

BANCO DE ESPAÑA

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# FINANCIAL STABILITY REPORT SPRING 2025

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27 May 2025

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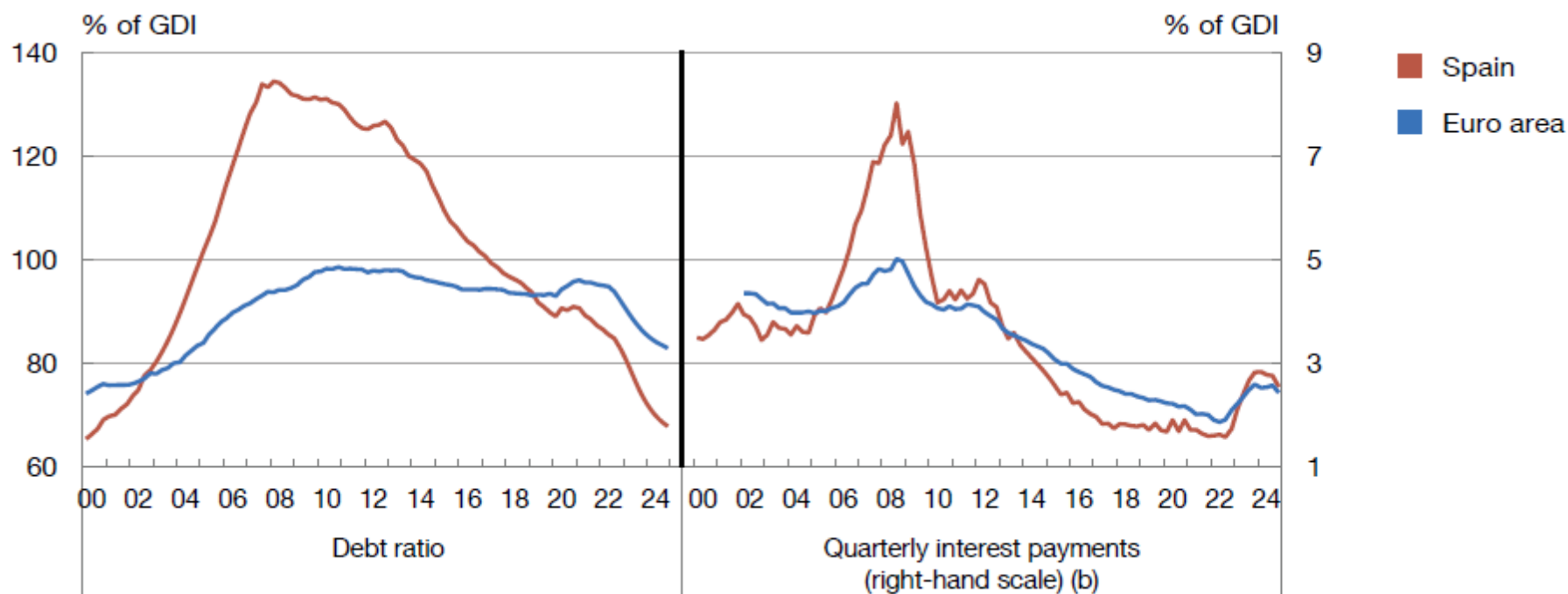
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- **CHAPTER 2. FINANCIAL SITUATION OF HOUSEHOLDS, NON-FINANCIAL CORPORATIONS AND GENERAL GOVERNMENT**
- CHAPTER 3. FINANCIAL POSITION OF FINANCIAL INTERMEDIARIES
- CHAPTER 4. MARKETS AND ASSET PRICES
- CHAPTER 5. RISK ANALYSIS
- CHAPTER 6. MACROPRUDENTIAL POLICY

## THE HOUSEHOLD DEBT RATIO AND INTEREST BURDEN HAVE DECLINED

Household debt ratio as a percentage of gross disposable income (GDI)

Household interest burden as a percentage of gross disposable income (GDI)



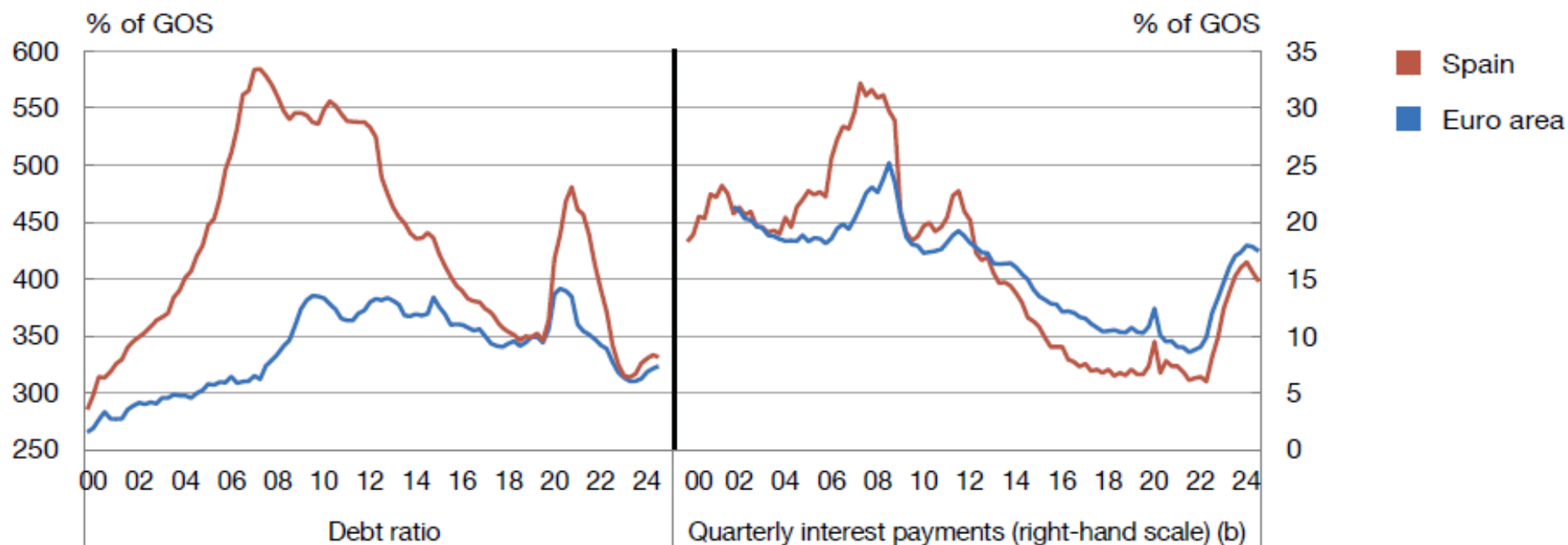
SOURCES: ECB, Eurostat, INE and Banco de España. Latest observation: 2024 Q4.

b Interest payments are quarterly cash flows (not adjusted for financial intermediation services indirectly measured) and, for consistency, the ratio is calculated using quarterly GDI.

## THE DEBT RATIO OF NON-FINANCIAL CORPORATIONS STEADIED IN LATE 2024, WHILE THEIR INTEREST PAYMENT RATIO BEGAN TO FALL

Firms' debt ratio as a proportion of gross operating surplus (GOS)

Firms' interest burden as a proportion of gross operating surplus (GOS)

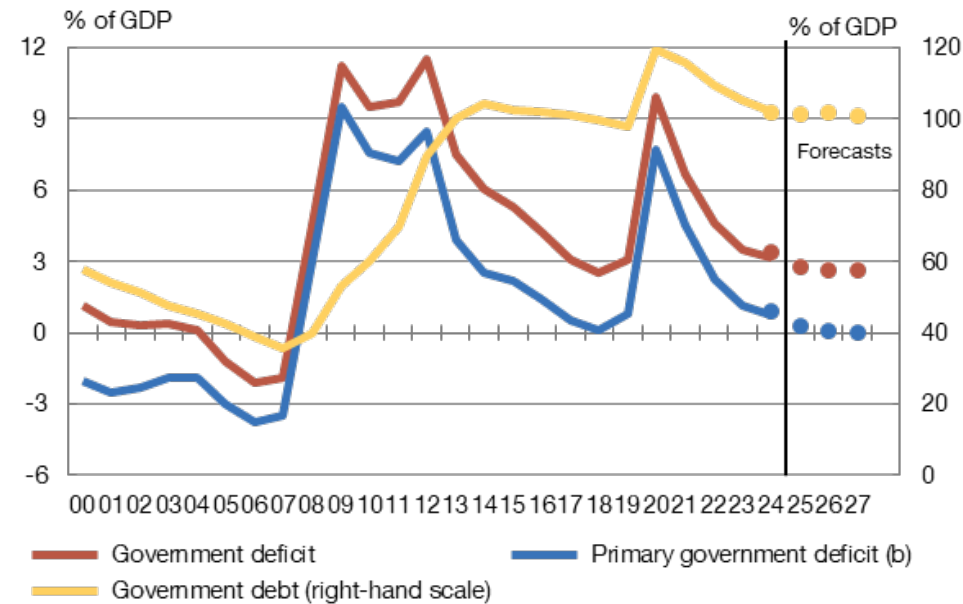


SOURCES: ECB, Eurostat, INE and Banco de España. Latest observation: 2024 Q4.

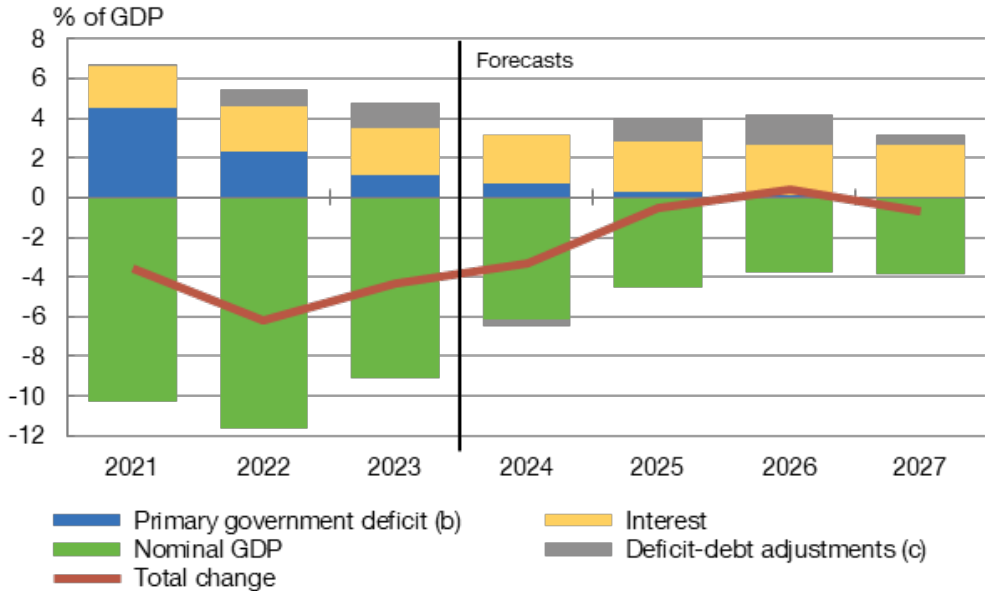
b Interest payments are quarterly cash flows (not adjusted for financial intermediation services indirectly measured) and, for consistency, the ratio is calculated using quarterly GOS.

SPAIN'S PUBLIC FINANCES REMAIN A SOURCE OF VULNERABILITY

General government. Financial position



Spanish debt-to-GDP ratio. Determinants of annual change





SOURCES: Eurostat, IMF, Intervención General de la Administración del Estado (IGAE) and Banco de España. Latest observation: 2024. In the left chart, in 2024 the line denotes the actual data and the dot the last previous estimate available.

b Excluding interest payments.

c Change in debt not owing to financing needs stemming from the government deficit, but to other factors such as purchase of financial assets, valuation changes or reclassifications.

## SUMMARY OF THE FINANCIAL SITUATION OF HOUSEHOLDS, NON-FINANCIAL CORPORATIONS AND GENERAL GOVERNMENT (a)

 <b>HOUSEHOLDS</b>	<ul style="list-style-type: none"><li> Historically low debt level</li><li> Sound performance of income, employment and wealth</li><li> Interest burden around the highest level of the last decade, but starting to decline, aided by lower interest rates</li></ul>
 <b>FIRMS</b>	<ul style="list-style-type: none"><li> Historically low debt level</li><li> Sound profit performance</li><li> Interest burden around the highest level of the last decade, but starting to decline, aided by lower interest rates</li></ul>
 <b>PUBLIC SECTOR</b>	<ul style="list-style-type: none"><li> High debt level</li><li> Upside risks to government expenditure (defence, demographics, etc.)</li><li> Lack of specificity in fiscal consolidation plans</li></ul>

SOURCE: Banco de España.

a. The green (red) shields denote the circumstances of the financial position of each sector that constitute strengths (vulnerabilities) should risks materialise. The strengths (vulnerabilities) reduce (increase) the likelihood of occurrence and the impact of the risks to financial stability.

