PUBLIC

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DANIEL PÉREZ CID

DIRECTOR GENERAL FINANCIAL STABILITY, REGULATION AND RESOLUTION

BANCO DE ESPAÑA
Eurosistema

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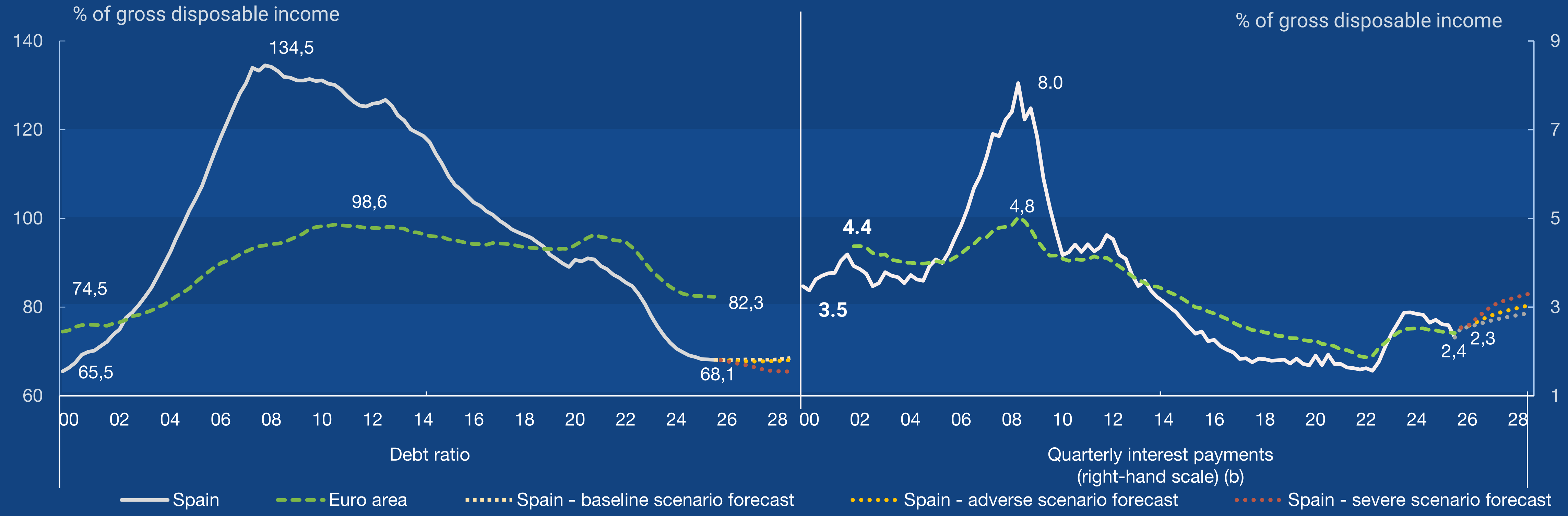
HOUSEHOLDS' DEBT AND INTEREST BURDEN RATIOS REMAIN LOW BY HISTORICAL STANDARDS

HOUSEHOLDS' DEBT RATIO AND INTEREST BURDEN RATIO (a)



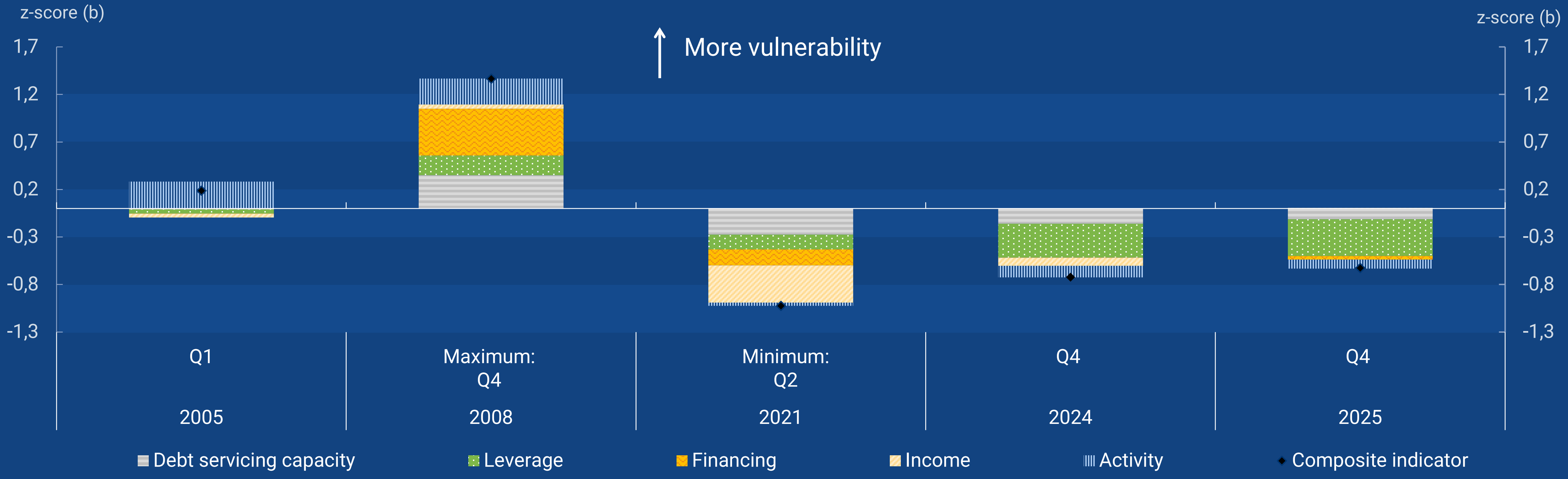
SOURCES: ECB, Eurostat, INE and Banco de España. Latest observation: 2025 Q4.

a. Seasonally adjusted data. The future paths of the ratios for Spain are estimated based on the Banco de España's 2026 Q1 macroeconomic projections. This exercise included two alternative scenarios (adverse and severe) that are characterised by more persistent higher energy prices and more severe disruptions to global value chains.

b. Quarterly flow of interest effectively paid by households (not excluding the value of financial services implicitly received by households when they take out loans) as a percentage of quarterly income.

AGGREGATE HOUSEHOLD FINANCIAL VULNERABILITY IS AT A HISTORICALLY LOW LEVEL

COMPOSITE INDICATOR OF HOUSEHOLD VULNERABILITY (a)



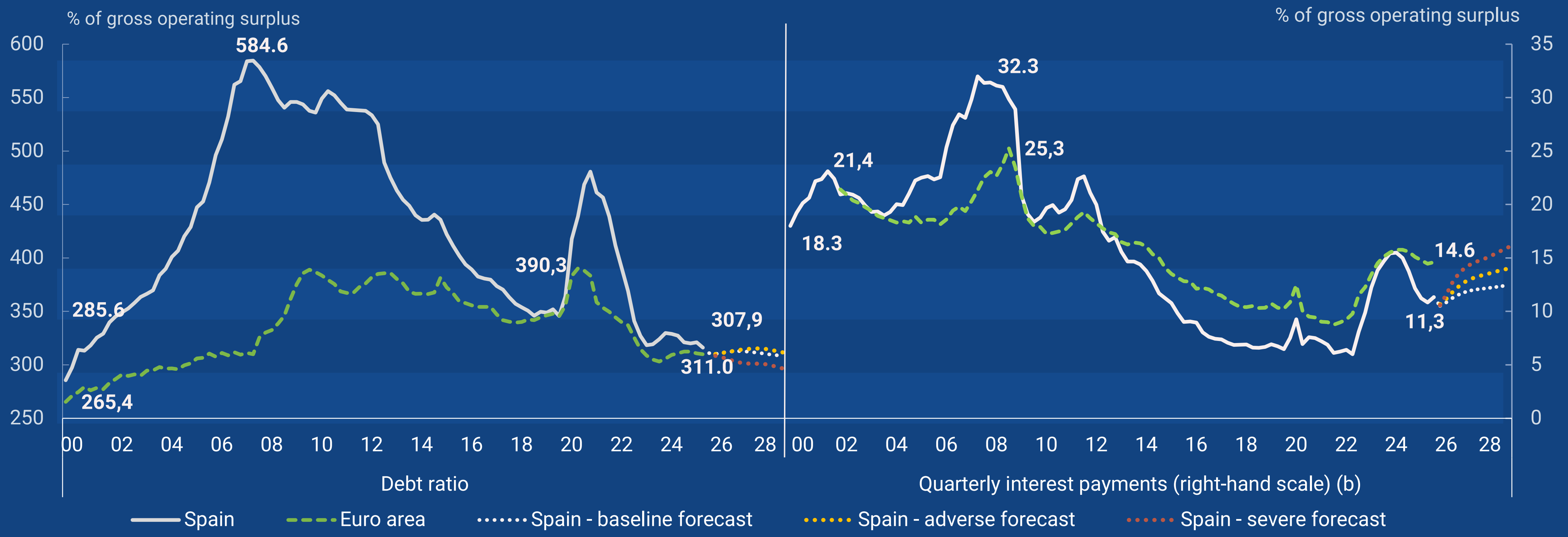
SOURCES: European Commission, INE and Banco de España.

a. Positive (negative) values indicate higher (lower) financial vulnerability than the average for the period 2005 Q1-2025 Q4. For more details on the composition of the indicator, see Box 2 of the Report on the financial situation of households and firms. Second half of 2024.

b. The z-score shows at each date the number of standard deviations (up or down) between the indicator and the mean.

CORPORATE DEBT CONTINUES TO DECLINE, WHILE THE INTEREST BURDEN REMAINS LOWER THAN IN EURO AREA

FIRMS' DEBT RATIO AND INTEREST BURDEN RATIO (a)



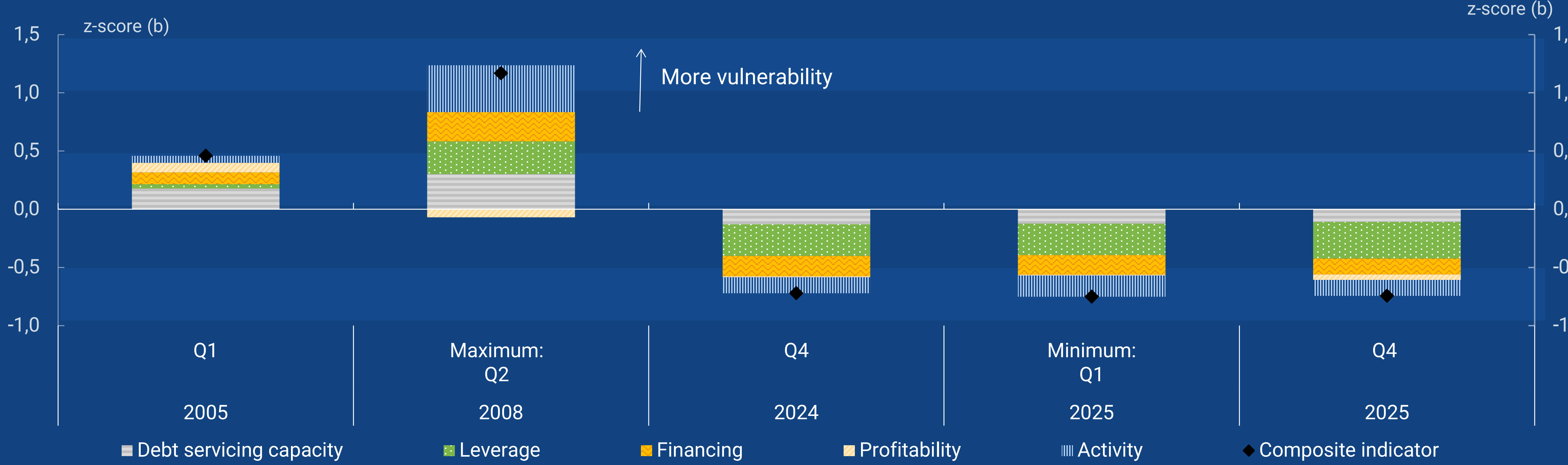
SOURCES: ECB, Eurostat, INE and Banco de España. Latest observation: 2025 Q4.

a. Seasonally adjusted data. The future paths of the ratios for Spain are estimated based on the Banco de España's 2026 Q1 macroeconomic projections. This exercise included two alternative scenarios (adverse and severe) that are characterised by more persistent higher energy prices and more severe disruptions to global value chains.

b. Quarterly flow of interest effectively paid by firms (not excluding the value of financial services implicitly received by firms when they take out loans) as a percentage of quarterly gross operating surplus.

