and bring profit to zero in 2023 and 2024, its substantial remaining balance strengthens the Banco de España's financial soundness.

Table 3.2
Own funds (excluding profit): composition and developments

€bn

	2021	2022	2023	2024	2025
Own funds (excluding profit)	53.7	58.2	51.4	52.8	56.3
Reserves	0.9	0.9	0.9	0.9	0.9
Capital	1.0	1.0	1.0	1.0	1.0
Revaluation accounts	20.0	22.9	22.7	31.6	35.6
General provisions	31.9	33.5	26.8	19.3	18.7

SOURCE: Banco de España.

3 The Banco de España revises the balance of its general provisions annually, based on its exposure to the risks they cover, using methodologies in line with those of the Eurosystem.

4 Unrealised gains recognised in revaluation accounts arise from the difference between the market value and the book value of the various items and are not recorded in the profit and loss account but on the liabilities side of the balance sheet.

1.2 Profit and loss account

Our activities have traditionally generated profits, which are transferred in full to the Treasury, ensuring that the outcome of our operations benefits the public interest. In 2025 we recorded profits of €234 million, marking a return to our usual profitability after recording losses in 2023 and 2024, as was the case at many other Eurosystem central banks.

The losses were due mainly to “balance sheet structural risk”, which emerged due to the rapid increase in policy interest rates after June 2022 in response to rising inflation. Liability costs increased immediately, given that most liabilities are sight deposits. However, asset yields did not adjust to the new market rates as rapidly, since these assets are largely made up of securities acquired when yields were low and maturities long. This created a negative gap in net interest income in 2023 and 2024. In mid-2025 profit margins turned positive again, due to lower liability costs following successive cuts to the deposit facility rate between June 2024 and June 2025.

As regards the composition of profit, the main contributor was monetary policy operations. These comprise the portfolio held for monetary policy purposes, loans extended to banks for monetary policy purposes, credit institution deposits, intra-Eurosystem claims and the redistribution of monetary income[5] generated by these operations among Eurosystem NCBs.

5 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). All income and expenses generated across the Eurosystem are shared annually among the NCBs according to their share in the ECB’s capital, regardless of which central bank generated that income or expense.

The Banco de España’s profits are transferred in full to the Treasury.

Monetary policy operations are the specific actions taken by central banks to maintain price stability, by adjusting policy interest rates and the amount of money in circulation.

These operations yielded a net loss of €2,071 million in 2025, driven by lower policy interest rates, representing a marked improvement on the €8,389 million net loss of the previous year.

These smaller losses were due to lower interest expenses on deposits from credit institutions at the Banco de España (down from -€8,036 million to -€4,448 million), reflecting both reduced liquidity and the lower interest rate paid on these deposits. The negative balances for intra-Eurosystem claims and monetary income redistribution were also smaller (falling from -€6,884 million to -€3,709 million), largely due to lower policy interest rates (Table 3.3).

Another notable component in 2025 is income from foreign currency-denominated assets and the euro-denominated own funds portfolio, which totalled €3,038 million (Table 3.4).

The Executive Committee resolved to use the provision for financial risks (€541 million) to cover unrealised capital losses at year-end.

Table 3.3

Profit of the Banco de España: composition and developments

€bn

	2021	2022	2023	2024	2025
Monetary policy operations	4.1	4.2	-5.8	-8.4	-2.1
Net foreign currency assets and euro-denominated own portfolio (interest)	1.0	1.4	2.7	3.1	3.0
Transfer to/from provision for financial risks	-3.2	-1.6	6.6	7.5	0.5
Operating expenses	-0.6	-0.6	-0.6	-0.7	-0.7
Other income and expenses	0.4	-1.0	-2.9	-1.6	-0.6
Profit for the year	1.8	2.4	0.0	0.0	0.2

SOURCE: Banco de España.

Table 3.4

Profit from monetary policy operations: composition and developments

€bn

	2021	2022	2023	2024	2025
Monetary policy loans	-2.9	-1.5	2.1	0.2	0.0
Monetary policy portfolio	4.9	6.6	6.1	6.3	6.1
Intra-Eurosystem balances	1.1	-0.4	-5.9	-6.9	-3.7
Deposits from credit institutions	1.0	-0.5	-8.2	-8.0	-4.4
Monetary policy operations	4.1	4.2	-5.8	-8.4	-2.1

SOURCE: Banco de España.

In the coming years, if the normalisation of monetary conditions continues and the cost associated with liquidity surpluses stabilises further, the Banco de España will be able to consolidate this profitability growth trend. As noted at the time, the losses in previous years were exceptional and temporary. They were due solely to the monetary policy implemented to ensure price stability in the euro area, regardless of how it affected Eurosystem national central banks' balance sheets.

2 Financial and operational risks

At the Banco de España, financial and operational risks are managed through an ongoing process in which risks are identified, assessed, addressed, monitored and communicated. The aim is to maintain a low and stable risk level.

The management of the financial risk arising from own portfolios seeks to strike a balance between profitability and risk, based on quantitative metrics and taking into account social and environmental responsibility criteria. These risks are classified into three categories: credit risk, arising from failure to meet contractual obligations; market risk, resulting from changes in factors that affect the value of portfolios; and balance sheet structural risk, stemming from differences in the sensitivity of assets and liabilities to interest rate changes.

- The portfolios remained highly diversified in terms of both currency and issuers, who are required to have high credit quality.
- Risks are measured using the 99% Expected Shortfall indicator, which estimates the average loss under the worst 1% of simulated scenarios over a one-year horizon. This information is taken into account in investment decisions and is regularly reported to the Banco de España's governing bodies.
- We manage a green bond portfolio to support our climate targets and publish an annual report on the climate aspects of our investments.[6]

Financial risk decreased in 2025, primarily because the normalisation of monetary policy reduced investments under asset purchase programmes.

Meanwhile, the management of operational and business continuity risk during 2025 allowed us to continue performing our functions as a central bank:

- The control environment was strengthened in 2025 to mitigate the main non-financial risks, through the automation and robotisation of manual processes, staff awareness-raising and training, and the design of follow-up and monitoring tools.
- After the widespread power outage on 28 April 2025, the Bank continued to operate as normal: payment systems worked correctly and the scheduled cash deliveries were completed without incidents.
- Our main challenge is to strengthen the Bank's ability to anticipate and respond to growing technological, geopolitical and climate risks while enhancing its operational and institutional resilience in an increasingly uncertain global environment.

6 https://www.bde.es/wbe/en/publicaciones/informes-memorias-anuales/memoria-sobre-informacion-climatica-de-las-carteras-propias-del-bde/