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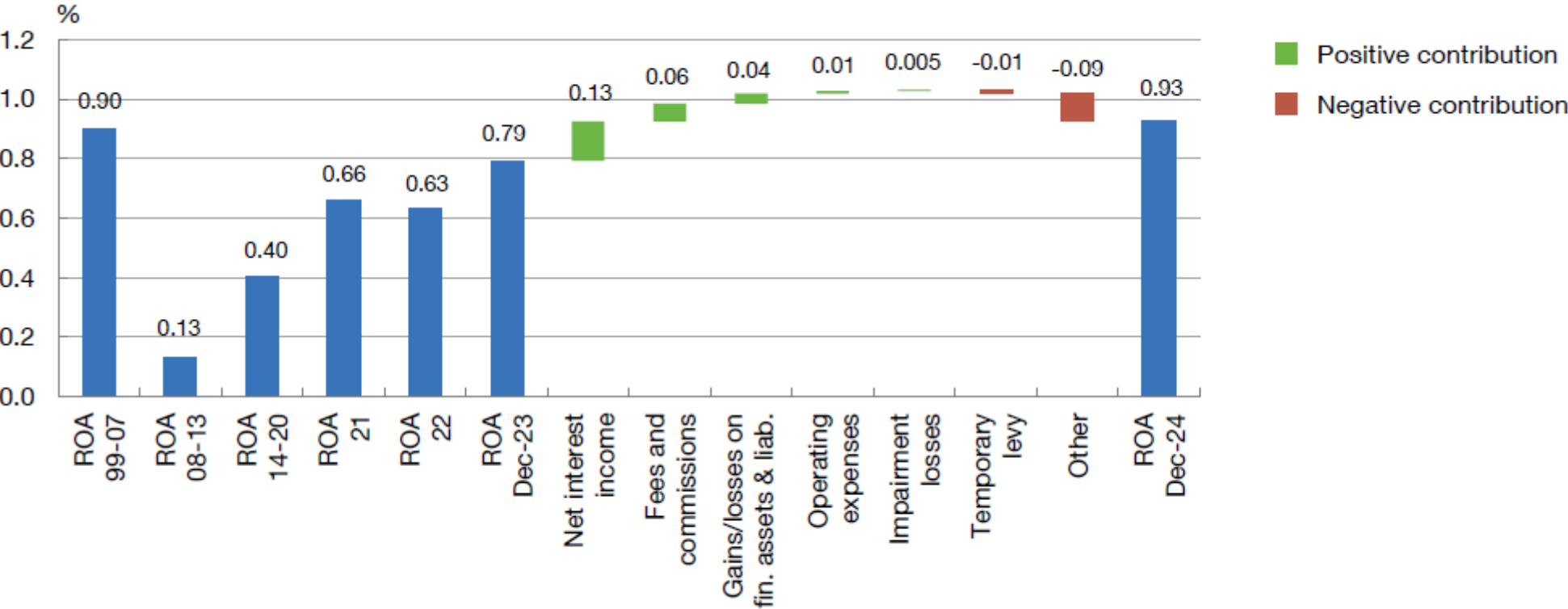
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THE SPANISH BANKING SECTOR’S PROFITABILITY CONTINUED TO IMPROVE IN 2024,  
DRIVEN MAINLY BY NET INTEREST INCOME

Breakdown of the change in ROA.

Consolidated net income as a percentage of average total assets. Consolidated data

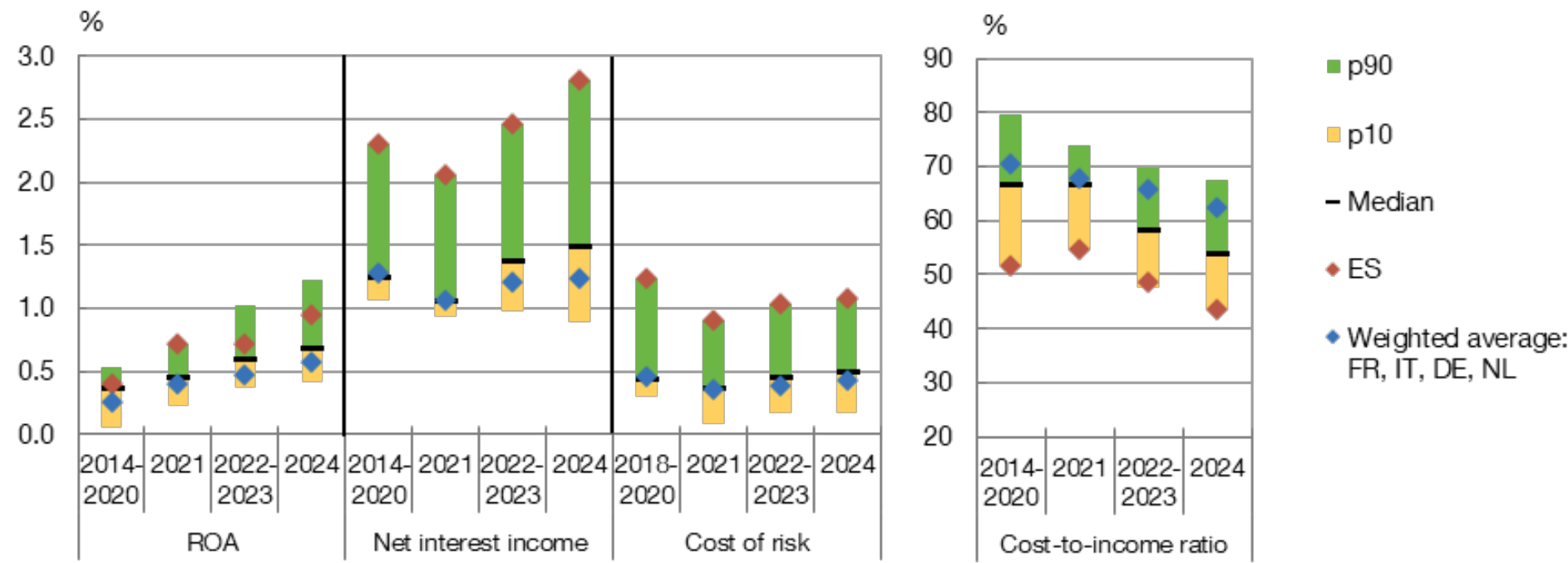


SOURCE: Banco de España. Latest observation: December 2024.



SPANISH BANKS ARE MORE PROFITABLE THAN OTHER BANKS IN THE MAIN EU ECONOMIES, UNDERPINNED BY HIGHER NET INTEREST INCOME AND GREATER OPERATIONAL EFFICIENCY

European comparison of the main profitability and operational efficiency variables (a).  
Consolidated data

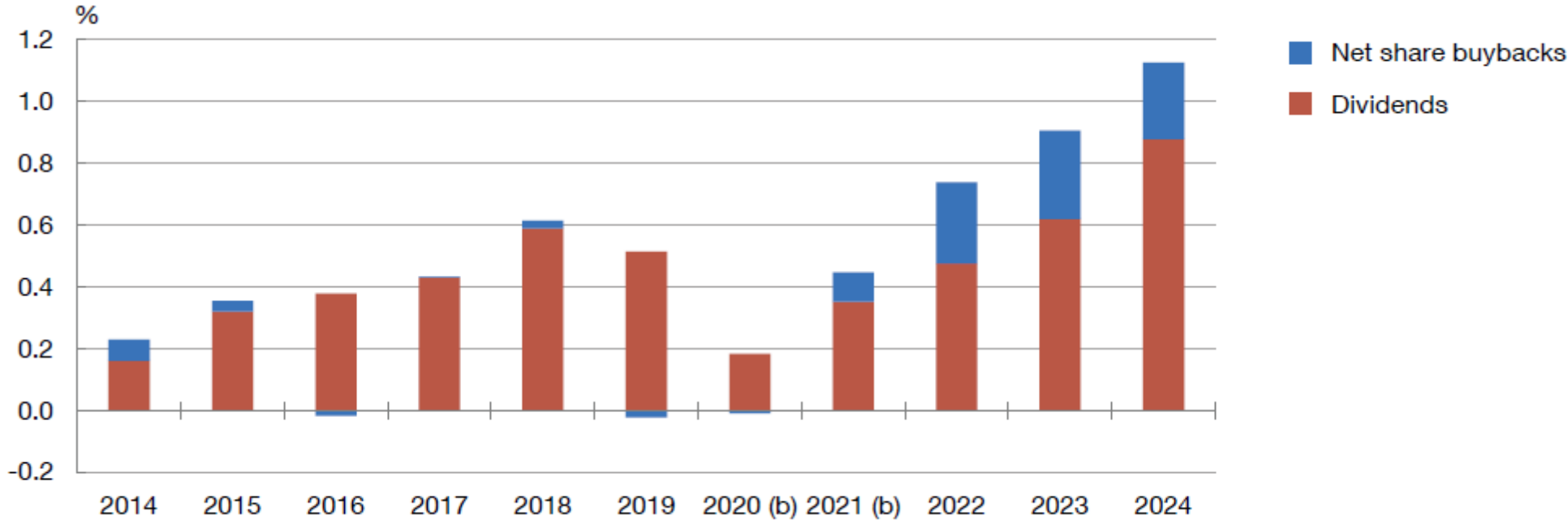


SOURCE: EBA. Latest observation: December 2024.

a. For each variable and time period, the chart depicts the distribution of the variable across countries weighted by the size of their banking sectors in terms of total assets. Note that the EBA database contains aggregate data by country for each variable. For periods of several years, a single value per country is obtained by taking the simple average of the variable by country over that period. The statistics shown in the chart are calculated based on this weighted distribution. The average of the banking systems of the other four large EU economies is also weighted by size, based on the total assets of their respective banking sectors.

THE PROFITABILITY IMPROVEMENTS IN RECENT YEARS HAVE LED TO INCREASED PROFIT DISTRIBUTION

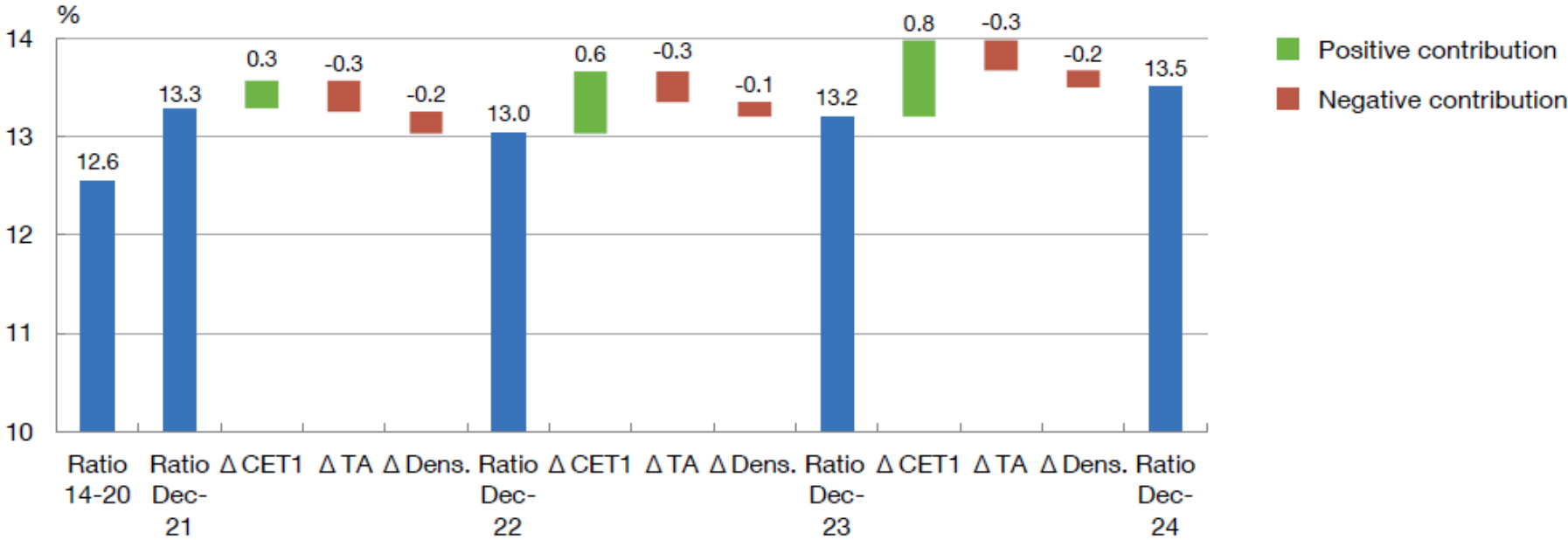
Dividends and net share buybacks as a percentage of RWAs (a)  
Consolidated data



SOURCE: Banco de España. Latest observation: December 2024.  
a. The information on dividends and net share buybacks comes from statements of changes in equity. The impact of dividends recognised in a particular year may derive from profits obtained in previous years.  
b. An ECB recommendation to limit dividend distribution was in force in 2020 and 2021.