FIRMS' AGGREGATE VULNERABILITY HAS HELD STABLE AT ALL-TIME LOWS

COMPOSITE INDICATOR OF FIRMS' VULNERABILITY (a)



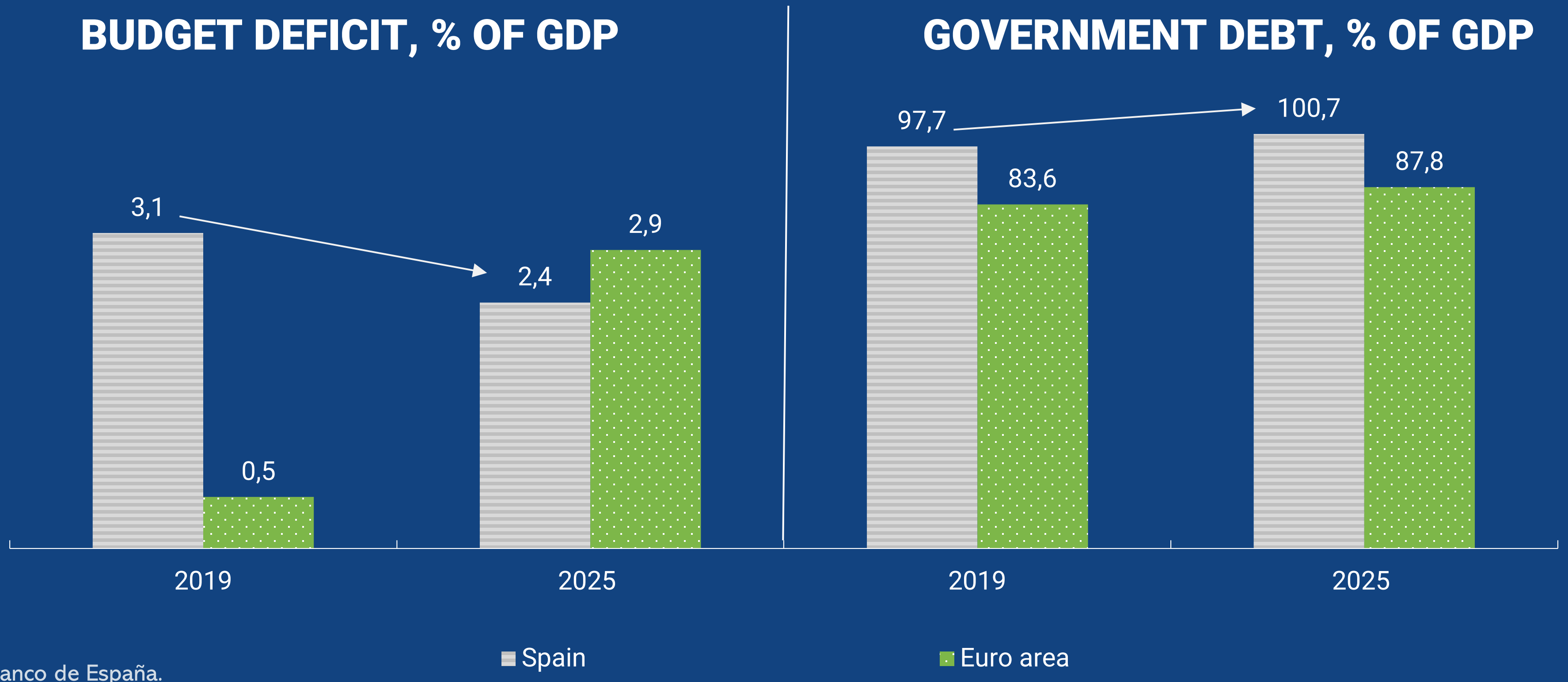
SOURCES: European Commission, INE and Banco de España.

a. Positive (negative) values indicate higher (lower) financial vulnerability than the average for the period 2005 Q1-2025 Q4. For more details on the composition of the indicator, see Sándor Gardó, Benjamin Klaus, Mika Tujula and Jonas Wendelborned. (2020). "Box 1. Assessing corporate vulnerabilities in the euro area". In European Central Bank. *Financial Stability Review*.

b. The z-score shows at each date the number of standard deviations (up or down) between the indicator and the mean.

SPAIN'S PUBLIC FINANCES HAVE RECOVERED FROM THE SHOCKS THAT HAVE TAKEN PLACE SINCE 2020, BUT DEBT REMAINS HIGH

GENERAL GOVERNMENT. FINANCIAL POSITION



SOURCES: Eurostat and Banco de España.

CHAPTER 2 TAKEAWAYS

HOUSEHOLDS	Sound performance of income, employment and wealth Historically low debt and debt burden levels
FIRMS	Sound performance of profit, albeit uneven across sectors Historically low debt and debt burden levels
PUBLIC SECTOR	High debt level, although deficit is decreasing Upside risks to government spending (defence, demographics, etc.) Lack of specificity in fiscal consolidation plans Fiscal vulnerabilities in global systemically important economies

SOURCE: Banco de España.

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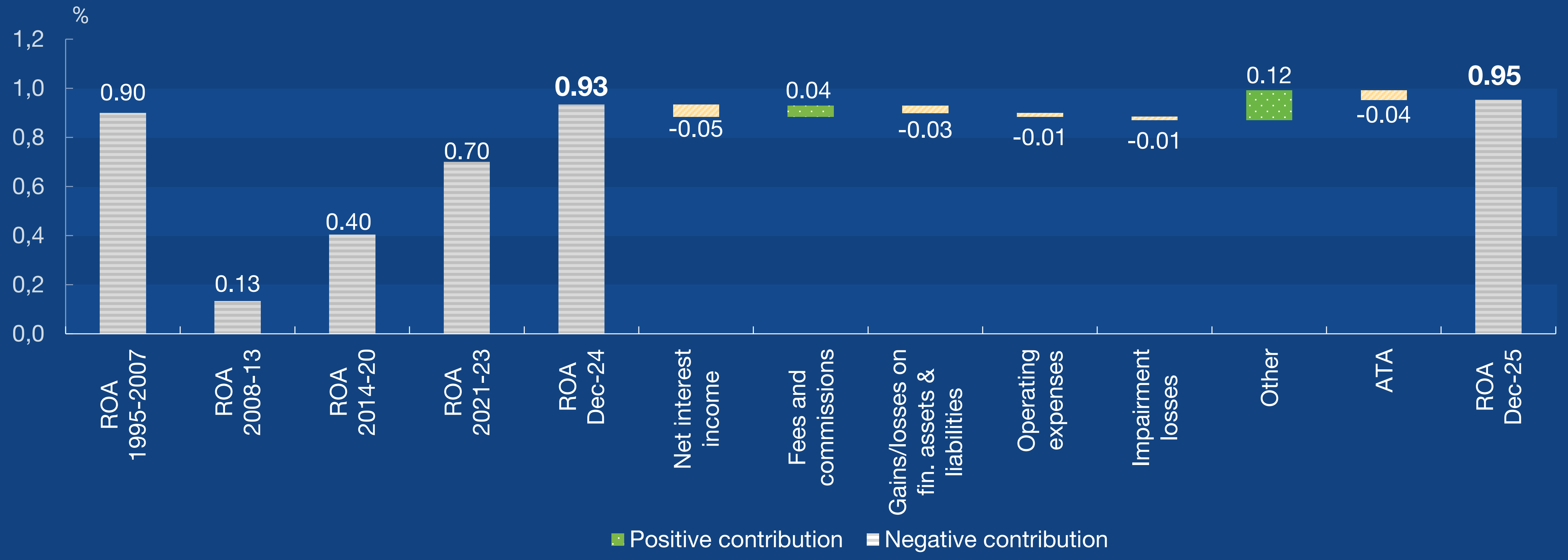
THE SPANISH BANKING SECTOR'S PROFITABILITY CONTINUED IMPROVING IN 2025

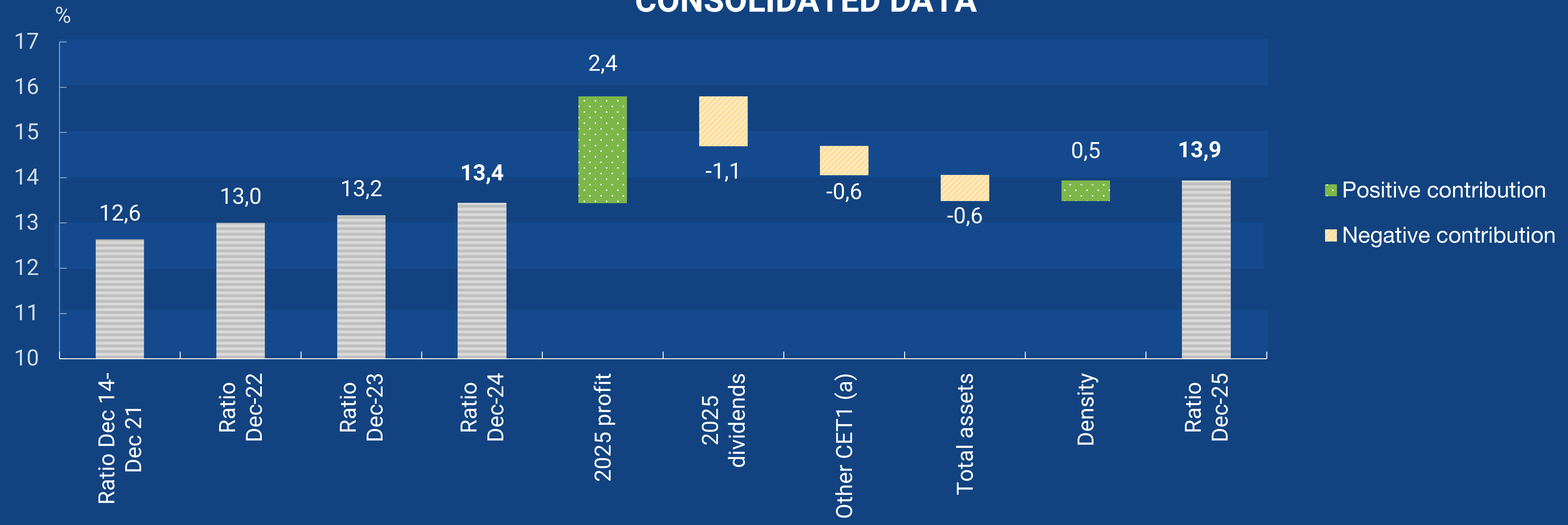
BREAKDOWN OF THE CHANGE IN RETURN ON ASSETS. CONSOLIDATED DATA



SOURCE: Banco de España. Latest observation: December 2025.

THE CET1 RATIO ROSE BY 0.5 PP IN 2025, DRIVEN BY THE GROWTH IN CAPITAL

BREAKDOWN OF THE CHANGE IN THE COMMON EQUITY TIER 1 (CET1) RATIO. CONSOLIDATED DATA

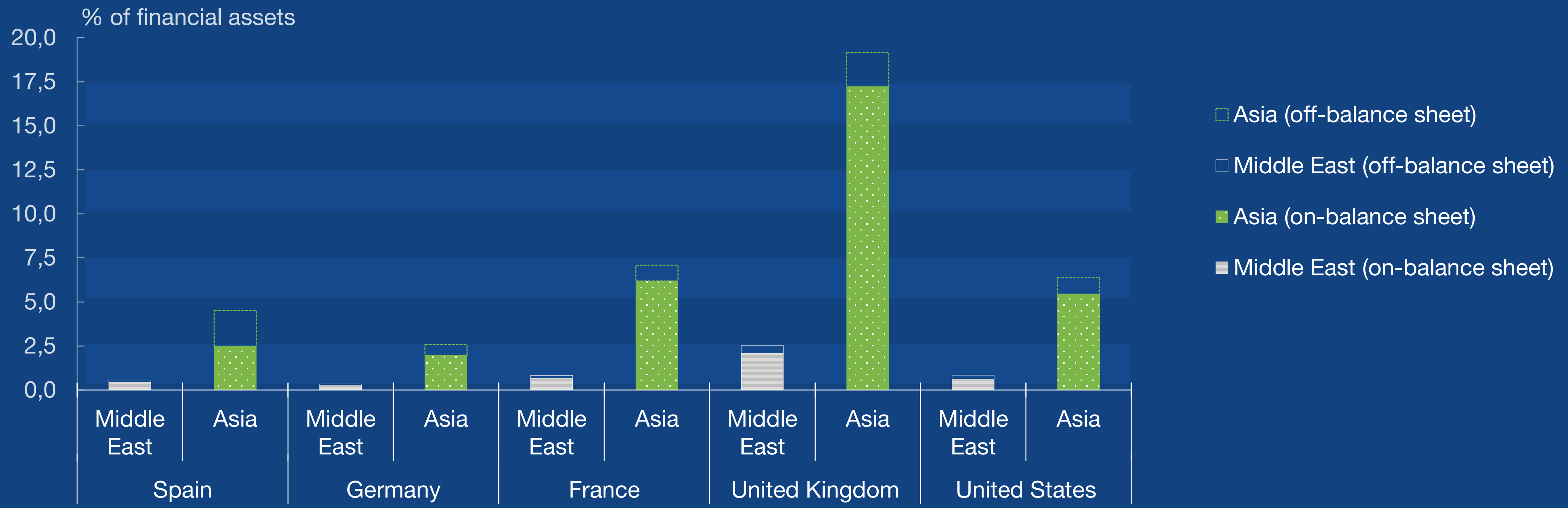


SOURCE: Banco de España. Latest observation: December 2025.

a. “Other CET1” includes capital instruments (which, in turn, includes share buybacks), accumulated other comprehensive income, as well as, among other items, minority interests and adjustments to CET1 due to prudential filters.