THE CET1 RATIO INCREASED IN 2024, DRIVEN BY GROWTH IN BANK CAPITAL

Breakdown of the change in the CET1 ratio between 2021 and 2024 (a).  
Consolidated data

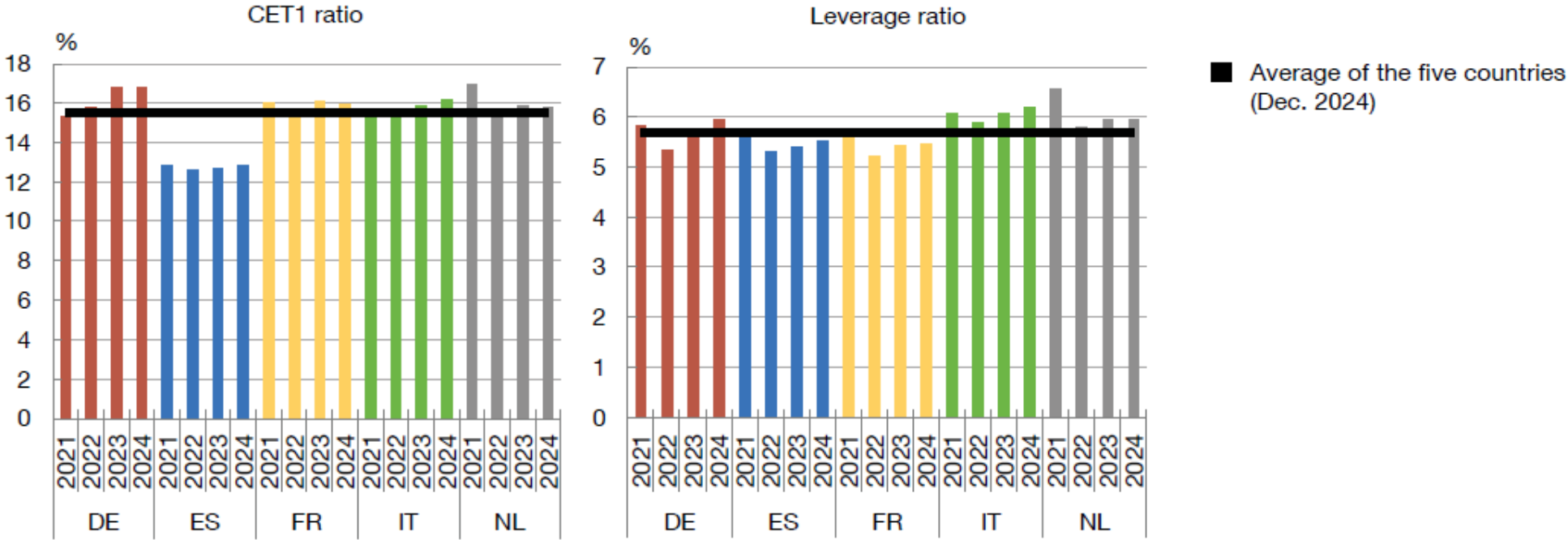


SOURCE: Banco de España. Latest observation: December 2024.

a. The CET1 ratio is calculated as the ratio of CET1 to risk-weighted assets (RWAs). RWAs can be calculated as total assets (TA) x density (Dens.), where density is calculated as the ratio of RWAs to TA. Therefore, in the chart, the change in the CET1 ratio is broken down into the change in CET1, total assets and density. The green (red) bars denote positive (negative) contributions from components. In Spain, the Basel III capital requirements were introduced in 2014 and the information about the CET1 ratio became available for the first time that year.

THE INCREASE IN THE SPANISH BANKING SYSTEM'S CET1 AND LEVERAGE RATIOS SLIGHTLY NARROWED THE GAP TO THE AVERAGES FOR THE MAIN EU BANKING SECTORS

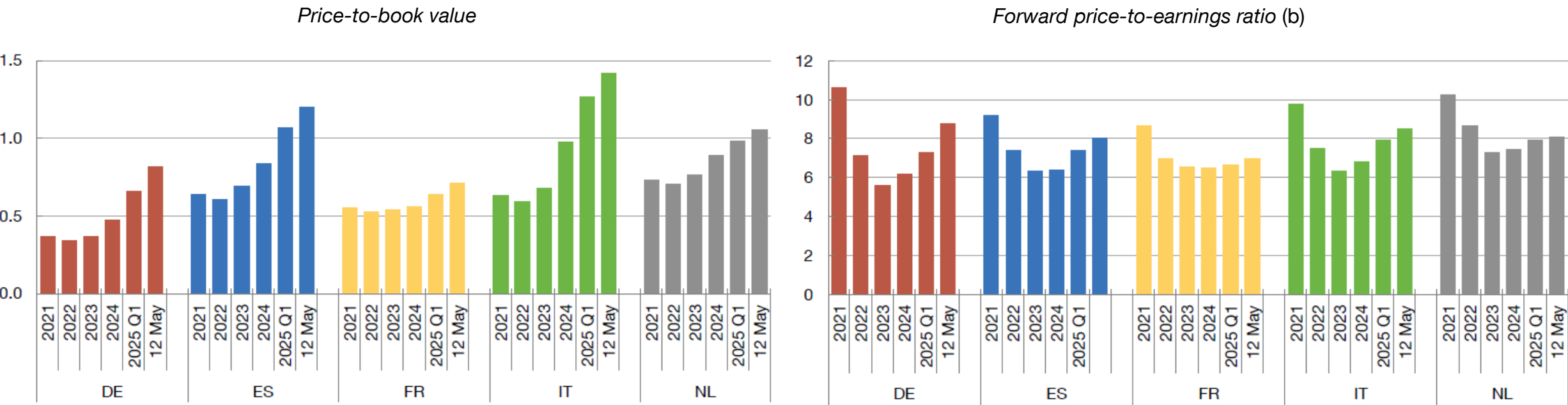
European comparison of the CET1 and leverage ratios between 2021 and 2024.  
Consolidated data



SOURCE: EBA. Latest observation: December 2024.

DESPITE THE RECENT FINANCIAL MARKET TURBULENCE, THE STOCK MARKET CAPITALISATION RATIOS OF THE MAIN EUROPEAN BANKS REMAIN HIGH COMPARED WITH PREVIOUS YEARS

European comparison of PTB ratios and forward P/E ratios between 2021 and 2025 (a).



SOURCES: Datastream and Banco de España. Latest observation: 12 May 2025.

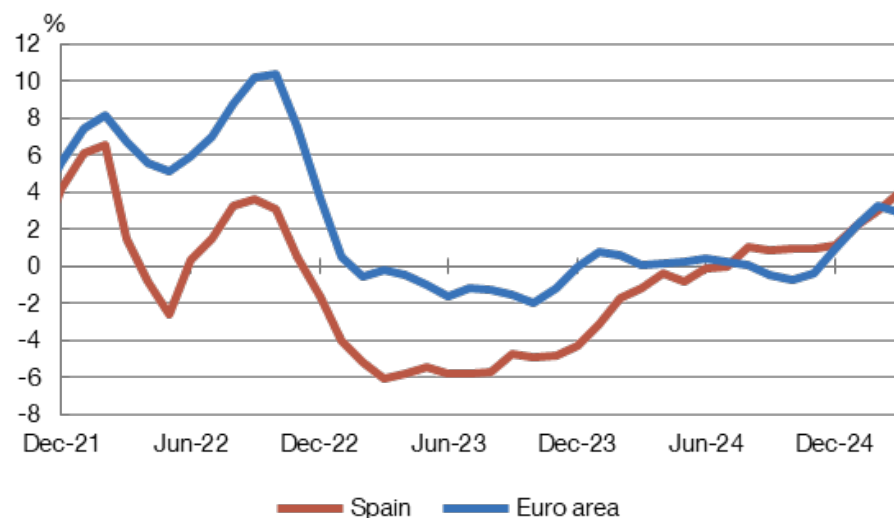
a. Annual averages for 2021, 2022, 2023, 2024 and 2025 Q1 drawing on daily data, weighted by each bank’s market capitalisation. The sample for each country comprises listed banks.

b. The 12-month forward P/E ratio is calculated by dividing the current share price by the estimated earnings per share for the next 12 months. Estimated earnings are obtained from investors’ forecasts provided by Institutional Brokers’ Estimate System (I/B/E/S).

## HOUSEHOLD AND BUSINESS LENDING IN SPAIN HAS MAINTAINED POSITIVE GROWTH RATES IN THE EARLY MONTHS OF 2025, EXTENDING THE TREND SEEN SINCE MID-2024

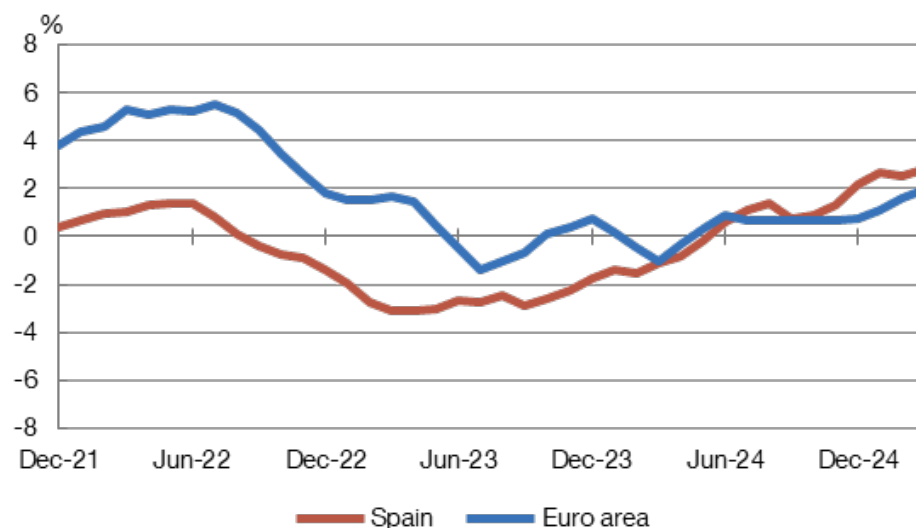
### Momentum indicator for the stock of loans to resident firms (a) (b).

Business in Spain. Individual data (c)



### Momentum indicator for the stock of loans to resident households and the self-employed (a) (b).

Business in Spain. Individual data (c)



SOURCE: Banco Central Europeo. Latest observation: March 2025.

a. The momentum indicator shows the quarter-on-quarter rate of change in the three-month moving average of the seasonally adjusted credit stock. To facilitate a comparison with year-on-year rates of change, the momentum indicator is presented in annualised terms. Annualisation is calculated assuming that the rate of change over the past three months remained unchanged over a 12-month period.

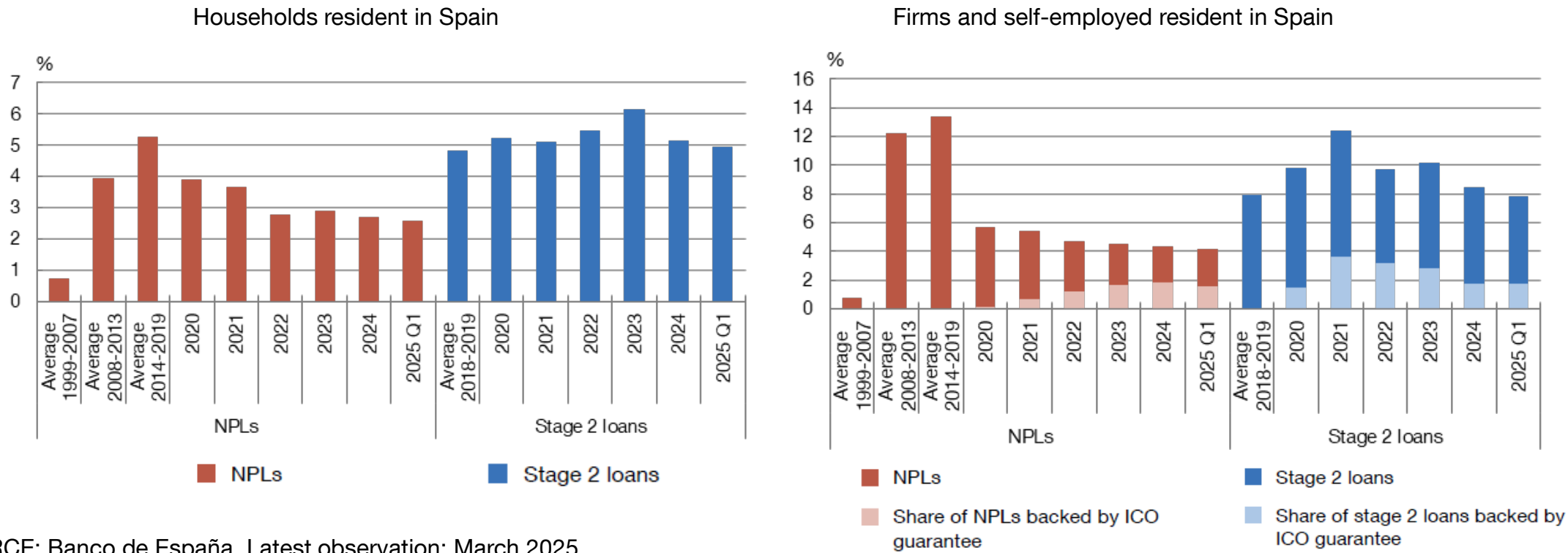
b. "Firms" and "self-employed" denote the institutional sectors of NFCs and sole proprietors, respectively.

c. The data considered are Spanish banks' lending to the resident private sectors in Spain and the euro area.

NPL AND STAGE 2 RATIOS DECLINED IN 2024 FOR LOANS TO BOTH HOUSEHOLDS AND FIRMS

NPLs and stage 2 loans as a share of loans.

December of each year and 2025 Q1. Business in Spain. Individual data (a) (b)



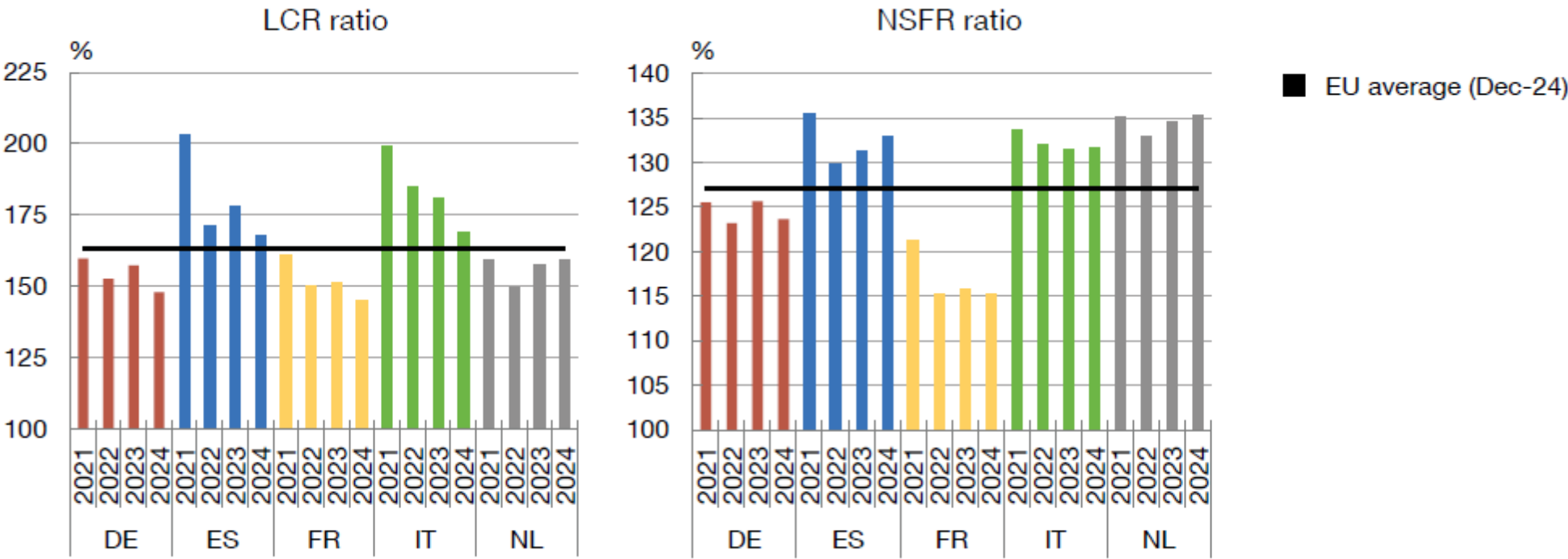
SOURCE: Banco de España. Latest observation: March 2025.

a. Lending by deposit institutions' branches in Spain.

b. The figures for firms and the self-employed correspond to data reported for NFCs and sole proprietors. Lighter colours show the contribution to the ratio of ICO-backed loans to NFCs and sole proprietors.

SPANISH BANKS' LIQUIDITY AND STABLE FUNDING RATIOS REMAINED AT COMFORTABLE LEVELS BOTH IN AGGREGATE TERMS AND BY CURRENCY, AND GENERALLY STOOD ABOVE THOSE OF THE MAIN EUROPEAN BANKING SECTORS

European comparison of the LCR and NSFR ratios between 2021 and 2024.  
Consolidated data (a)

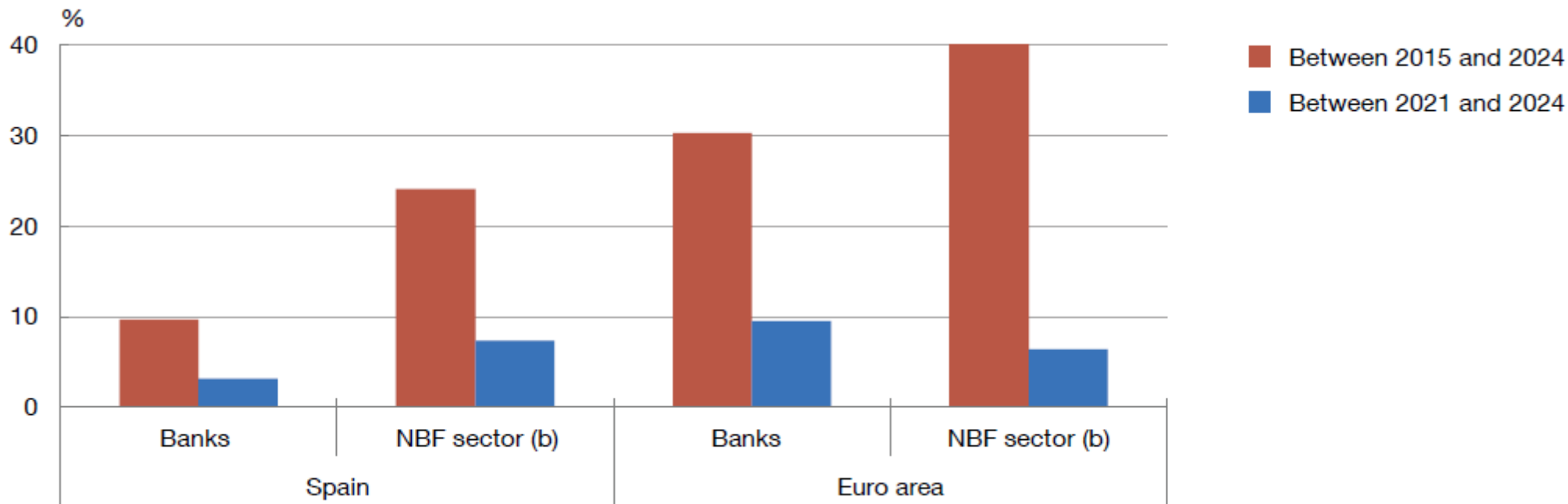


SOURCE: EBA. Latest observation: December 2024.  
a. Data from a sample of the main banks of each country. The minimum regulatory requirement for these ratios at consolidated level is 100%.



OVER THE LAST DECADE, THE NON-BANK FINANCIAL SECTOR HAS GROWN MORE THAN THE BANKING SECTOR, BOTH IN SPAIN AND, PARTICULARLY, IN THE EURO AREA AS A WHOLE

Total asset growth in the banking and non-bank financial sectors in Spain and the euro area.  
Non-consolidated data.



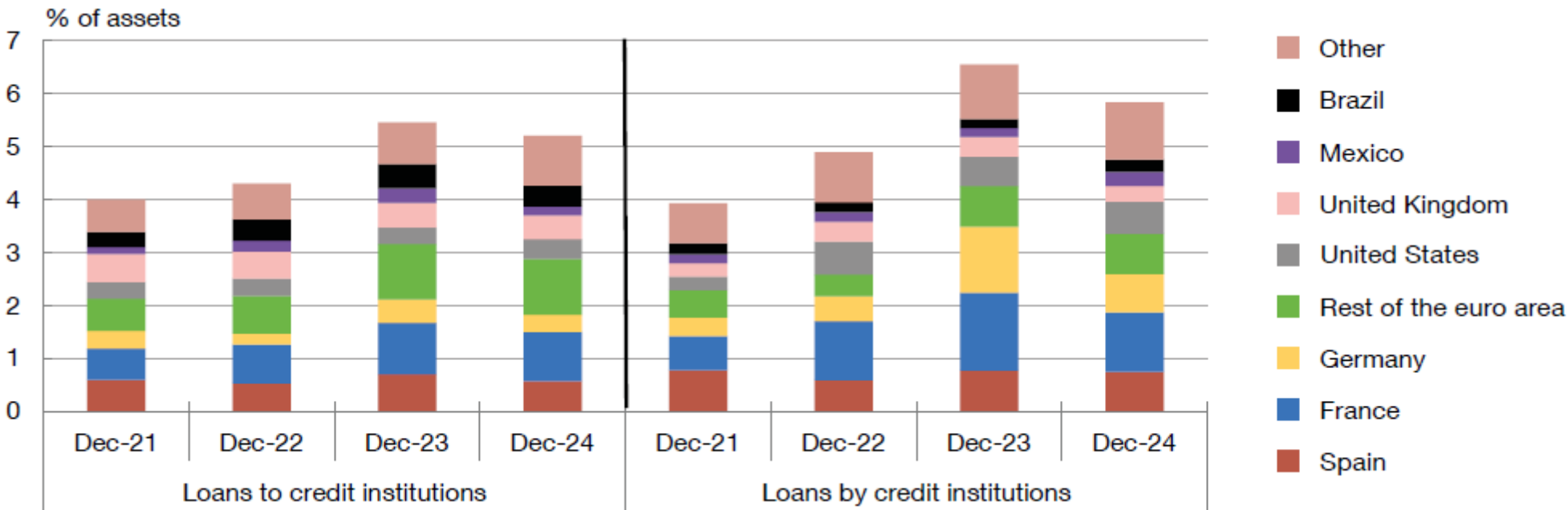
SOURCES: Banco de España and ECB. Latest observation: December 2024.

b. The NBF sector includes money market funds, non-monetary investment funds, insurance companies, pension funds and other non-bank financial intermediaries. Other non-bank financial intermediaries include specialised lending institutions (SLIs), venture capital companies, securities dealer companies, special-purpose vehicles, central counterparty clearing houses, real estate investment trusts, securities agencies, collective investment institution management companies, mutual guarantee societies, financial group head offices, appraisal companies, payment institutions, holding companies, special-purpose entities that issue securities and other specialised financial institutions.

SPANISH BANKS' PARTICIPATION IN THE INTERBANK MARKET HAS INCREASED, LEADING TO GREATER INTERCONNECTEDNESS WITH OTHER, ESSENTIALLY FOREIGN, CREDIT INSTITUTIONS

Spanish banks' exposure to the interbank market by residence of the counterparty.

Consolidated data. Significant institutions (a)

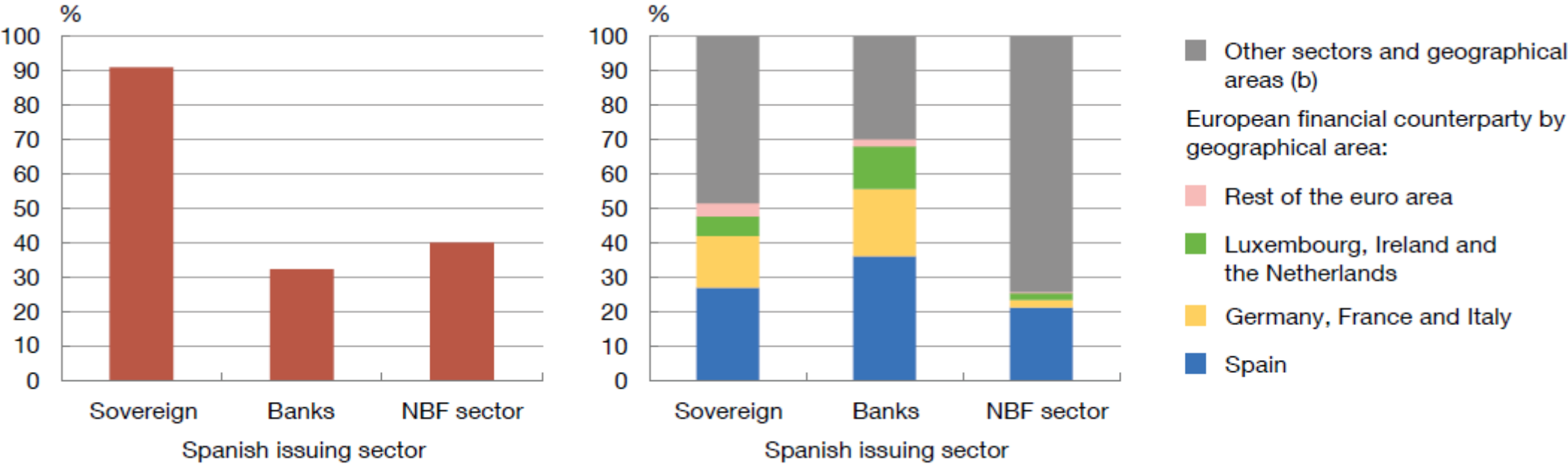


SOURCE: Banco de España. Latest observation: December 2024.

a Data for the eight significant institutions reporting the template "Geographical breakdown of liabilities by residence of the counterparty". At December 2024, the assets of banks reporting this template represented 97.1% of the assets of all significant institutions.