SPANISH BANKS' DIRECT EXPOSURE TO THE MIDDLE EAST (AND ASIA) IS LIMITED

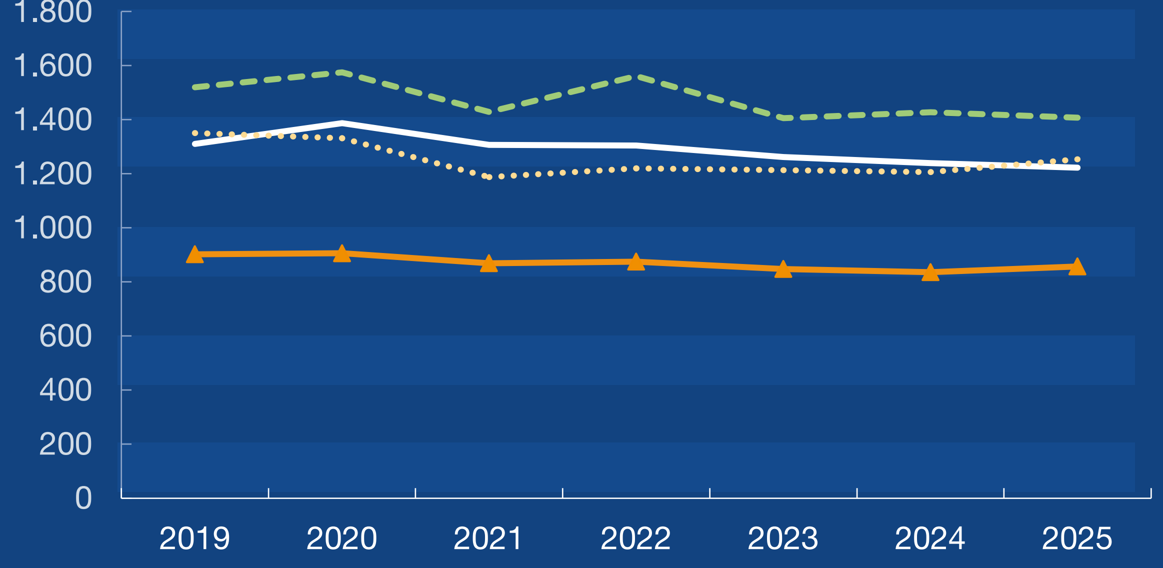
INTERNATIONAL COMPARISON OF EXPOSURE TO THE REGIONS MOST AFFECTED BY THE MIDDLE EAST CONFLICT. CONSOLIDATED DATA. DECEMBER 2025



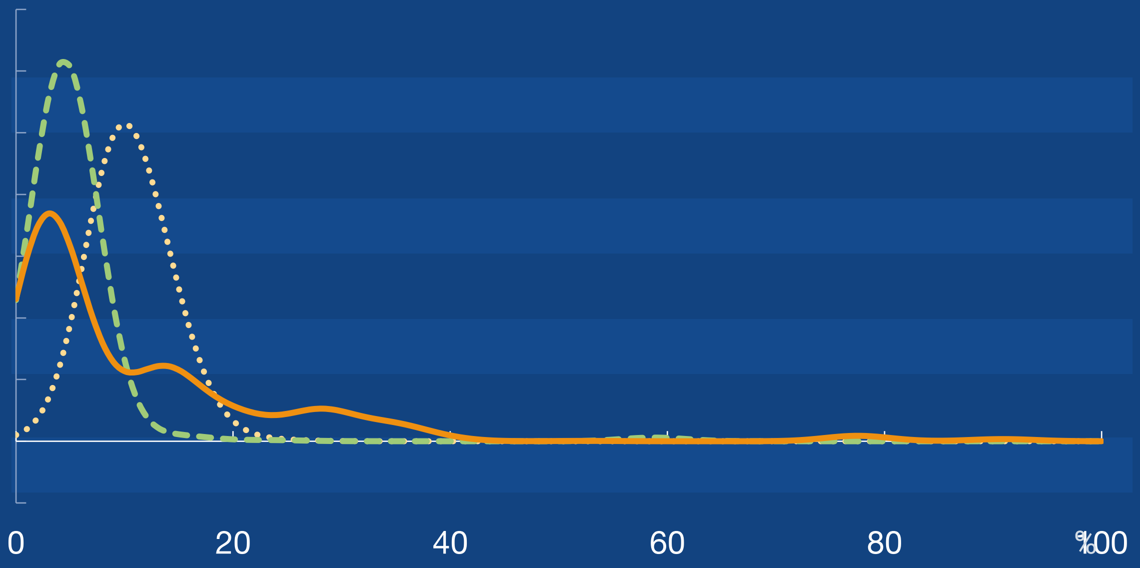
SOURCE: BIS (Consolidated Banking Statistics). Latest observation: December 2025.

THE CONCENTRATION OR SPECIALISATION IN LENDING TO ENERGY-INTENSIVE SECTORS IS NOT HIGH

HERFINDAHL-HIRSCHMAN CONCENTRATION INDEX



DISTRIBUTION OF SHARE OF SECTORS IN BANK LOAN PORTFOLIOS

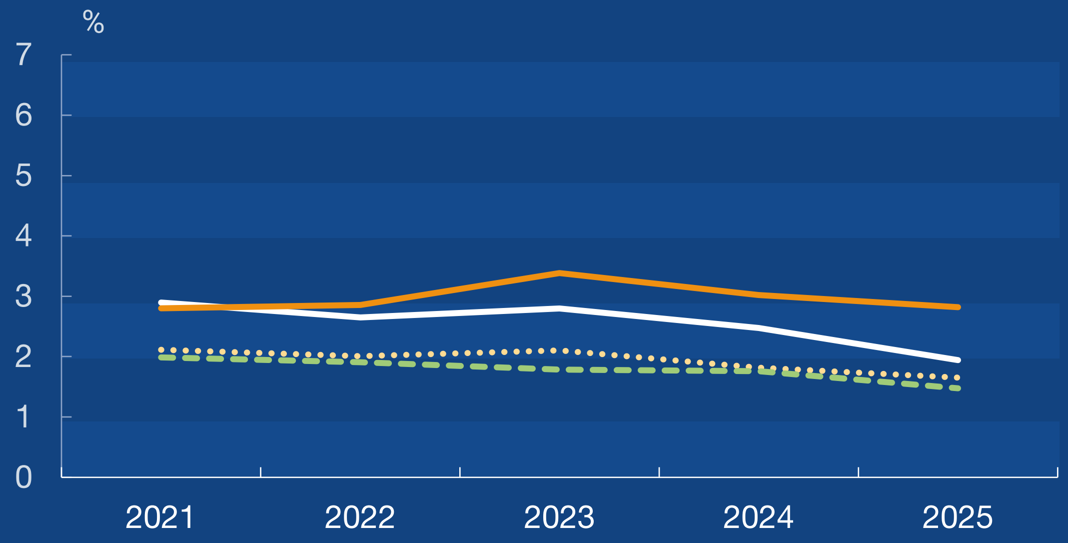


Total firms and the self-employed
Energy-intensive manufacturing
Transportation
Agriculture and fisheries

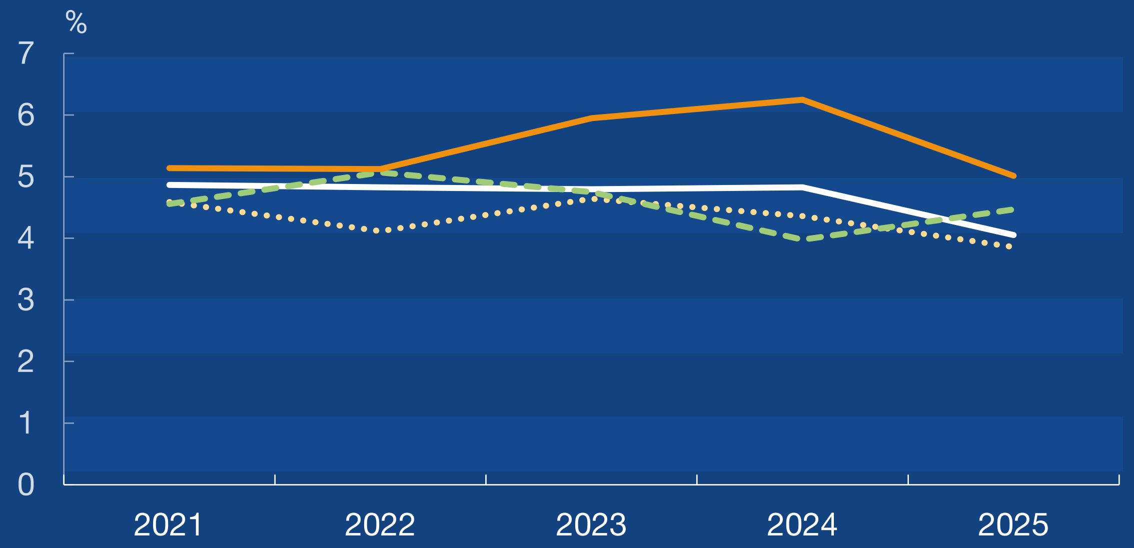
SOURCE: Banco de España. Latest observation: December 2025.

CREDIT RISK DEVELOPMENTS IN THESE SECTORS ARE COMPARABLE TO THOSE OF FIRMS IN GENERAL

PD, BY SECTOR (a)



NPL RATIO, BY SECTOR

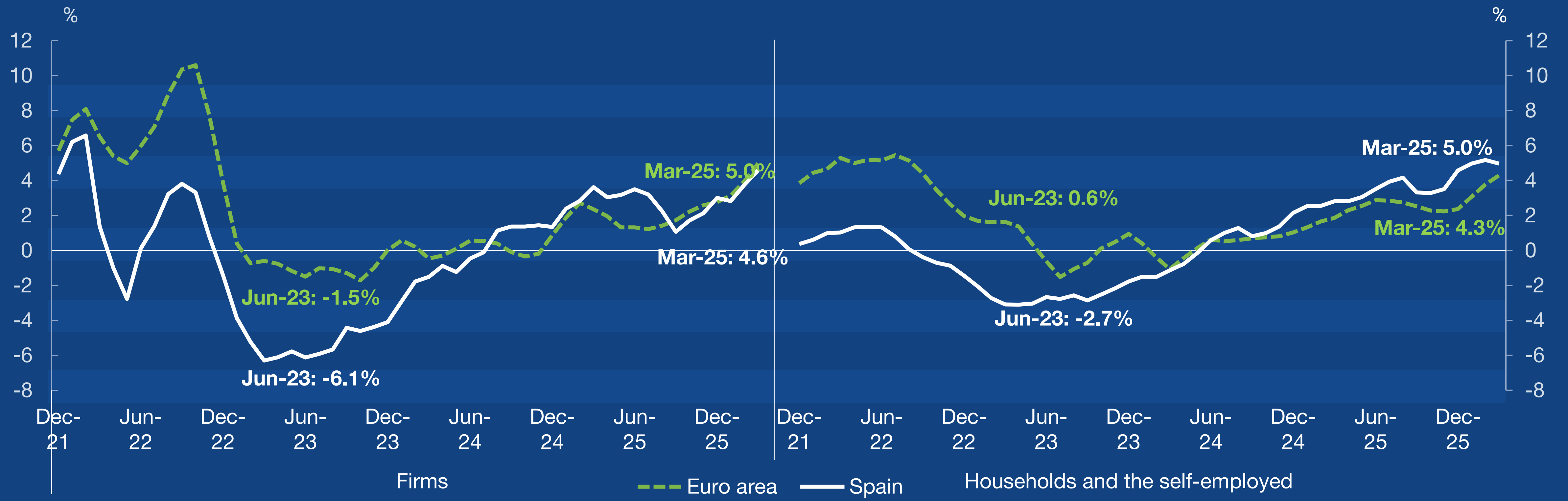


Total firms and the self-employed
Transportation
Energy-intensive manufacturing
Agriculture and fisheries

SOURCE: Banco de España’s Central Credit Register. Latest data: December 2025.
a. Probability of default (PD) over a one-year time horizon assigned by banks that use internal credit risk assessment models. A firm's weighted average PD is assigned to all its loans, even if they are granted by other banks.

LENDING TO BOTH HOUSEHOLDS AND FIRMS IN SPAIN ACCELERATED IN LATE 2025 AND EARLY 2026

MOMENTUM INDICATOR OF LENDING TO HOUSEHOLDS, THE SELF-EMPLOYED AND FIRMS (a)

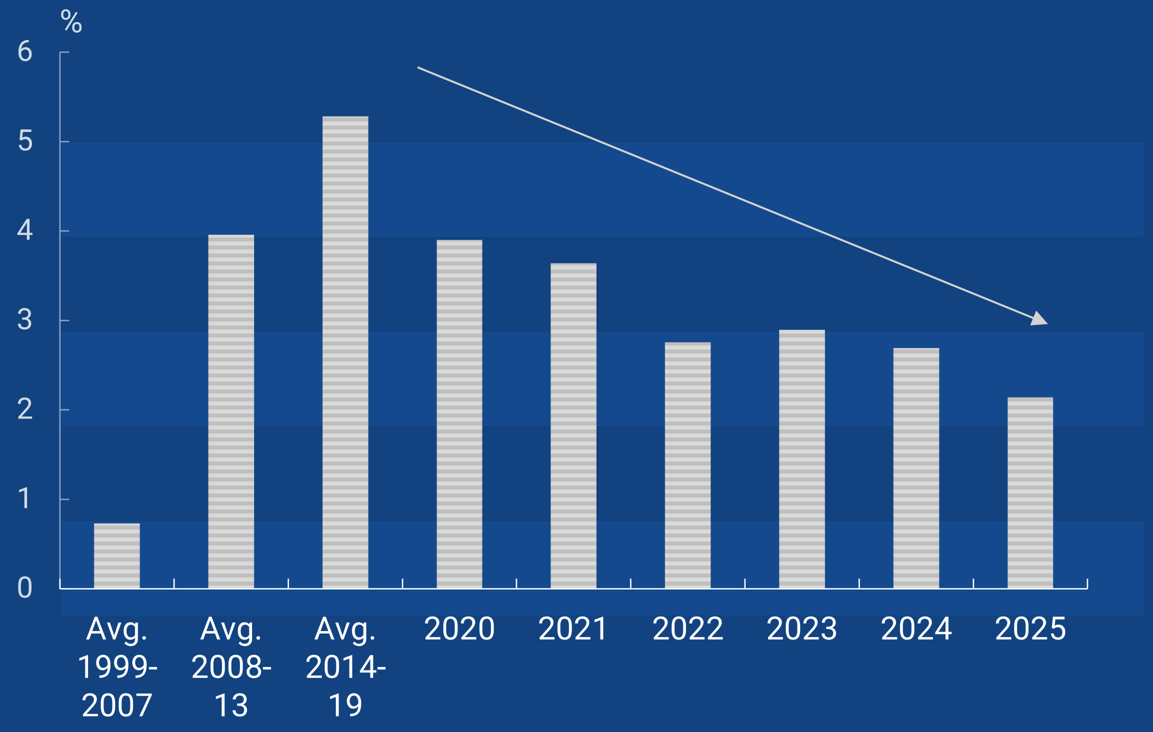


SOURCE: ECB. Latest observation: March 2026.

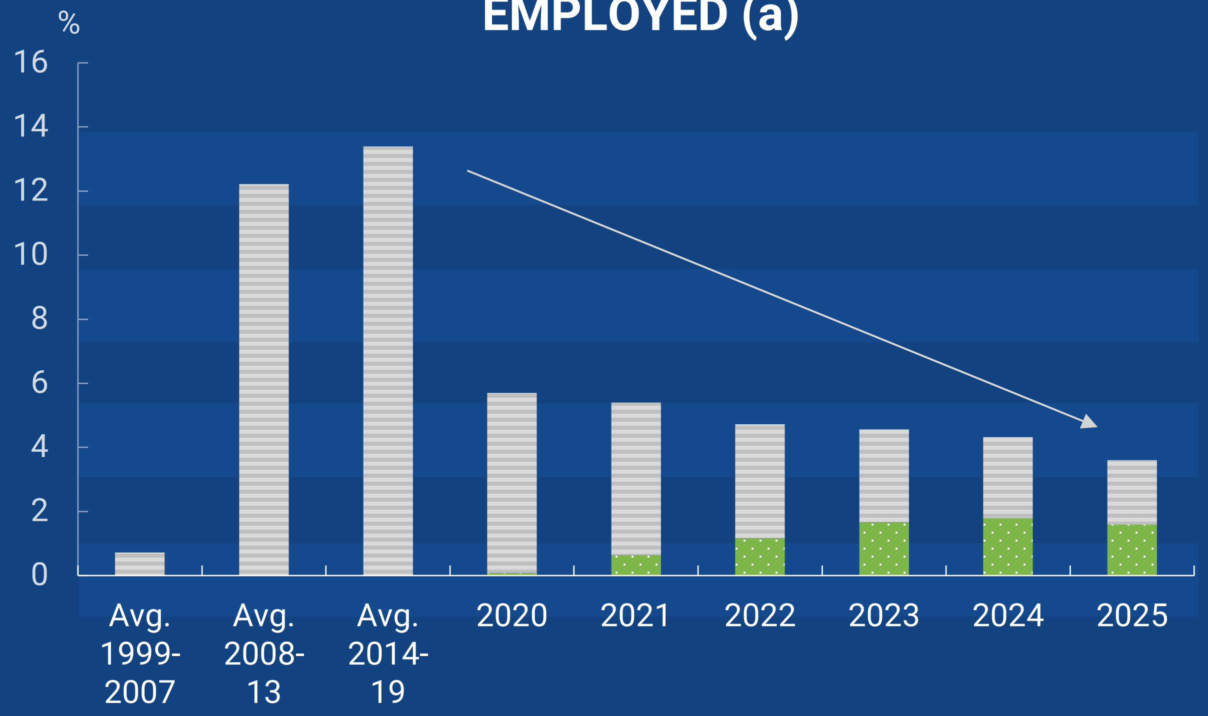
a. The momentum indicator shows the annualised quarter-on-quarter rate of change in the three-month moving average of the seasonally adjusted credit stock.

THE CREDIT QUALITY OF HOUSEHOLD LOANS CONTINUED TO IMPROVE, WITH FURTHER DECLINES IN NPL RATIOS

NPL RATIOS. LOANS TO HOUSEHOLDS



NPL RATIOS. LOANS TO FIRMS AND THE SELF-EMPLOYED (a)

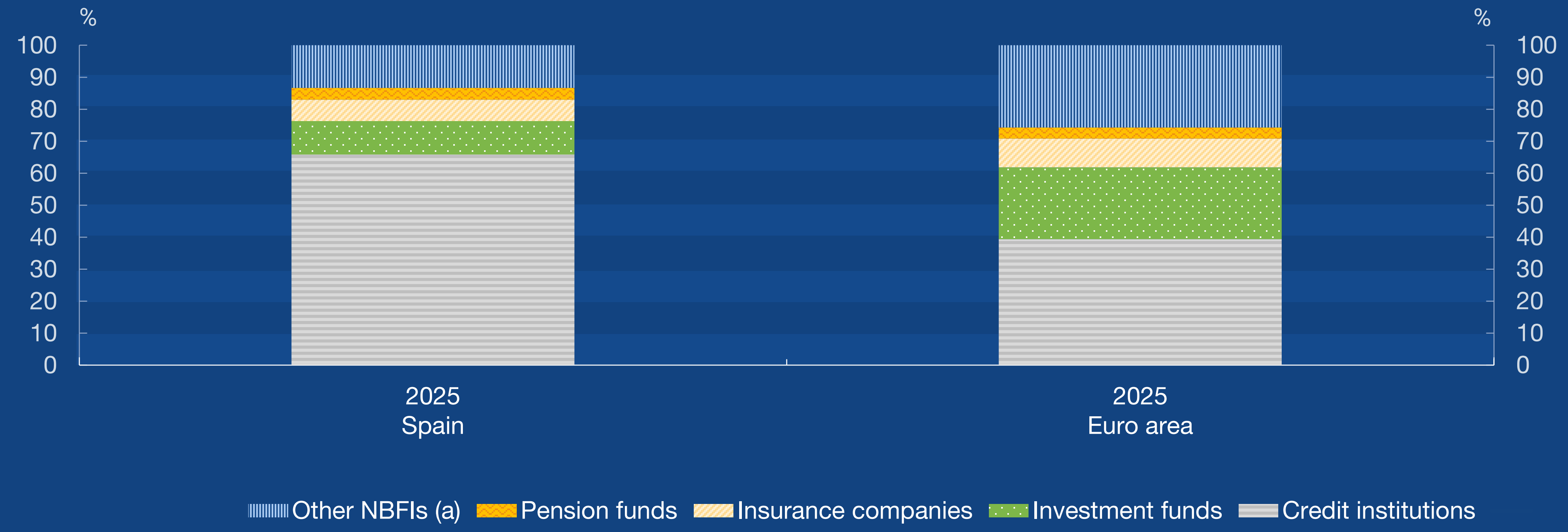


SOURCE: Banco de España. Latest observation: December 2025.

a. The lower segments in 2021-25 show loans backed by ICO COVID-19 guarantees.

THE SHARE OF THE NBFI SECTOR IS SMALLER IN SPAIN THAN IN THE EURO AREA

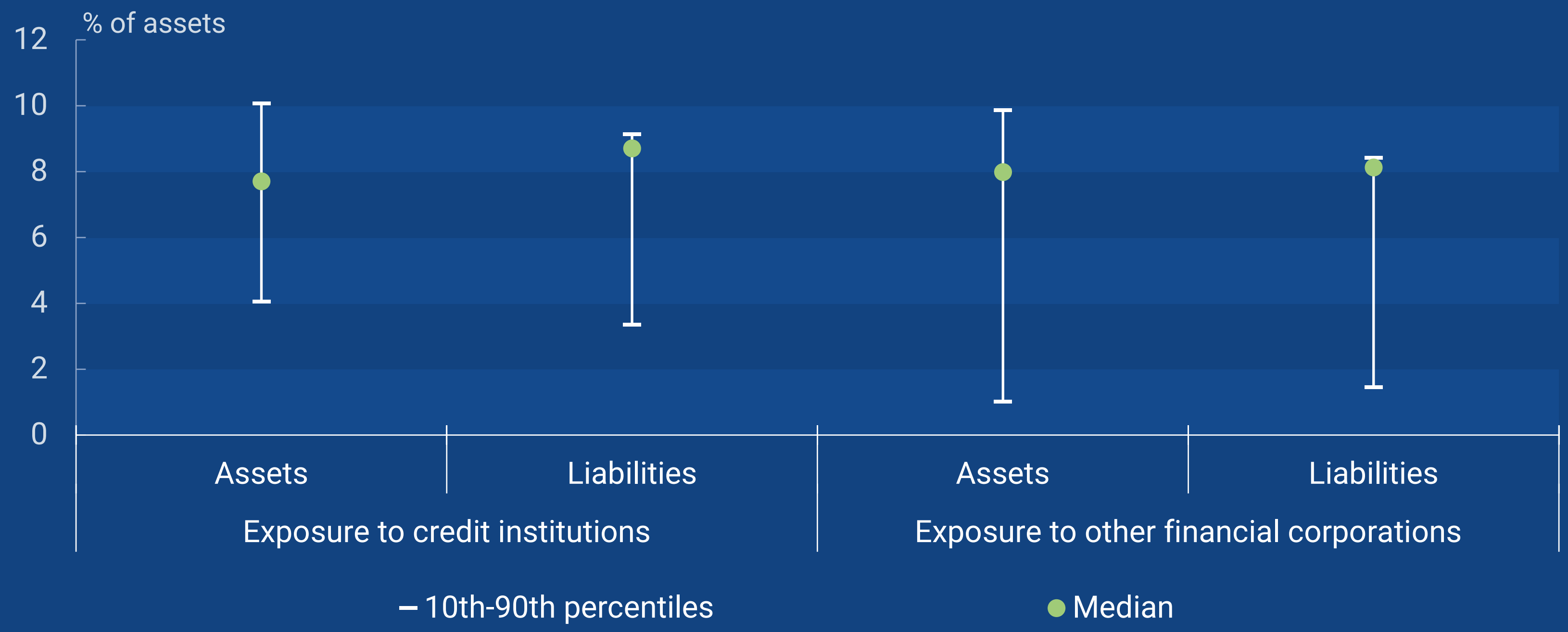
WEIGHT OF THE BANKING AND NBFI SECTORS IN TOTAL ASSETS OF BOTH SECTORS IN SPAIN AND THE EURO AREA. NON-CONSOLIDATED DATA



SOURCES: Banco de España and ECB. Latest observation: December 2025.
a. "Other NBFIs" includes securities dealers and agencies, financial vehicle corporations, payment institutions and holding companies.

SPANISH BANKS' AVERAGE DIRECT EXPOSURE TO OTHER BANKS AND THE NBFI SECTOR IS BELOW 10%

DISTRIBUTION (ASSET-WEIGHTED) OF BANKS' EXPOSURE TO CREDIT INSTITUTIONS AND OTHER FINANCIAL CORPORATIONS. DECEMBER 2025. CONSOLIDATED DATA (a)



SOURCE: Banco de España. Latest observation: December 2025.
a. The chart shows, for each counterparty and exposure type, the 10th, 50th and 90th percentiles of the distribution of the exposure as a percentage of total assets for each Spanish bank at consolidated level, weighted by the bank's total volume of assets.

TWO APPROACHES TO MEASURING PRIVATE CREDIT IN A COUNTRY

FUNDS-BASED STANDPOINT

- Private credit is measured as the **volume of assets under management** by private credit funds domiciled in the country
  - **Simplicity**
  - **Excludes** funds domiciled abroad and non-specialist funds

LENDER-BASED STANDPOINT

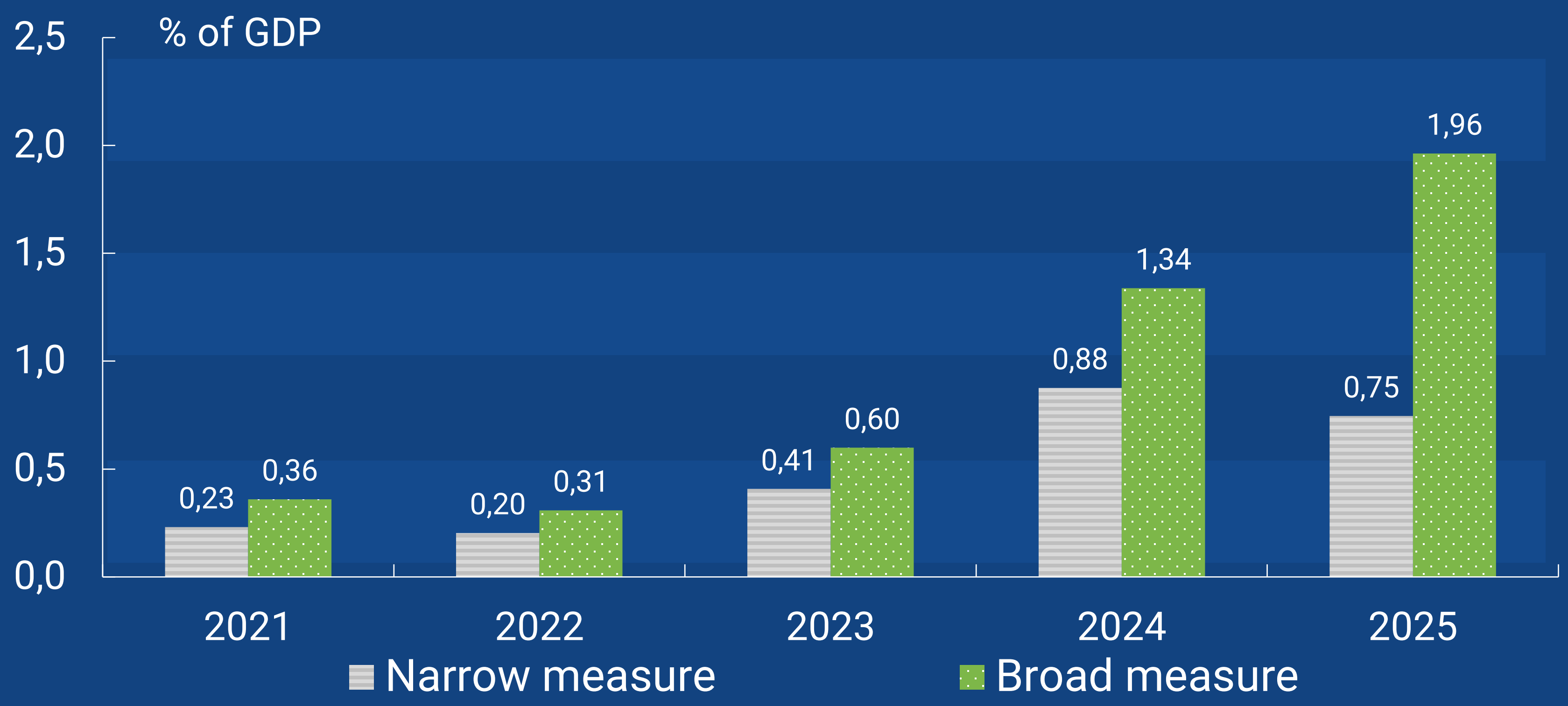
- Estimates the **credit flows to firms domiciled in the country**
  - Explicit identification of lenders and borrowers
  - Greater methodological complexity