THE FINANCIAL SECTOR IN THE REST OF THE EURO AREA HOLDS ALMOST ONE-QUARTER OF SPANISH SOVEREIGN DEBT AND NEARLY ONE-THIRD OF THE SECURITIES ISSUED BY SPANISH BANKS

Total issuance of securities by each Spanish sector as a percentage of GDP (left-hand panel) and share of these securities holdings in total issuance by geographical area of the holding financial institution (right-hand panel)(a)

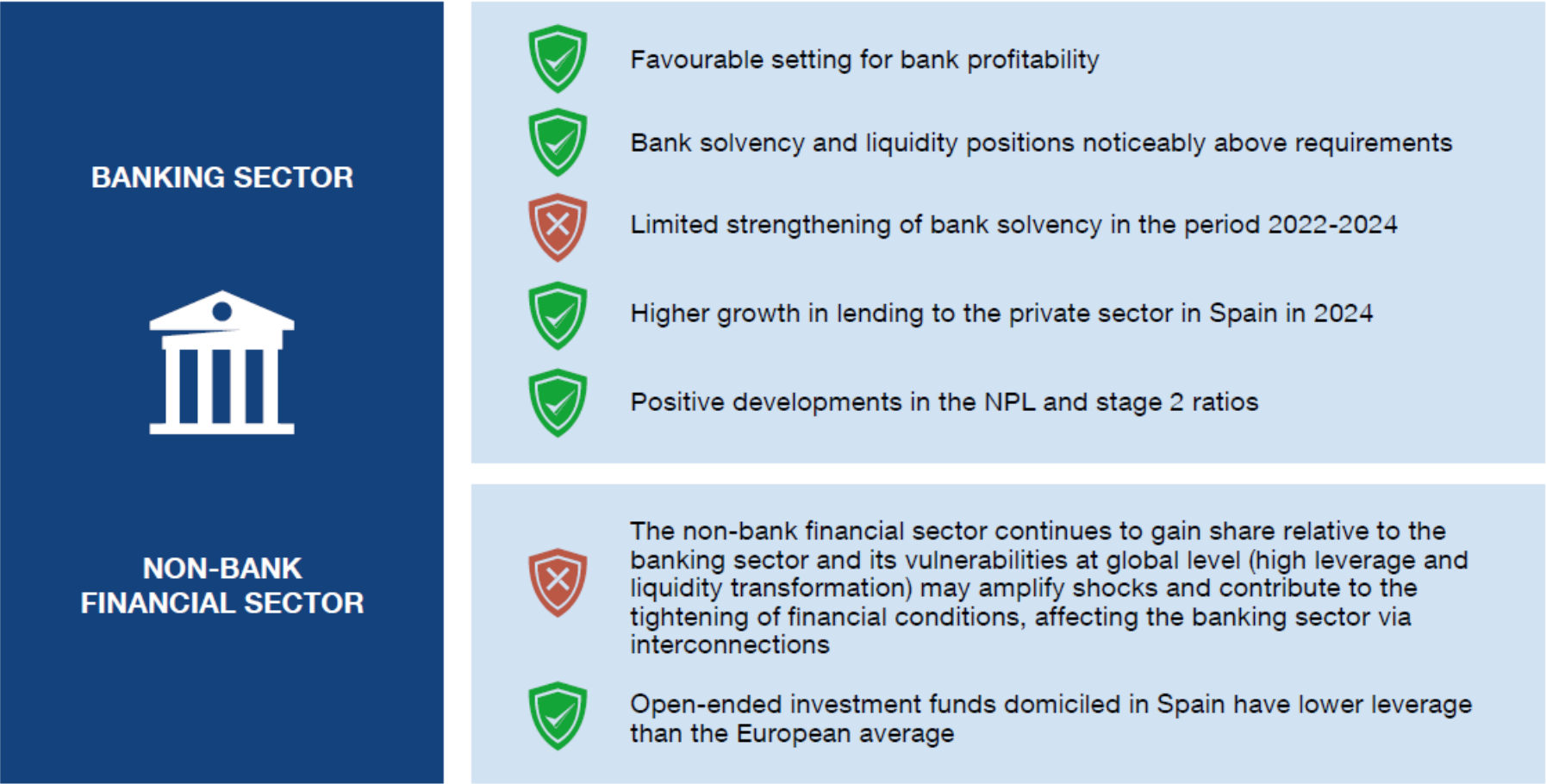


SOURCES: ECB and Banco de España. Latest observation: December 2024.

a. Includes short-term and long-term debt, listed shares and investment fund shares or units. Securities issued and held by the issuer are not included. Non-consolidated data.

b. Includes holders in other geographical areas outside the euro area, Eurosystem holdings and holdings of the euro area's non-financial sector.

SUMMARY OF THE FINANCIAL POSITION OF BANKS AND THE NON-BANK FINANCIAL SECTOR



SOURCE: Banco de España.

a. The green (red) shields denote the circumstances of the financial position of each sector that constitute strengths (vulnerabilities) should risks materialise. The strengths (vulnerabilities) reduce (increase) the likelihood of occurrence or the impact of the risks to financial stability.

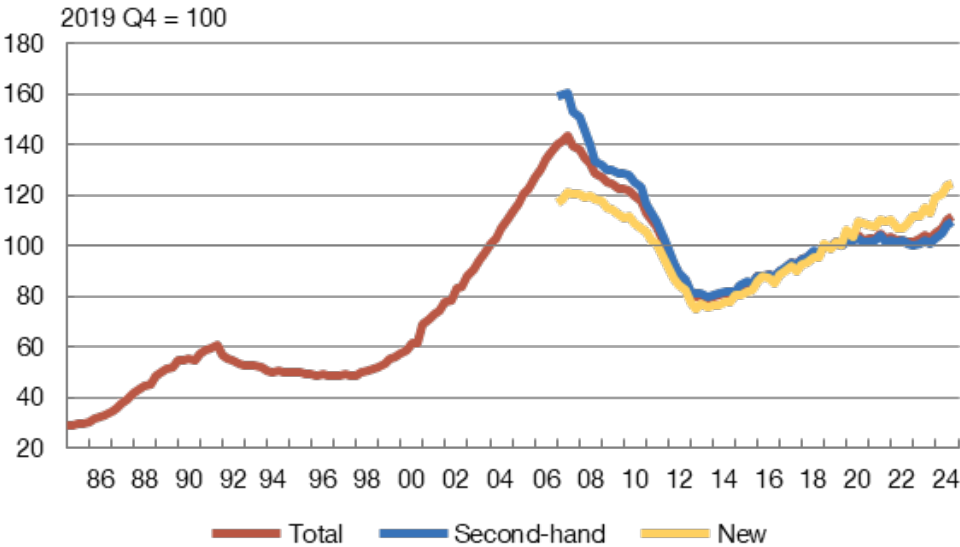
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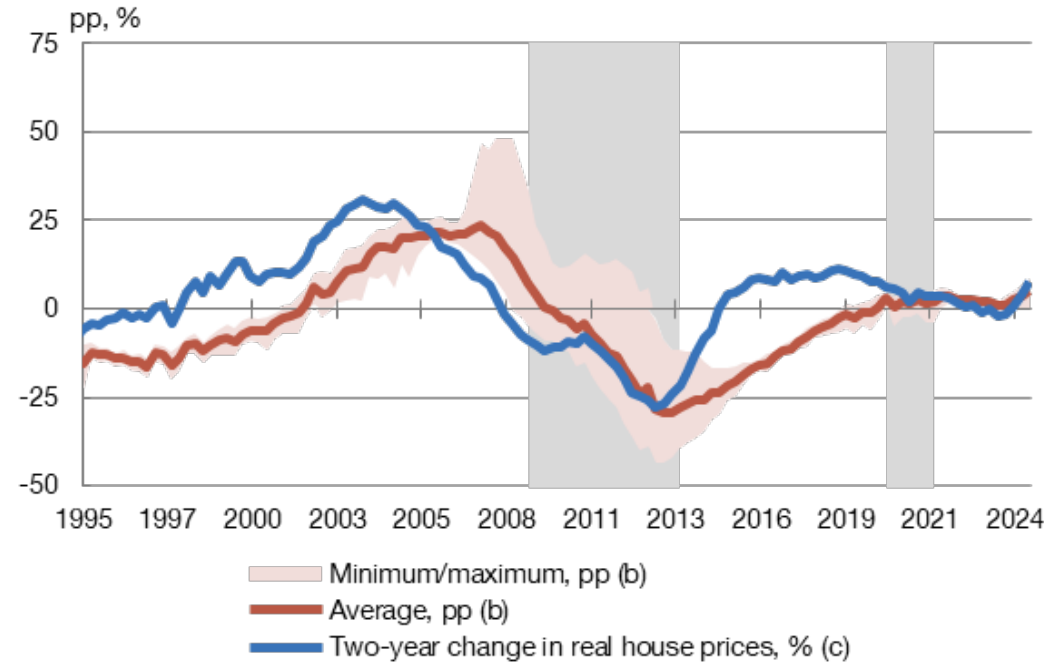
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STRONG DEMAND AND MORE RIGID SUPPLY CONTINUED TO EXERT UPWARD PRESSURE ON HOUSE PRICES.  
INDICATORS OF HOUSE PRICE IMBALANCES ROSE IN 2024, BUT REMAIN AT MODERATE LEVELS

House prices. Deflated by the consumer price index (CPI)



Indicators of house price imbalances (a)



SOURCES: Banco de España and INE. Latest observation: December 2024.

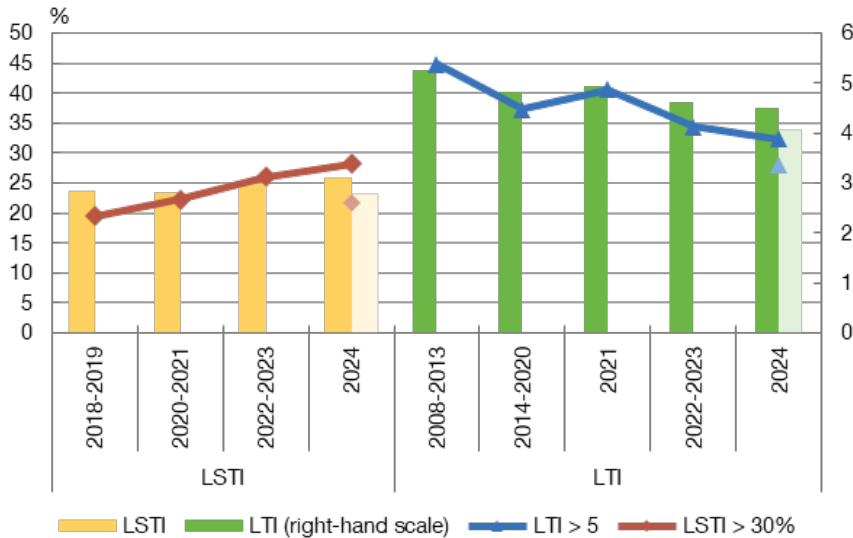
a. The grey vertical bands denote periods of economic crisis in Spain: the last systemic banking crisis and the economic crisis triggered by the COVID-19 health crisis.

b. Drawing on four indicators of house price imbalances: (i) the house price gap; (ii) the house price-to-household disposable income ratio gap; (iii) the ordinary least squares (OLS) model that estimates house prices based on long-term trends in household disposable income and mortgage rates; and (iv) the error correction model that estimates house prices based on household disposable income, mortgage rates and fiscal effects. All variables expressed in real terms relative to the GDP and consumption deflators. The long-term trends for indicators (i) to (iii) are calculated using a statistical one-sided Hodrick-Prescott filter with a smoothing parameter equal to 400,000. All four indicators have an equilibrium value of zero.

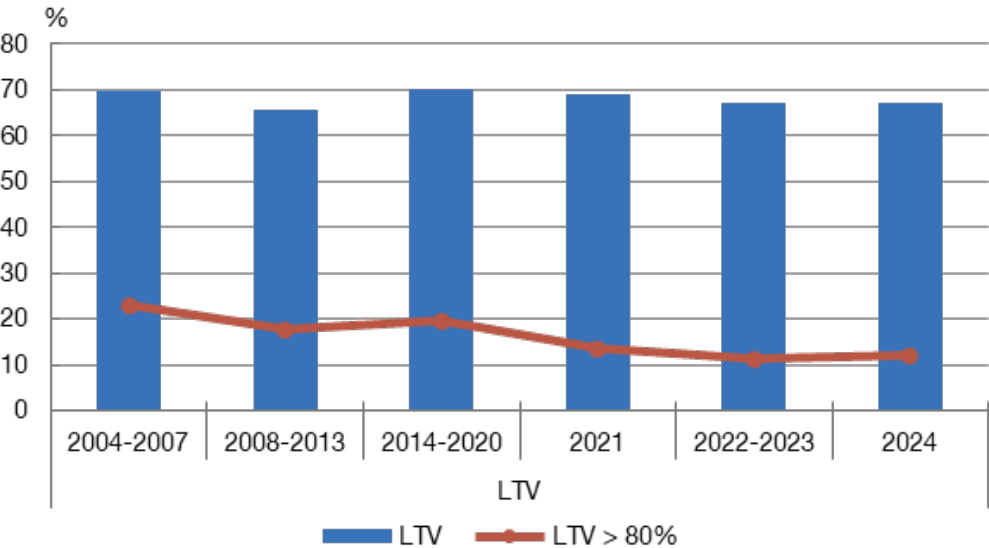
c. Two-year cumulative house price growth also holds some predictive power for price imbalances and is used as an additional simple indicator.

## CREDIT STANDARDS FOR NEW MORTGAGE LOANS FOR HOUSE PURCHASE HELD RELATIVELY STABLE IN 2024

Credit standards (income-related) for new mortgage loans to households (a) (b) (c)



Credit standards (collateral value-related) for new mortgage loans to households (d)

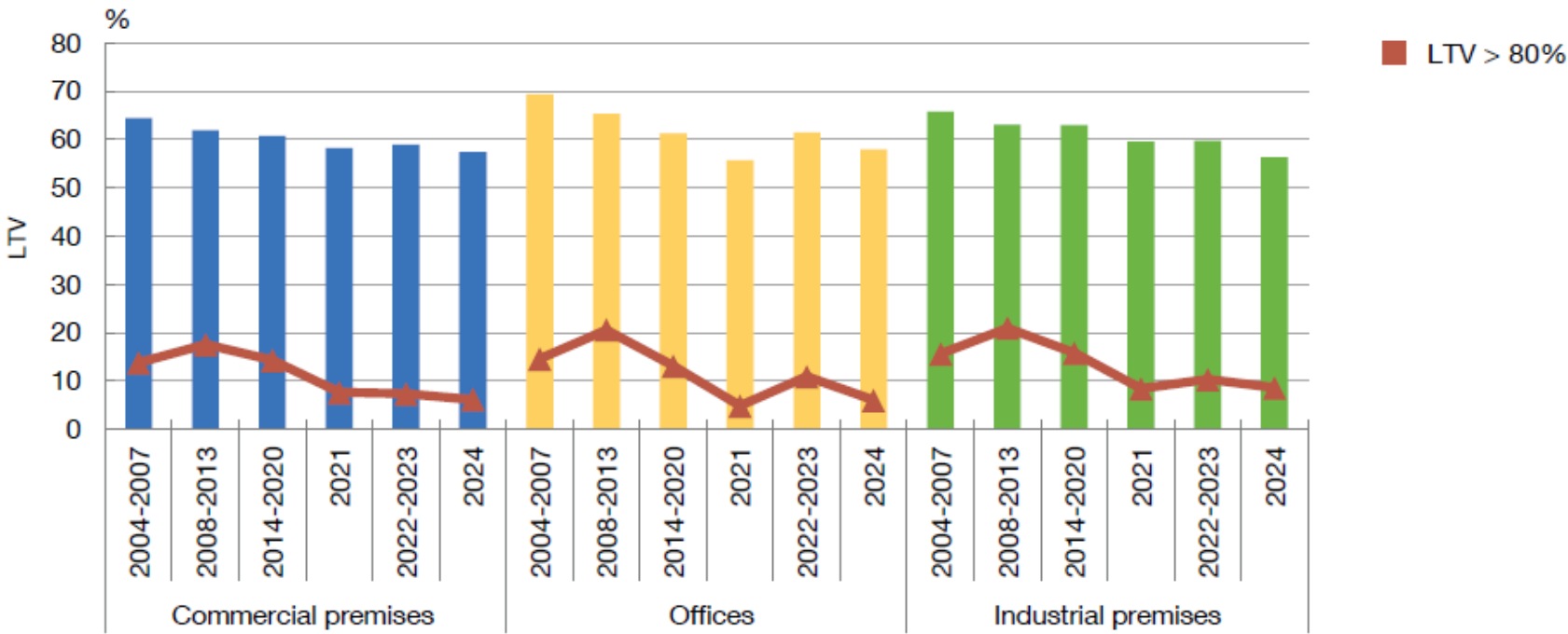


SOURCES: Association of Registrars, INE and Banco de España. Latest observation: December 2024.

- a. The LTI ratio is estimated for each mortgage as the ratio of the mortgage principal to the household's net annual income. The LSTI ratio for each mortgage is estimated as the ratio of the total annual cost of servicing the mortgage loan (including principal and interest payments), calculated according to the terms of the loan agreement (maturity, outstanding principal, interest rate type and interest rate spread), to the household's net annual income.
- b. The average LTI and LSTI ratios are calculated as the averages of those ratios in each mortgage weighted by their relative share (in terms of the principal) in the total stock of mortgage loans for which the information to calculate the ratio is available.
- c. The darker bars and markers denote the LTI and LSTI ratios calculated using net income information by postcode. The lighter bars and markers denote the LTI and LSTI ratios calculated using net income information at transaction level (only available from 2024).
- d. The LTV ratio is the amount of the mortgage principal relative to the collateral value when the property is purchased, based on Association of Registrars information. The average LTV values are weighted by the principal of each mortgage.

CREDIT STANDARDS FOR COMMERCIAL REAL ESTATE LOANS WERE STABLE IN 2024

Credit standards for new mortgage lending to the commercial real estate sector (a)



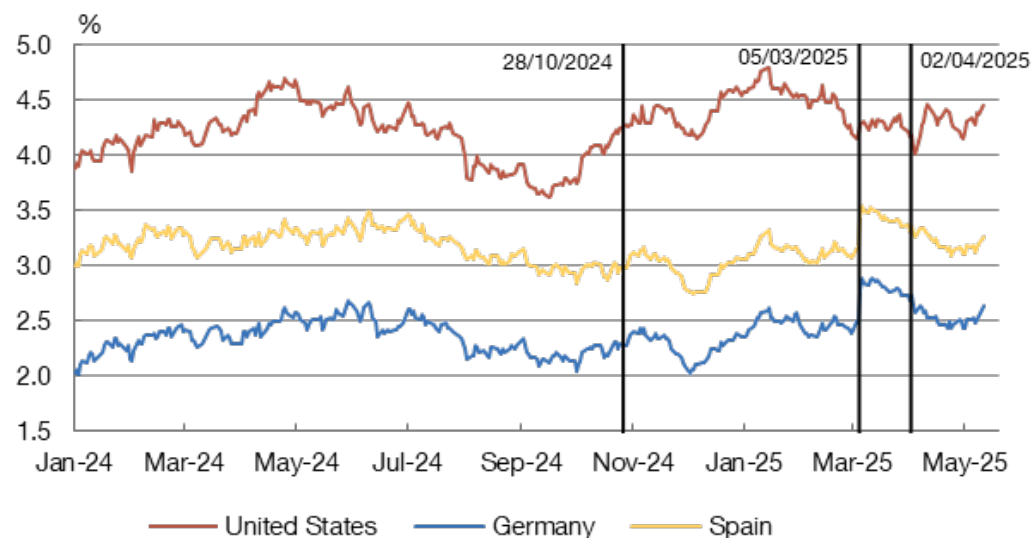
SOURCES: Colegio de Registradores and Banco de España. Latest observation: December 2024.

a. The LTV ratio is the amount of the mortgage principal relative to the appraisal value of the property, based on Association of Registrars information. The average LTV values are weighted by the principal of each mortgage.

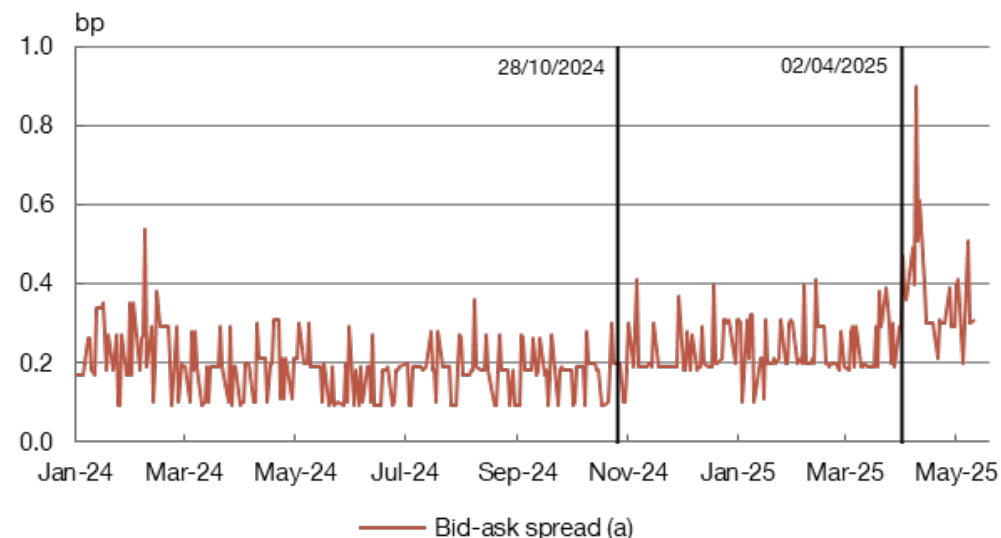


## GOVERNMENT DEBT MARKETS WERE SIGNIFICANTLY INFLUENCED BY ANNOUNCEMENTS OF INCREASED PUBLIC SPENDING IN EUROPE AND THE TARIFF WAR

10-year government bond yield



US government bond liquidity. 30-year bond

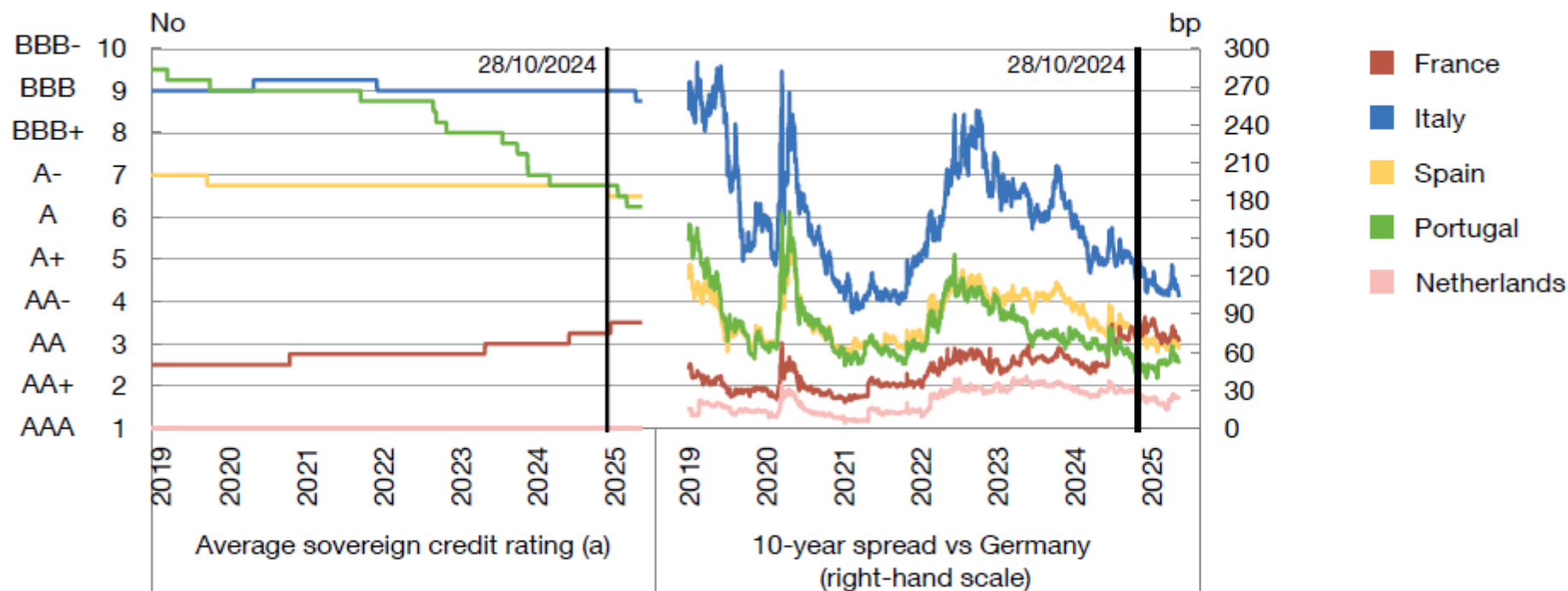


SOURCES: Bloomberg data License, LSEG Datastream and Banco de España. Latest observation: 12 May 2025. 28/10/2024 was the cut-off date for the last FSR. 05/03/2025 marks the market reaction to Germany's fiscal announcement. 02/04/2025 is when the trade war escalated.

a. Difference between the highest price a buyer is willing to pay and the lowest price at which the seller is willing to sell. A higher level indicates lower liquidity.