Two metrics

1. **Transaction-based**
   - Includes transactions in which at least one non-bank lender is involved
2. **Non-bank private credit**
   - Fractions of loans granted by non-bank lenders

PRIVATE CREDIT HAS GROWN IN SPAIN

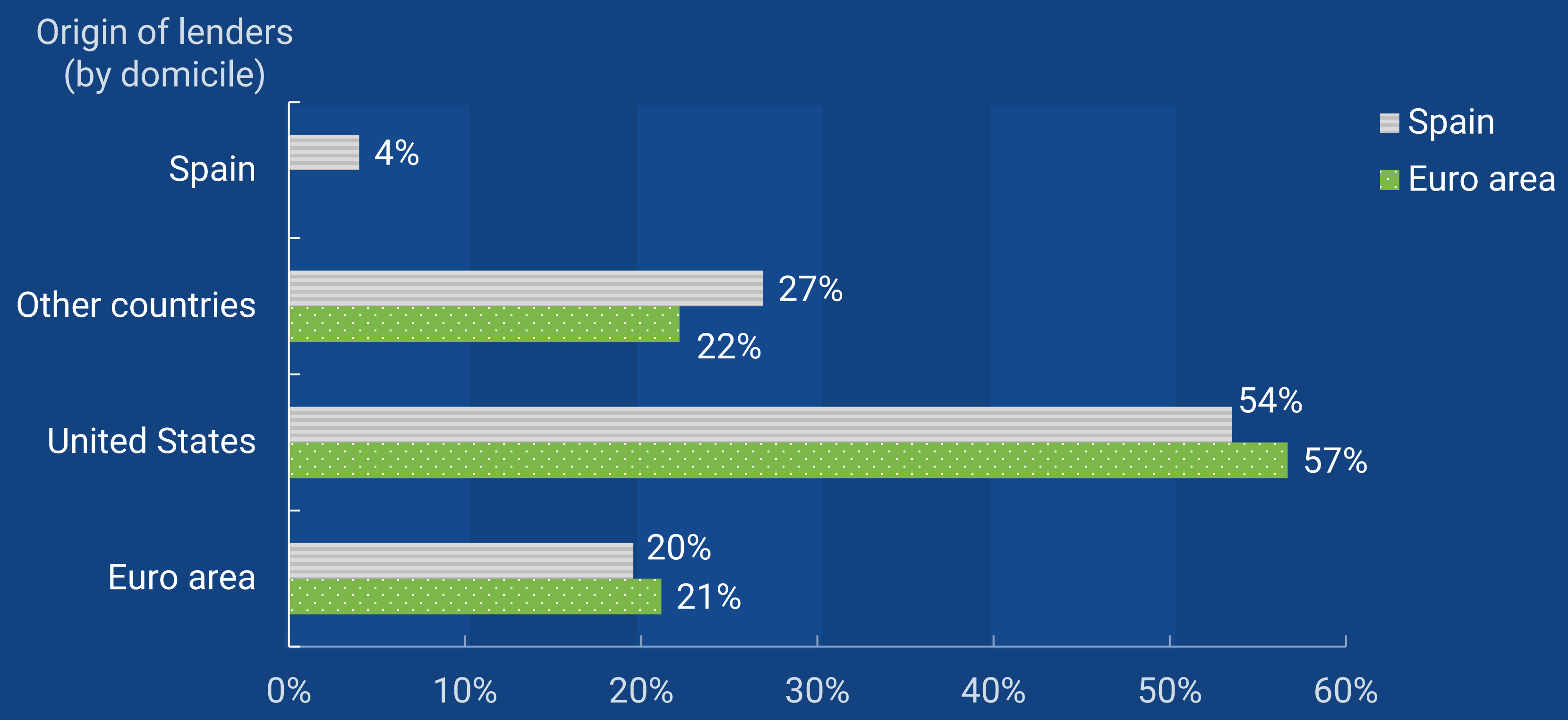
PRIVATE CREDIT IN SPAIN: COMPARISON BETWEEN THE BROAD AND NARROW MEASURE (2021-25)



SOURCES: PitchBook, ORBIS, CCR, CBI, Dealogic, Banco de España calculations. Latest observation: December 2025.

PREDOMINANCE OF LENDERS DOMICILED IN THE UNITED STATES

DISTRIBUTION OF THE VOLUME OF PRIVATE CREDIT BY ORIGIN OF LENDERS (2021-25 AVERAGE)



Foreign lenders:

≈80% of the origination volume comes from US and other non-euro area funds

High market concentration:

In **Spain**, the five largest lenders originate 54% of the volume and provide financing to 27% of borrowers

SOURCE: PitchBook. Credit to Spanish and euro area firms. Devised by authors. Latest observation: December 2025.

COMPLEMENTARITY WITH BANK CREDIT: IN SPAIN, FIRMS FINANCED THROUGH PRIVATE CREDIT ARE YOUNGER AND LESS PROFITABLE AND HAVE HIGHER INVESTMENT AND LESS DEBT

FIRM CHARACTERISTICS BY TYPE OF FINANCING (2021-25)

Characteristics	Private credit (ES)	Bank credit (ES)
Assets (€m)	8.50	1.78
Age (years)	10.77	16.72
Net profit / total assets	-0.16	0.01
Debt / total assets	0.66	0.74
Investment / total assets	0.05	0.04
Liquid assets / total assets	0.23	0.17

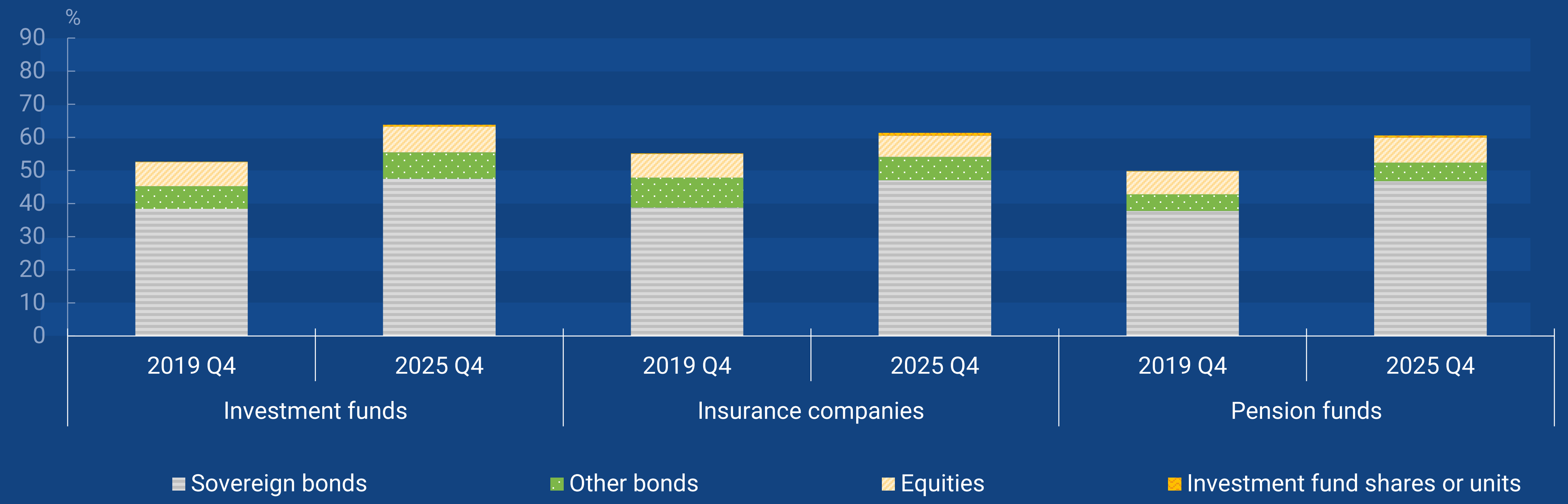
Private credit is granted mainly to **specific sectors:**

- **ICT**
- **Professional services**
- **Manufacturing**

SOURCES: PitchBook, ORBIS, CCR, CBI, devised by authors. Latest observation: December 2025.

SPANISH BANKS' INDIRECT EXPOSURE TO THE EURO AREA NBFI SECTOR AS A PERCENTAGE OF THE TOTAL HAS RISEN MODERATELY SINCE 2019

SHARE IN THE SPANISH BANKING SECTOR'S SECURITIES PORTFOLIO OF HOLDINGS HELD BY BOTH SPANISH BANKS AND EURO AREA NBFIs (a)



SOURCE: ECB (Securities Holdings Statistics by Sector).
a. Banks' portfolio holdings overlap with those of other sectors. The bars show the share in banks' securities portfolios of holdings held by both banks and other financial sectors, broken down by instrument and issuer sector.

CHAPTER 3 TAKEAWAYS

BANKING SECTOR

- Bank profitability remains sound
- Spread narrowing between asset and liability interest rates has led to a marked decline in net interest income, which has nevertheless tended to stabilise
- Bank solvency and liquidity positions are notably above requirements
- Direct exposure to the Middle East and Asia is limited
- Lending to households and firms in Spain continues to grow and credit quality has improved

NON-BANK FINANCIAL SECTOR

- Globally, the non-bank financial intermediary (NBFI) sector is vulnerable to corrections in financial market conditions
- Investment funds domiciled in Spain have a contained risk profile, by historical standards and a European comparison
- Private credit to firms in Spain and the euro area has grown, but accounts for a small share of their total financing, and shows no signs of the fragility observed in this segment in the United States
- The impact on the NBFI sector of abrupt financial market corrections may also affect European banks via interconnectedness

SOURCE: Banco de España.

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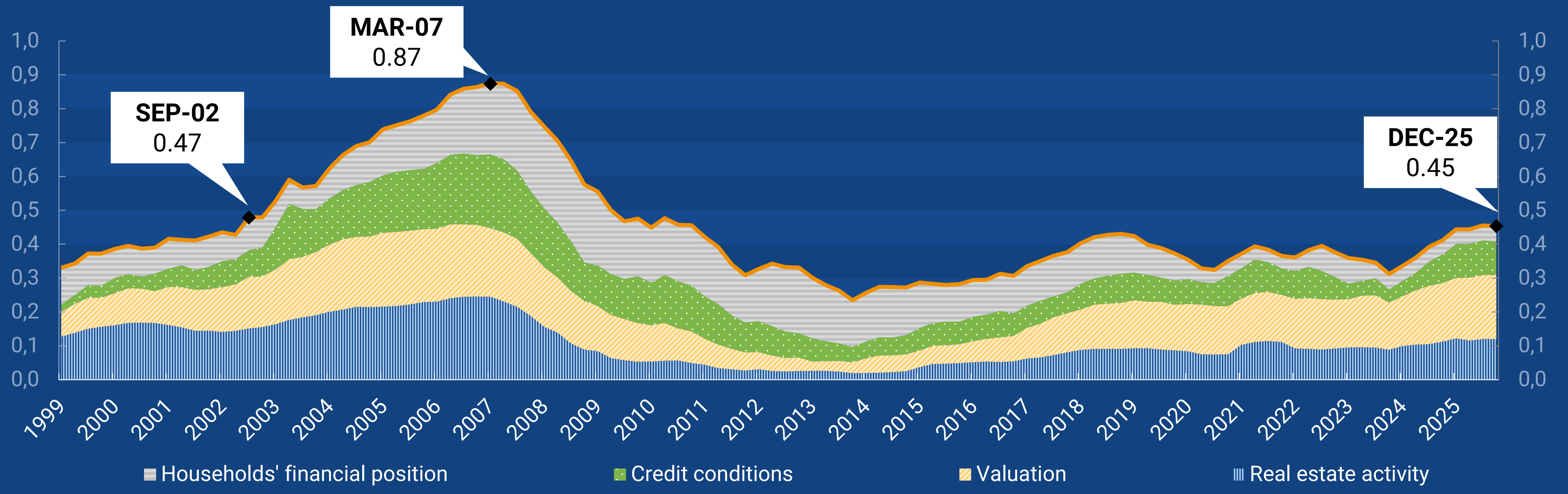
DESPITE THE RISE IN HOUSE PRICES, THE BROADEST INDICATOR OF REAL ESTATE MARKET VULNERABILITIES REMAINS WELL BELOW ITS 2007 PEAK

SYNTHETIC INDICATOR OF RISKS IN THE REAL ESTATE MARKET



SOURCES: Banco de España, INE and devised by authors. Latest observation: December 2025.