AMID UNEVEN CREDIT RATING DEVELOPMENTS, EURO AREA SOVEREIGN SPREADS EXPERIENCED A BROAD-BASED, ALBEIT TEMPORARY AND MODERATE, WIDENING DURING THE APRIL FINANCIAL TURBULENCE

### Sovereign debt: credit rating and spread vs German Bund

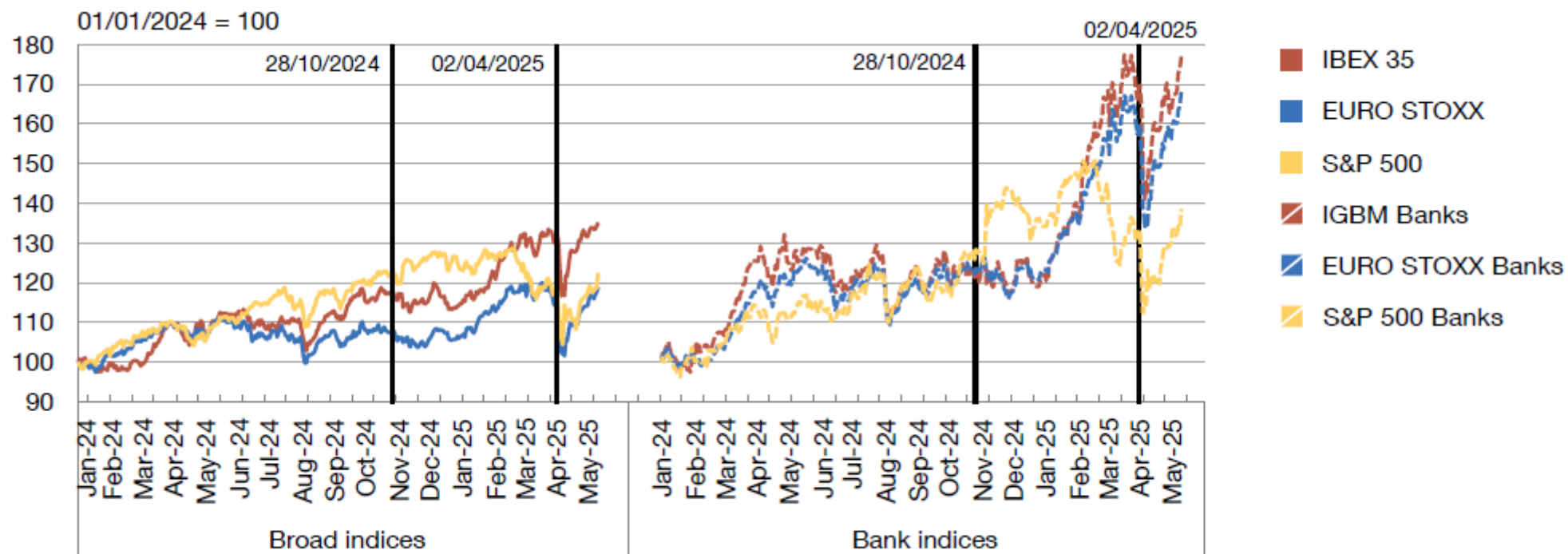


SOURCES: Banco de España and LSEG Datastream. Latest observation: 12 May 2025. 28/10/2024 is the cut-off date for the last FSR.

a. Average S&P, Moody's, Fitch and DBRS credit ratings. The numerical scale has the following equivalencies: 1 corresponds to AAA/Aaa, 2-4 ranges from AA+/Aa1/AaH to AA-/Aa3/AA, 5-7 from A+/A1/AH to A-/A3/AL and 8-10 from BBB+/Baa1/BBBH to BBB-/Baa3/BBBL.

THE ESCALATION OF THE TARIFF WAR IN EARLY APRIL TRIGGERED A SHARP DROP  
IN EQUITY PRICES, WHICH SUBSEQUENTLY REVERSED

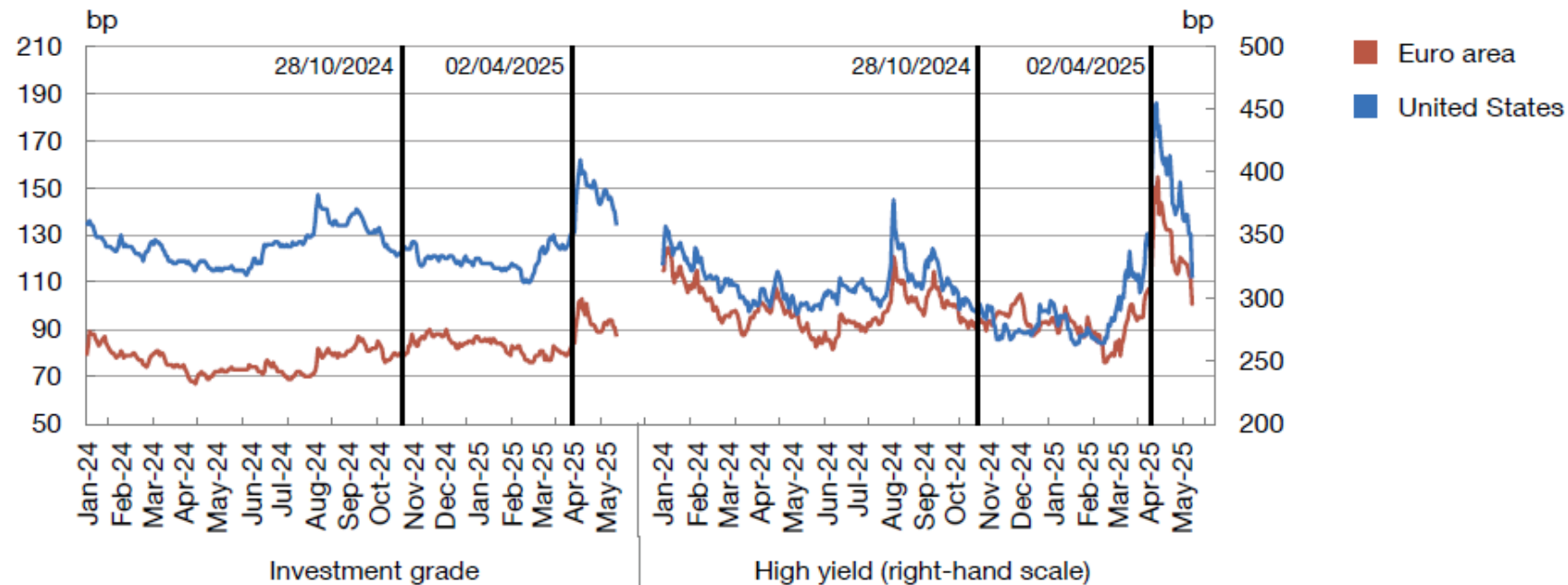
### Stock market indices: broad and banks



SOURCE: LSEG Datastream. Latest observation: 12 May 2025. 28/10/2024 was the cut-off date for the last FSR. 02/04/2025 is when the tariff war escalated.

CORPORATE DEBT RISK PREMIA ROSE SHARPLY FOLLOWING THE ESCALATION OF THE TARIFF WAR AND, DESPITE DECLINING RECENTLY, REMAIN HIGHER THAN AT THE CUT-OFF DATE FOR THE PREVIOUS FSR

Corporate spreads over the swap curve (a) (b)



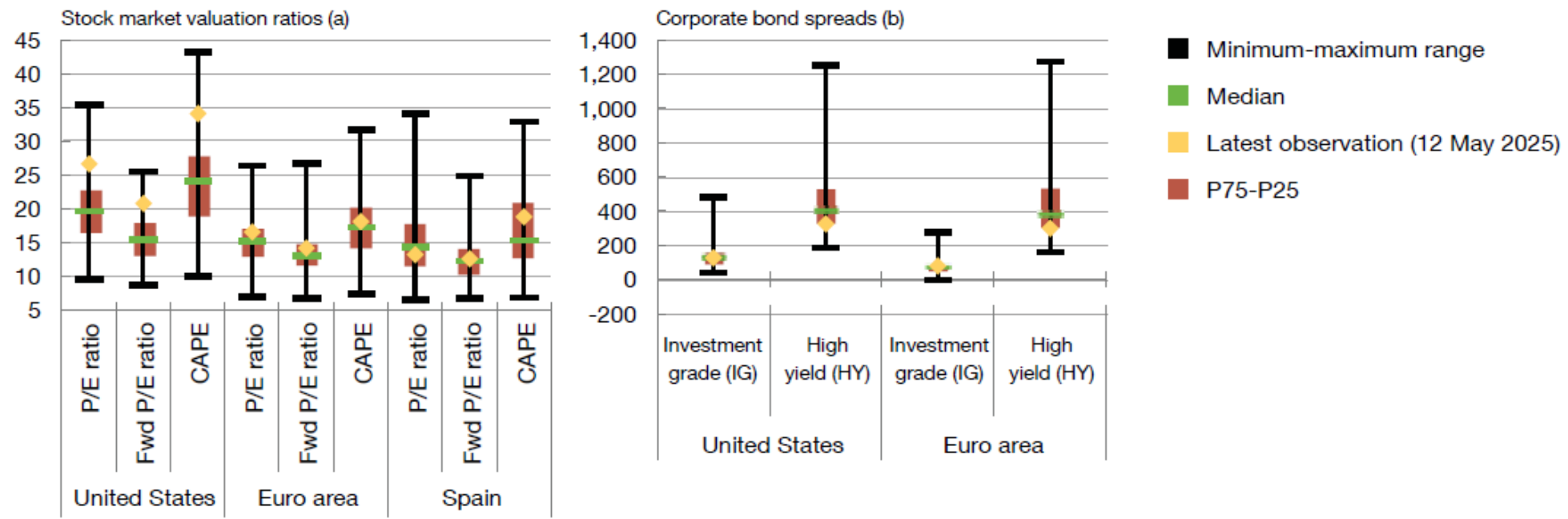
SOURCE: LSEG Datastream. Latest observation: 12 May 2025. 28/10/2024 was the cut-off date for the last FSR. 02/04/2025 is when the tariff war escalated.

a. The swap curve refers to the ICE Bank of America Merrill Lynch indices and represents risk-free rates at different maturities. In an interest rate swap, the two parties agree to exchange periodic interest payments, one based on a fixed rate and the other on a variable rate.

b. In April 2025 the high-yield bond segment accounted for approximately 14% of the total outstanding debt of euro area non-financial corporations (according to Dealogic estimates based on historical issues) and 19% in the United States. In relative terms, the euro area high-yield market was 25% the size of its US counterpart.

A TIME-BASED COMPARISON SHOWS THAT RISK-BEARING FINANCIAL ASSET VALUATION METRICS REMAIN HIGH FOR US STOCK MARKET ASSETS AND FOR HIGH-YIELD CORPORATE BONDS IN THE UNITED STATES AND THE EURO AREA

Stock market and corporate bond metrics











SOURCES: Banco de España and LSEG Datastream. Latest observation: 12 May 2025.

a. Drawing on monthly stock market index series constructed by Datastream since 1985 for the euro area and the United States and since 1987 for Spain. The sample is somewhat smaller for Spain's cyclically adjusted price-to-earnings (CAPE) ratio and the euro area 1-year forward P/E (Fwd P/E) ratio. The CAPE ratio is calculated as the value of the stock market index in real terms (adjusted for CPI) divided by a 10-year moving average of the index firms' earnings in real terms. The P/E ratio and 1-year fwd P/E ratio capture the relationship between the stock price and earnings per share (observed or expected). These ratios are provided by Datastream.

b. Corporate spreads over the swap curve of the ICE Bank of America Merrill Lynch indices. The swap curve represents the risk-free rates at different maturities. In an interest rate swap, the two parties agree to exchange periodic interest payments, one based on a fixed rate and the other on a variable rate. Monthly series data since 1998.

## SUMMARY OF MARKETS AND ASSET PRICES (a)

 <p><b>REAL ESTATE MARKET</b></p>	 <p>Real housing prices have risen due to the strength of demand in relation to supply. Against this background, indicators of house price imbalances have held at moderate levels</p>  <p>Mortgage lending standards remain stable</p>
 <p><b>FINANCIAL MARKETS</b></p>	 <p>Tensions in the US public debt market and dollar depreciation following the tariff policy shifts</p>  <p>Equity market volatility spiked in April driven by economic policy uncertainty</p>  <p>Risky asset valuations remain high</p>  <p>High concentration of global stock market capitalisation in the technology sector</p>

SOURCE: Banco de España.

a. The green (red) shields denote circumstances that constitute strengths (vulnerabilities) should risks materialise. The strengths (vulnerabilities) reduce (increase) the likelihood of occurrence and the impact of the risks to financial stability.

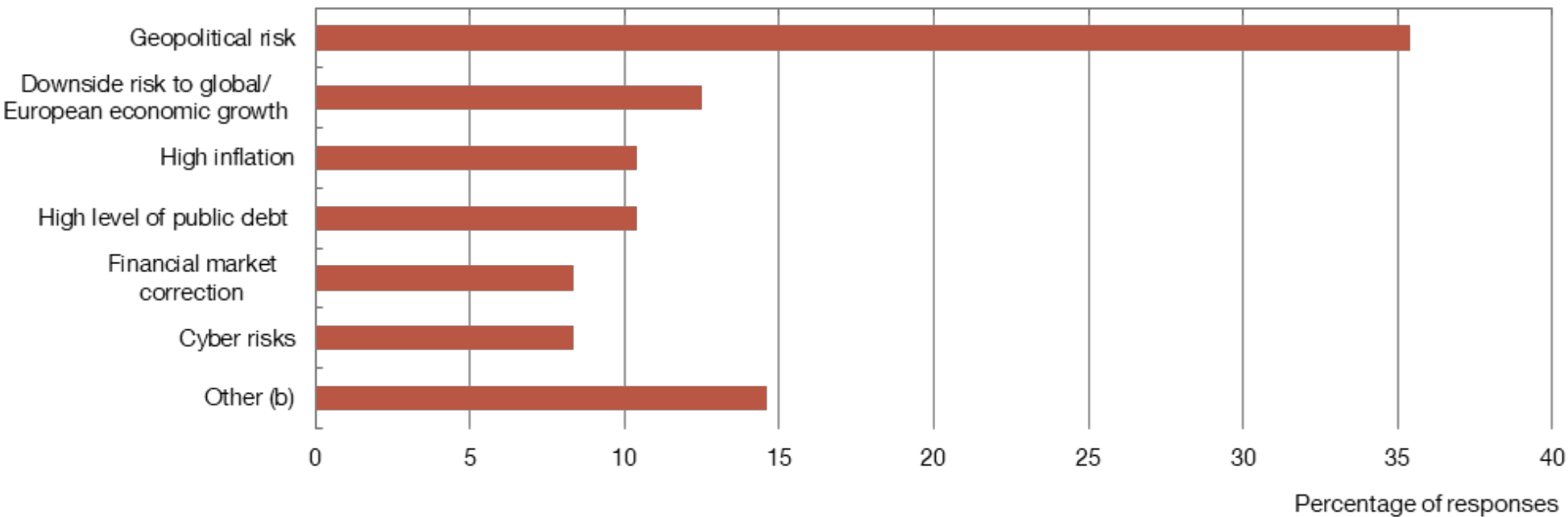
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THE BANCO DE ESPAÑA HAS UNDERTAKEN AN INITIATIVE TO COMPILE MARKET INTELLIGENCE FROM EXTERNAL SOURCES

Main risks to financial stability (a)



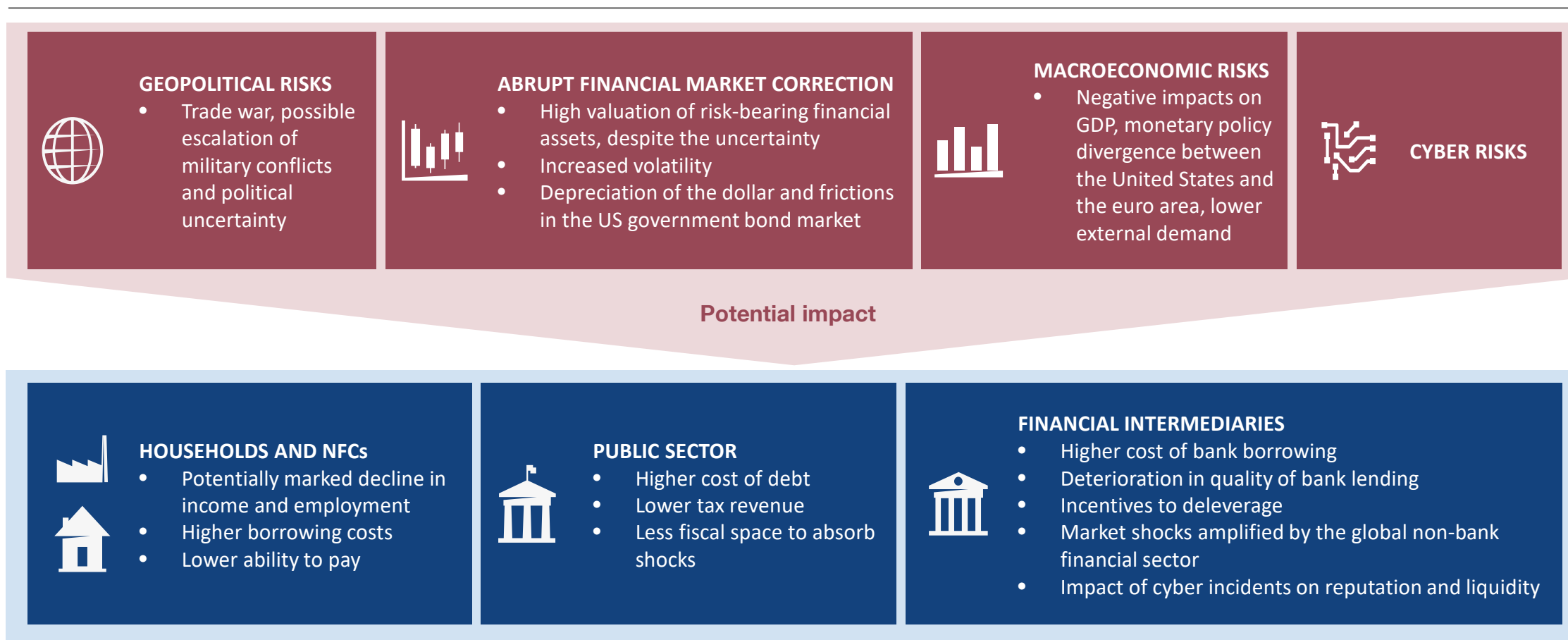
SOURCE: Banco de España survey of chief risk officers and market analysts, sent in February and March 2025.

a. Responses to the question: “What do you consider are the three main risks which, if they materialise, could have an adverse effect on the financial stability of the Spanish economy in the next two years?”.

b. “Other” includes political fragmentation, the real estate sector, climate change, demographics, the increase in taxes on banks, the deterioration in the Spanish banking sector's liquidity position and the leverage of non-bank financial institutions.



## RISKS TO THE STABILITY OF THE SPANISH FINANCIAL SYSTEM (a)



SOURCE: Banco de España.

a. Risks to financial stability are defined as adverse changes – with an uncertain probability of occurrence – in economic and financial conditions, or in the physical or geopolitical environment, which hamper or impede financial intermediation, with negative consequences for real economic activity.

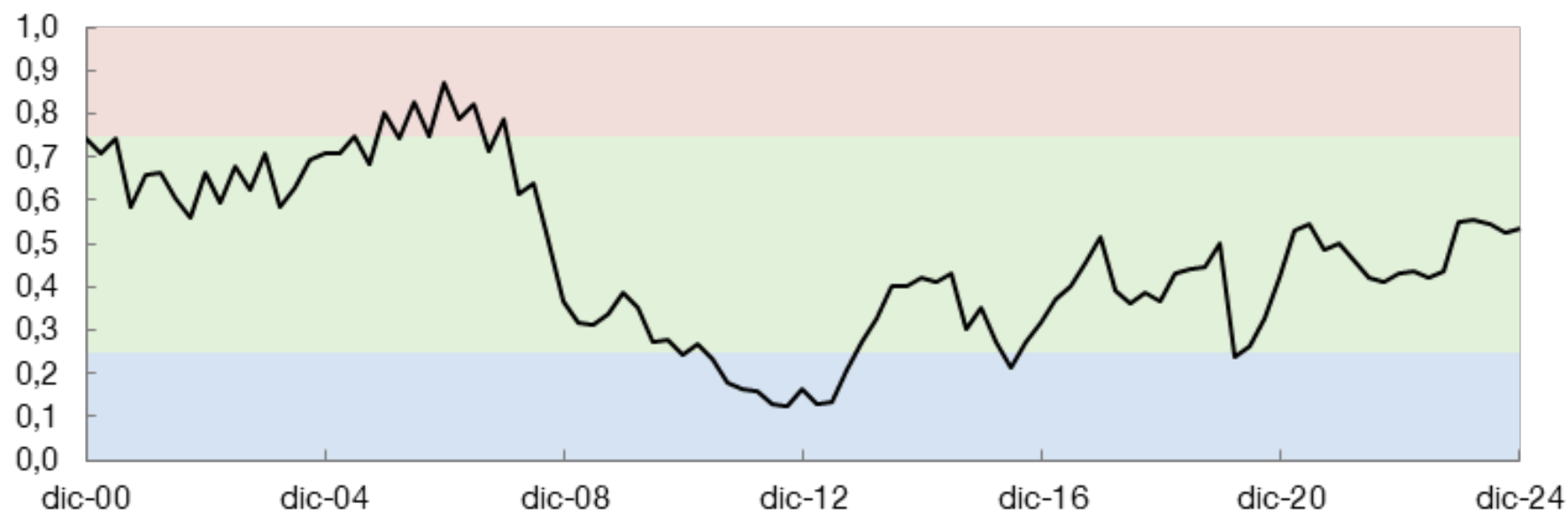
## CONTENTS

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- CHAPTER 2. FINANCIAL SITUATION OF HOUSEHOLDS, NON-FINANCIAL CORPORATIONS AND GENERAL GOVERNMENT
- CHAPTER 3. FINANCIAL POSITION OF FINANCIAL INTERMEDIARIES
- CHAPTER 4. MARKETS AND ASSET PRICES
- CHAPTER 5. RISK ANALYSIS
- **CHAPTER 6. MACROPRUDENTIAL POLICY**

## CYCLICAL SYSTEMIC RISKS REMAIN AT AN INTERMEDIATE LEVEL

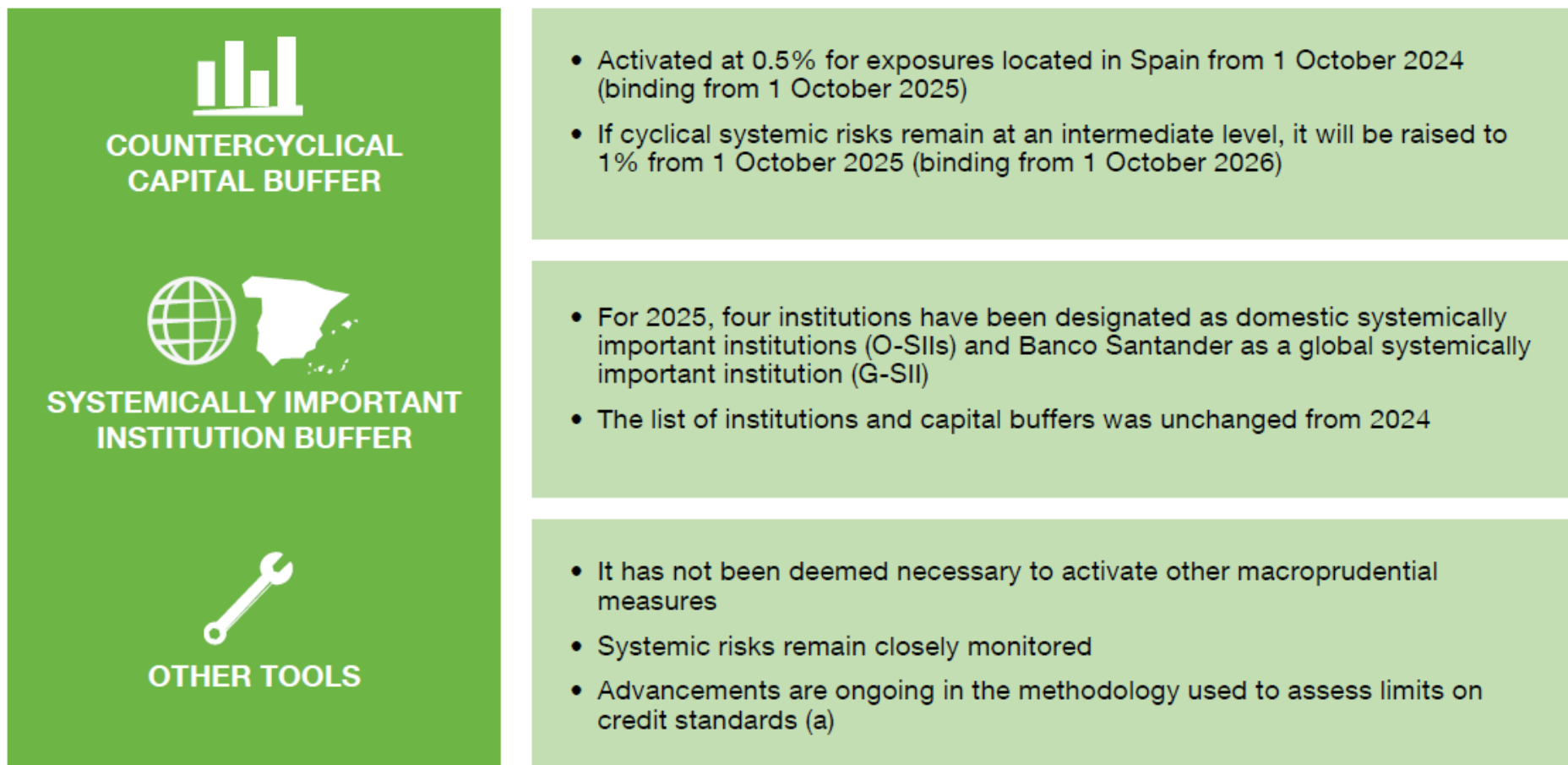
Composite indicator of cyclical systemic risk (a)



SOURCES: Banco de España, INE and Datastream. Latest observation: December 2024.

a. The indicators are defined on a scale of 0 to 1 based on the percentile at which various metrics stand relative to their historical distribution. The blue (green) [red] range indicates a low (standard) [high] level signal of cyclical systemic risks.

## THE CCyB WAS ACTIVATED, WHILE THE SYSTEMICALLY IMPORTANT INSTITUTION BUFFERS REMAINED UNCHANGED



SOURCE: Banco de España.

a. Limits on credit standards refer to regulatory constraints on the characteristics of loans permitted in a given jurisdiction. For instance, maximum repayment periods or caps on loan-to-income (LTI) or loan-to-value (LTV) ratios.

## KEY CONCLUSIONS

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- Spanish **households and non-financial corporations** have **strengthened their financial position**
- **Spain's general government** is in a more **vulnerable financial position**
- The **banking sector's strong financial performance** continues, while its resilience to risks remains stable
- In the **housing** market, real prices continue to rise, although indicators of price imbalances have remained at moderate levels to date
- The tariff hikes in April triggered a **bout of turbulence in global financial markets**, affecting a range of asset classes
- The **main risks to financial stability** relate to **geopolitical tensions**, the potential for **abrupt corrections in financial markets** and **macroeconomic risks**. Effective cyber risk management is increasingly important
- The Banco de España's **macroprudential policy** is **geared towards protecting and reinforcing the resilience of Spain's banking sector**. An example of this is the activation of the countercyclical capital buffer in October 2024