LENDING STANDARDS FOR NEW MORTGAGES RELATIVE TO BOTH PURCHASE PRICES AND INCOME HAVE EASED SLIGHTLY, BUT ARE STILL WELL BELOW HISTORICAL HIGHS

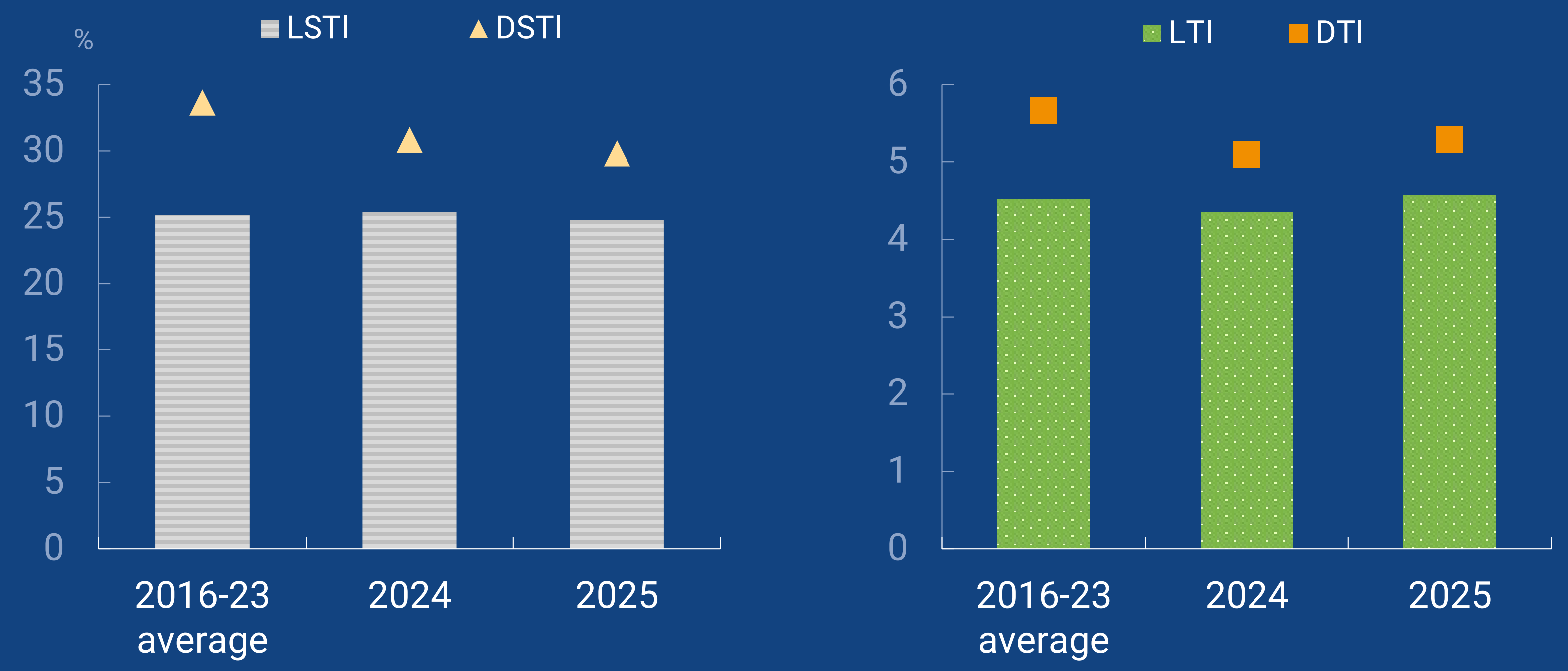
AVERAGE ANNUAL LTP, LTV, LTI AND LSTI VALUES FOR NEW MORTGAGES

Standard	Peak	2024	2025
LTP	107.7 *(2006)*	81.2	81.2
LTV	74.5 *(2017)*	68.3	70.2
LTI	7 *(2006)*	4.1	4.4
LSTI	46.9 *(2007)*	23.7	23.3

SOURCES: Banco de España and Colegio de Registradores.

THE DSTI RATIO HAS DECREASED AND, DESPITE RISING SLIGHTLY, THE DTI RATIO REMAINS CONTAINED BY HISTORICAL STANDARDS

TOTAL HOUSEHOLD DEBT RELATIVE TO WEIGHTED AVERAGE INCOME (a)

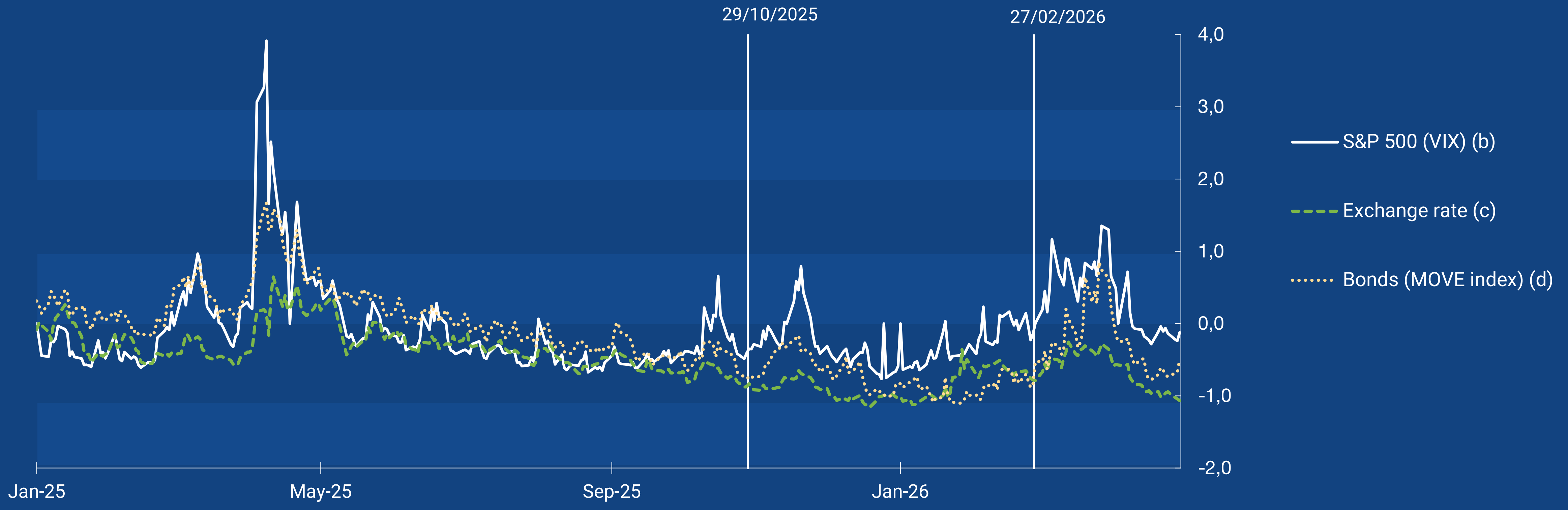


SOURCE: Banco de España. Latest observation: December 2025.

a. The LSTI ratio is calculated as the amount of a borrower household's mortgage instalments (including principal and interest payments) relative to their disposable income. The DSTI ratio is calculated as the total amount of a borrower household's mortgage and other outstanding instalments (including principal and interest payments) relative to their disposable income. The LTI ratio is calculated as the amount of a borrower household's mortgage principal relative to their disposable income. The DTI ratio is calculated as the total amount of a borrower household's outstanding debt (including the mortgage principal and the outstanding principal on other loans) relative to their disposable income.

THE INCREASE IN VOLATILITY SINCE THE MIDDLE EAST CONFLICT BEGAN HAS REVERSED IN RECENT WEEKS

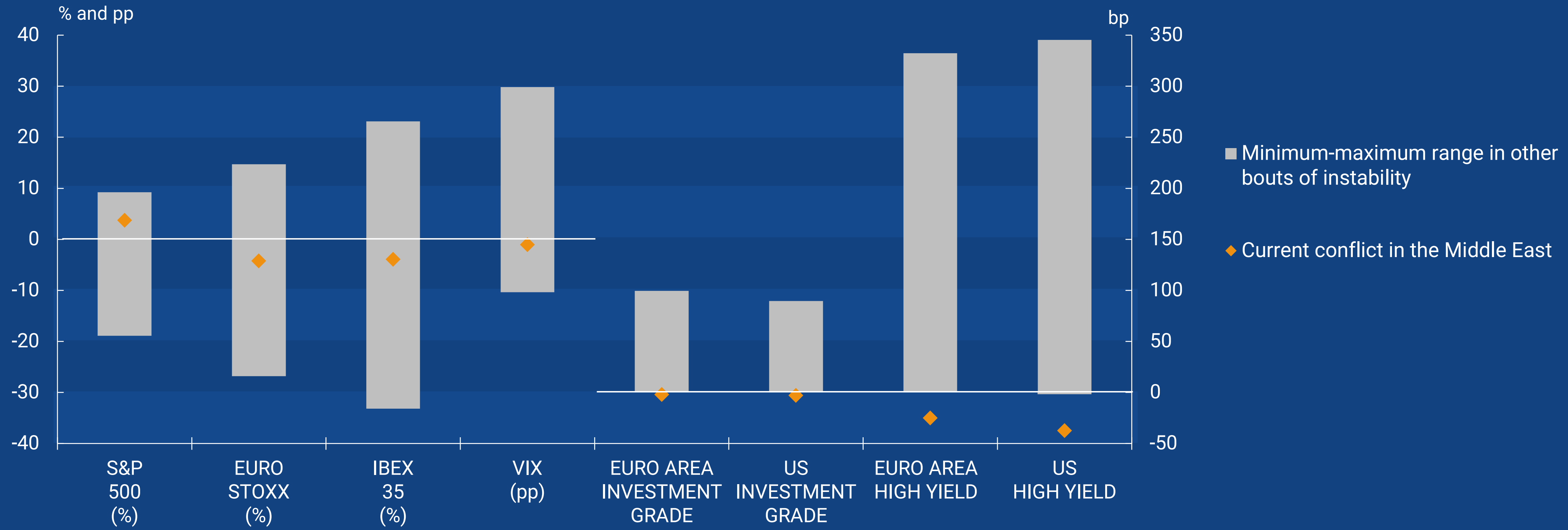
IMPLIED VOLATILITY (a)



SOURCES: Bloomberg Data License, LSEG Datastream and Banco de España. Latest observation: 29 April 2026. 29 October 2025 is the cut-off date for the last FSR; 27 February 2026 is the last market close prior to the Iran war.
a. De-meaned and standardised data for the period 2000-26.
b. The VIX measures expected 30-day volatility in the US stock market. A high value points to increased market uncertainty.
c. Average three-month volatility in the dollar/euro, dollar/pound sterling and yen/dollar exchange rates.
d. The MOVE index measures implied volatility in the US Treasury bond market.

THE REACTION OF THE VIX, STOCK MARKETS AND CORPORATE RISK PREMIA HAS BEEN VERY MUTED COMPARED WITH SIMILAR CRISES

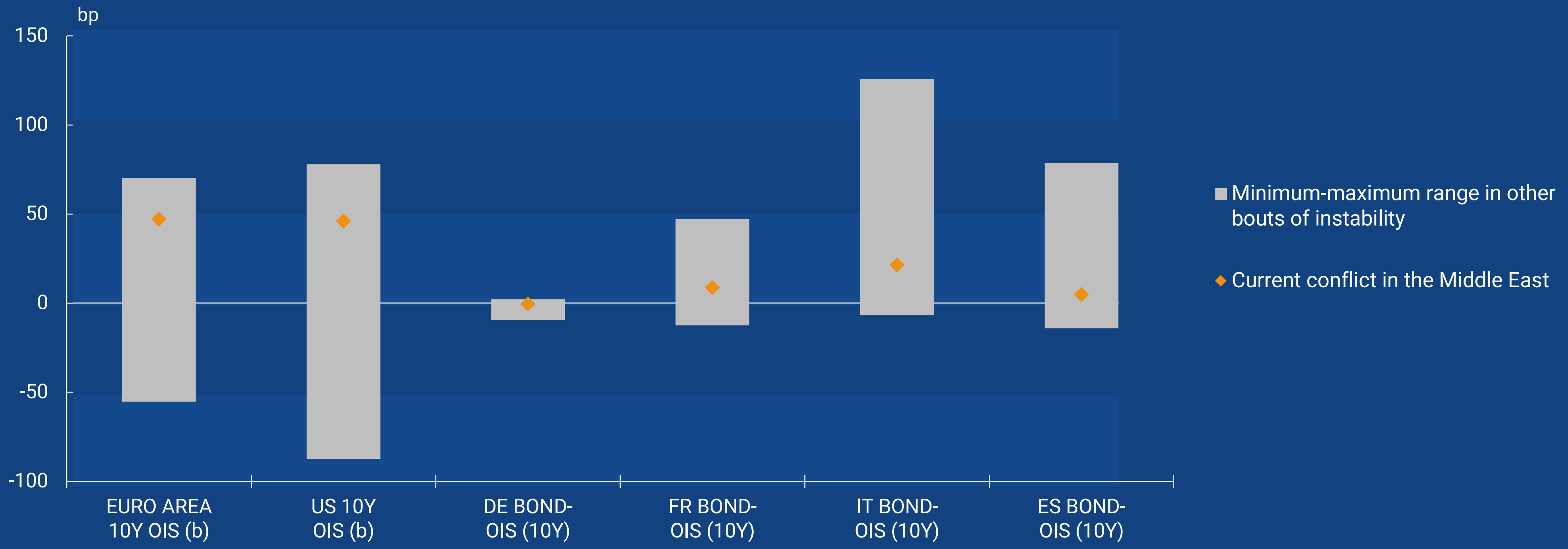
MINIMUM-MAXIMUM RANGE IN OTHER BOUTS OF INSTABILITY AND CHANGE SINCE THE CURRENT CONFLICT IN THE MIDDLE EAST BEGAN (a)



SOURCE: Bloomberg Data License. Latest observation: 29 April 2026. The changes recorded in the current Middle East conflict are calculated with respect to 27 February 2026.
a. Minimum-maximum range in other bouts of instability, after 43 working days: Gulf War (02/08/90); 9/11 attacks (11/09/01); war in Afghanistan (07/10/01); COVID-19 (21/02/20); invasion of Ukraine (24/02/22); Twelve-Day War with Iran (from 13/06/25 to 24/06/25).

RISE IN RISK-FREE RATES AND MINIMAL CHANGES IN SOVEREIGN RISK PREMIA

MINIMUM-MAXIMUM RANGE IN OTHER BOUTS OF INSTABILITY AND CHANGE SINCE THE CURRENT CONFLICT IN THE MIDDLE EAST BEGAN (a)



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b. For the war in Afghanistan, 9/11 attacks and Gulf War, US and German 10-year bond.

CHAPTER 4 TAKEAWAYS

REAL ESTATE MARKET

- Real house price growth remains high
- Growth in real estate credit is contained relative to GDP and to the stock of bank loans, and is compatible with low household debt levels
- Mortgage lending standards have eased slightly, but are still well below their all-time highs
- Overall, the real estate risks to financial stability remain contained

FINANCIAL MARKETS

- High valuations of risk-bearing assets, which have seen contained and, in some cases, short-lived corrections since the outbreak of the Middle East crisis, despite the ensuing rise in uncertainty
- Uncertainty surrounding tech sector valuations and a worsening risk perception for private credit
- As a result of the conflict in the Middle East, European sovereign risk spreads have widened moderately, but with no sign of financial fragmentation in the euro area

SOURCE: Banco de España.

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CHAPTER 5 TAKEAWAYS

GEOPOLITICAL RISKS

- War in the Middle East, trade tensions, global uncertainty about economic policy and the institutional framework, and escalation of military conflicts

FINANCIAL MARKET RISKS

- Sudden, sharp corrections to high valuations of risk-bearing assets
- Valuation adjustments owing to shocks in the tech and AI sector and/or linked to private credit
- Greater impact of fiscal weaknesses on sovereign debt markets

OTHER MACROECONOMIC RISKS

- Negative effects of lower external demand on GDP
- Slowdown in domestic demand owing to fiscal shocks

EMERGING RISKS

- Cyber risks and ICT operational risks
- Growth in crypto-assets and stablecoins, and increasing interconnectedness with the traditional financial sector
- Climate risks

Potential impact

HOUSEHOLDS AND NFCS

- Potentially marked decline in income and employment
- Higher borrowing costs
- Lower ability to pay
- Higher prices of energy and other essential production inputs

PUBLIC SECTOR

- Higher cost of debt
- Lower tax revenue
- Limited fiscal space to absorb shocks
- Forced portfolio rebalancing by international investors, in particular non-bank financial intermediaries

FINANCIAL INTERMEDIARIES

- Higher cost of bank borrowing
- Lower quality of bank credit
- Incentives to deleverage
- Market shocks amplified by global non-bank financial sector
- Impact of cyber incidents on reputation and liquidity

IMPACT ON THE BANKING SECTOR OF HYPOTHETICAL ADVERSE OIL PRICE SCENARIOS

1

PURPOSE

- Assess the Spanish banking system's resilience to severe energy shocks, by analysing their macroeconomic transmission and the related impact on banks' profitability and solvency

2

METHODOLOGY

- Definition of two adverse scenarios for energy prices (Brent $145 and Brent $220)
- Translation of the energy shocks into macroeconomic scenarios using the MTBE model
- Assessment of the impact on the banking sector using the FLESB model

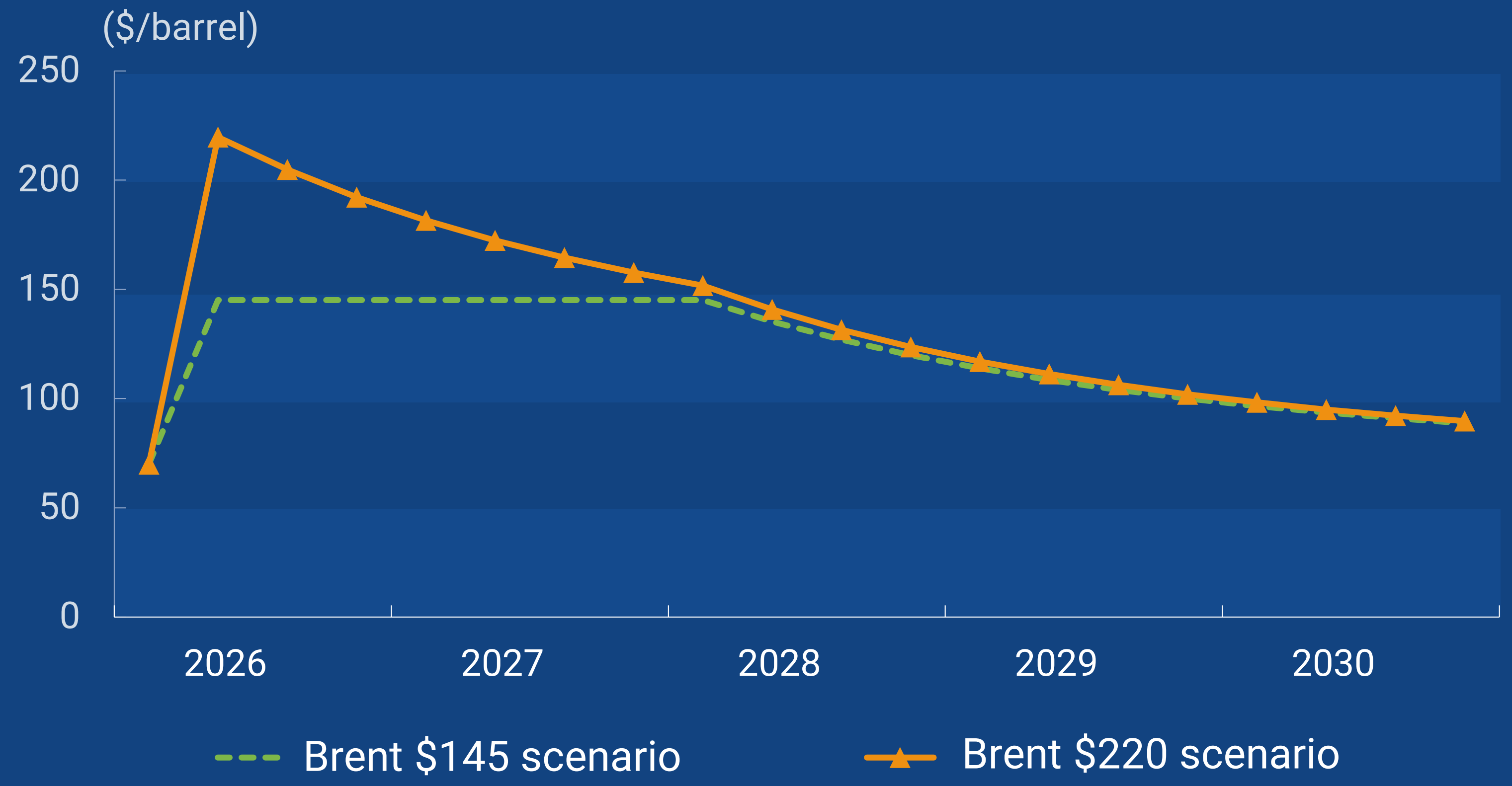
3

MAIN FINDINGS

- The scenarios envisage strong but temporary surges in inflation, with more persistent effects on activity and employment
- The deterioration in credit risk is the main negative channel, accompanied by a fall in profitability
- The final impact on the CET1 ratio is limited, with the system proving highly resilient

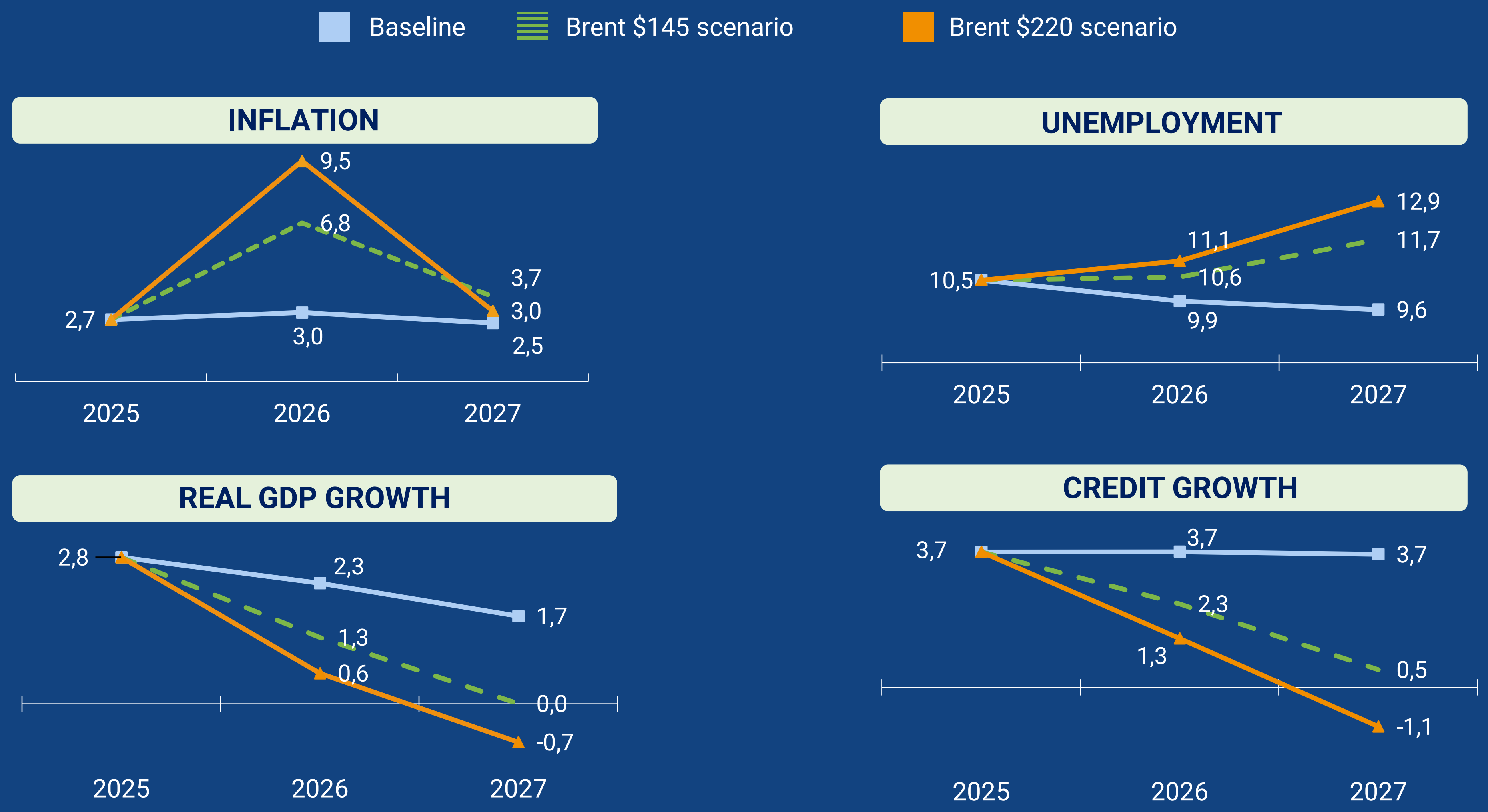
TWO SCENARIOS CONSIDERED: A SHARP, PERSISTENT RISE (TO $145 FOR TWO YEARS) AND A STEEPER INCREASE (REACHING $220)

OIL PRICES



SOURCE: Banco de España.

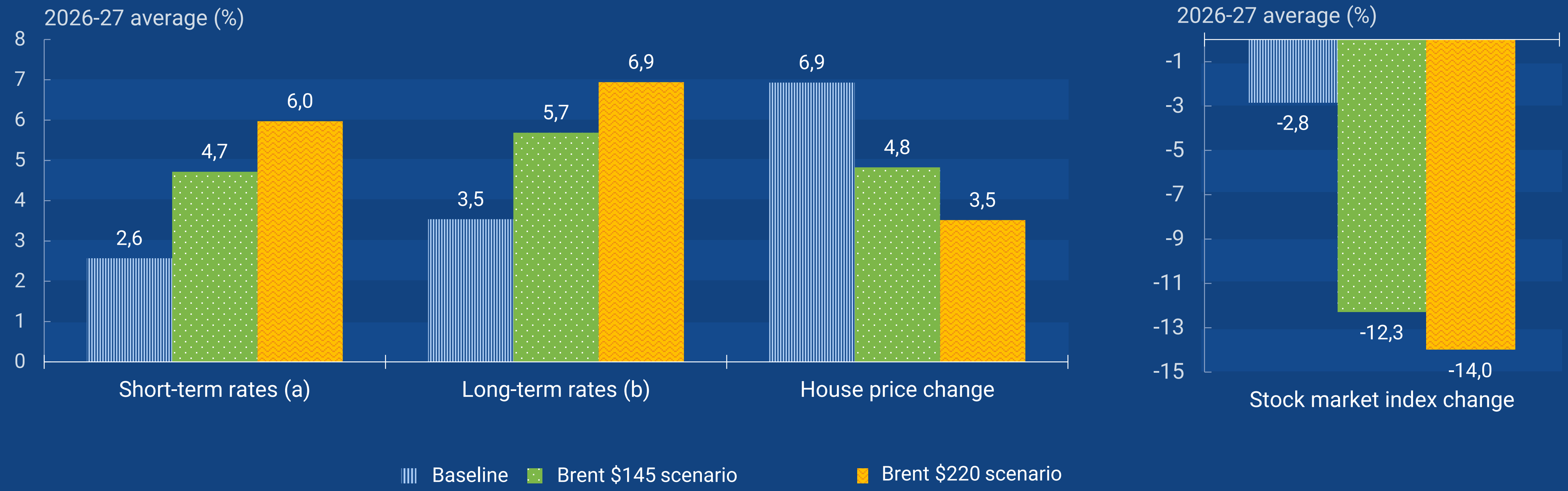
STRONG, RAPID AND TEMPORARY SURGE IN INFLATION, LEADING TO A SHALLOW, BRIEF RECESSION AND A CONTRACTION IN LENDING



SOURCE: Banco de España.

INCREASE IN MONETARY POLICY RATES AND WIDESPREAD CORRECTION IN ASSET PRICES

INTEREST RATE AND ASSET PRICE VALUATION SCENARIOS



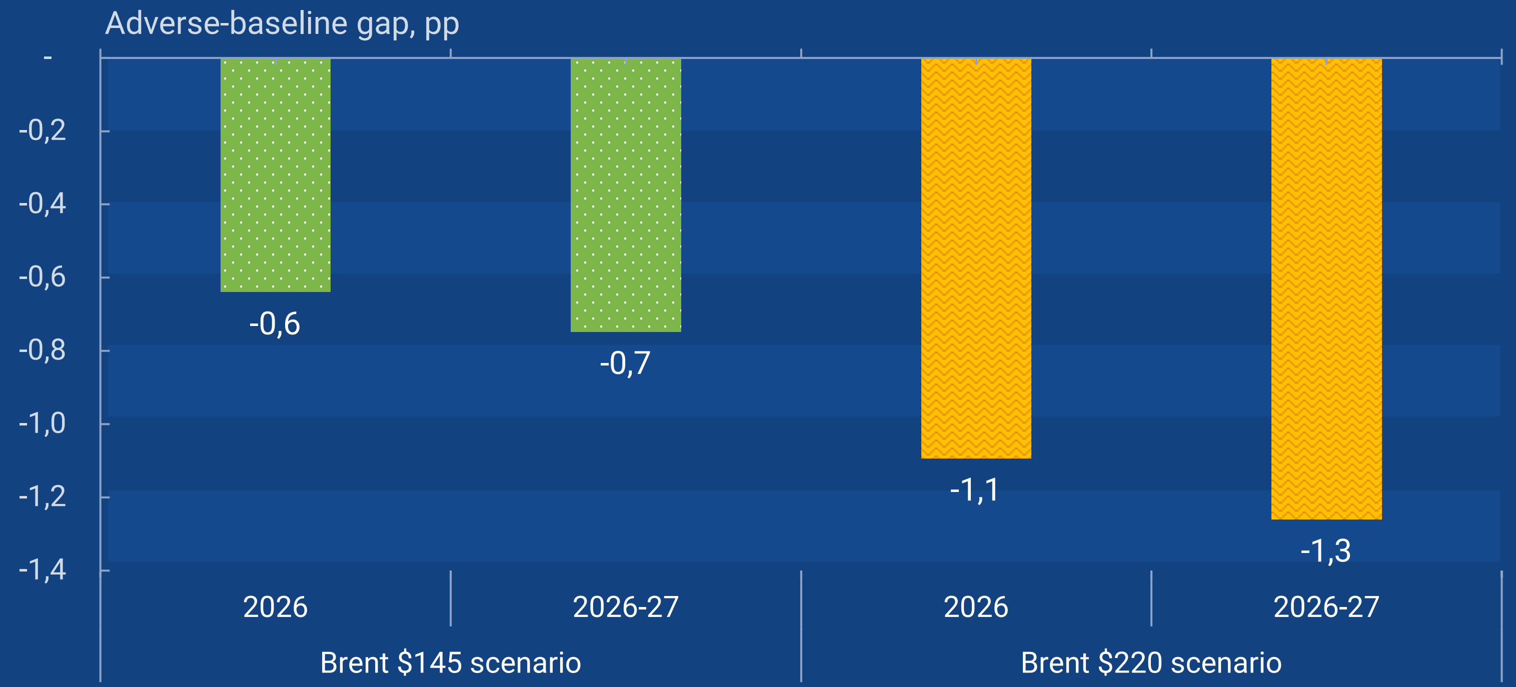
SOURCE: Banco de España.

a. Short-term rates refer to the 3-month EURIBOR.

b. Long-term rates are measured as the 10-year sovereign bond yield (general government debt).

SIGNIFICANT IMPACT ON BANK PROFITABILITY UNDER THE SCENARIOS

BANK PROFITABILITY (a)

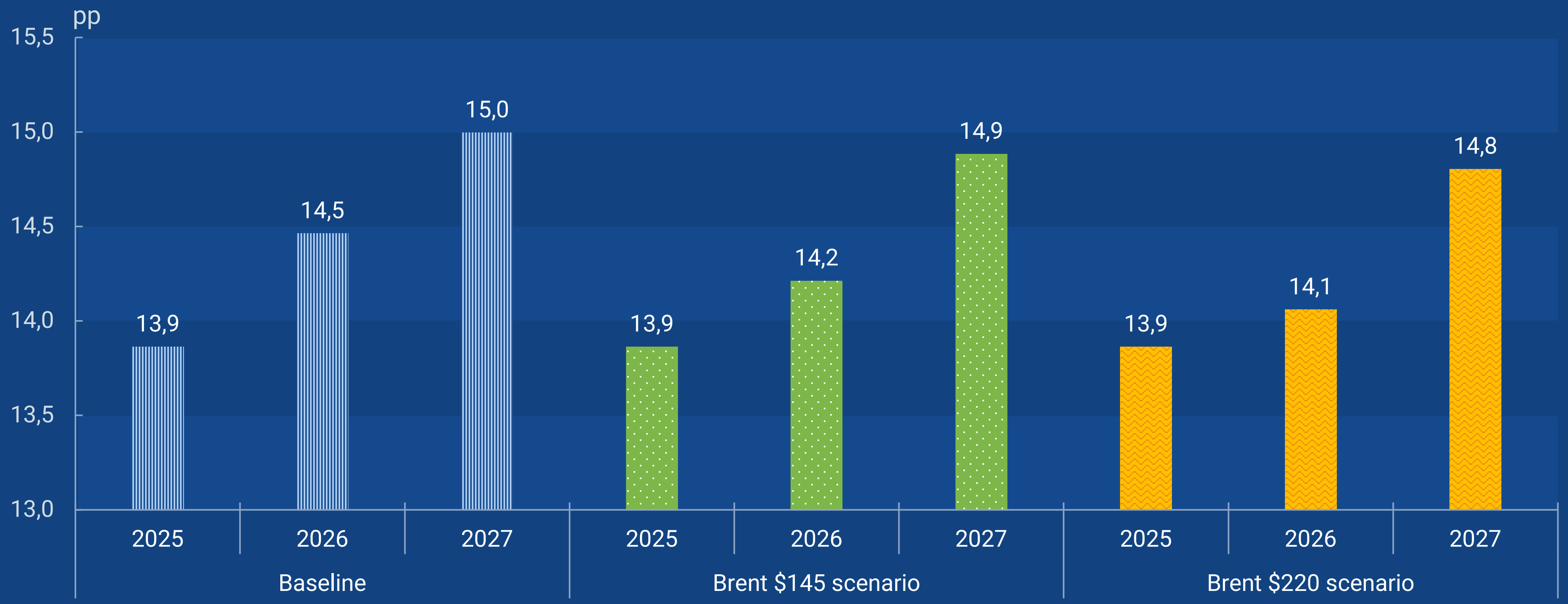


SOURCE: Banco de España.

a. Defined as the impact on profit before taxes and dividend distributions (considering sovereign losses recorded as other comprehensive income without going through the profit and loss account). This amount is shown as a percentage of 2025 RWAs.

THE GREATEST IMPACT ON THE CET1 RATIO IS IN 2026, WHEN IT WOULD BE 0.4 PP LOWER THAN IN THE BASELINE SCENARIO (a)

CET1 RATIO



SOURCE: Banco de España.
a. Common Equity Tier 1 (CET1) capital is the highest quality capital.

CONTENTS

CHAPTER 6 TAKEAWAYS

COUNTERCYCLICAL CAPITAL BUFFER

- The required rate of the CCyB continues to be 0.5% until 1 October 2025, when the increase to 1% becomes applicable
- Cyclical systemic risk remains stable at levels consistent with the objective of reaching a CCyB rate of 1%

BUFFER FOR SYSTEMIC INSTITUTIONS

- Identification of Banco Santander, S.A. as a global systemically important institution (G-SII) for 2027

OTHER TOOLS

- Systemic risks continue to be monitored closely
- The methodology for assessing potential borrower-based measures (BBMs) continues to be developed

SOURCE: Banco de España.

BBMs: THE FINAL DECISION ABOUT ACTIVATING THE BBMs DEPENDS ON THE COST-BENEFIT ANALYSIS UNDER WAY

EFFICACY

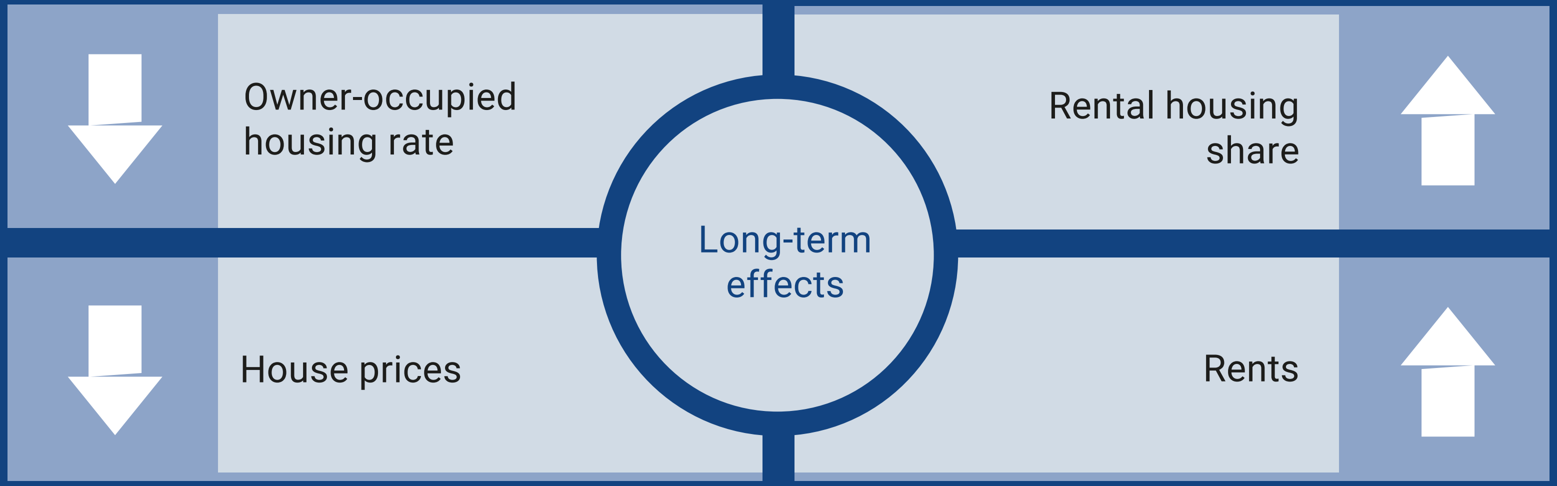
- To what extent can they contain the **growth in bank lending**?
- How much could they reduce **households and firms' indebtedness**?
- How much could **probability of default and expected losses** be lowered?
- Can they **stabilise the property cycle**?

EFFICIENCY

- How do the benefits compare with the costs?
- What, if any, are the implications in terms of **borrowing constraints**?
- **Real estate prices and affordability**
- Changes in the **consumption-saving** life cycle of households
- **Heterogeneous effects** on household types (depending on age, income, etc.)

BBMs REDUCE CREDIT RISK, BUT THEY ALSO AFFECT THE HOME OWNERSHIP AND RENTAL MARKET

LONG-TERM EFFECTS OF BBMs ON THE HOME OWNERSHIP RATE, HOUSE PRICES AND RENTS



SOURCE: Banco de España.
Notes: See Adrián Carro. (2023). "Taming the housing roller coaster: The impact of macroprudential policy on the house price cycle", Journal of Economic Dynamics and Control, 156(104753).

BBMs: CONSUMPTION DECREASES AMONG THE YOUNG AND INCREASES AMONG THE MIDDLE-AGED AND OLDER

LONG-TERM EFFECTS BY AGE
BASED ON AN ADAPTIVE AGENT MODEL

YOUNG	
Consumption	↓
Saving	↑
Rental costs	↑

MIDDLE-AGED AND OLDER	
Consumption	↑
Mortgage debt and expenses	↓
House prices	↓

SOURCE: Banco de España.
Notes: See Adrián Carro. (2023). "Taming the housing roller coaster: The impact of macroprudential policy on the house price cycle", Journal of Economic Dynamics and Control, 156(104753).

Thank you