

# 3

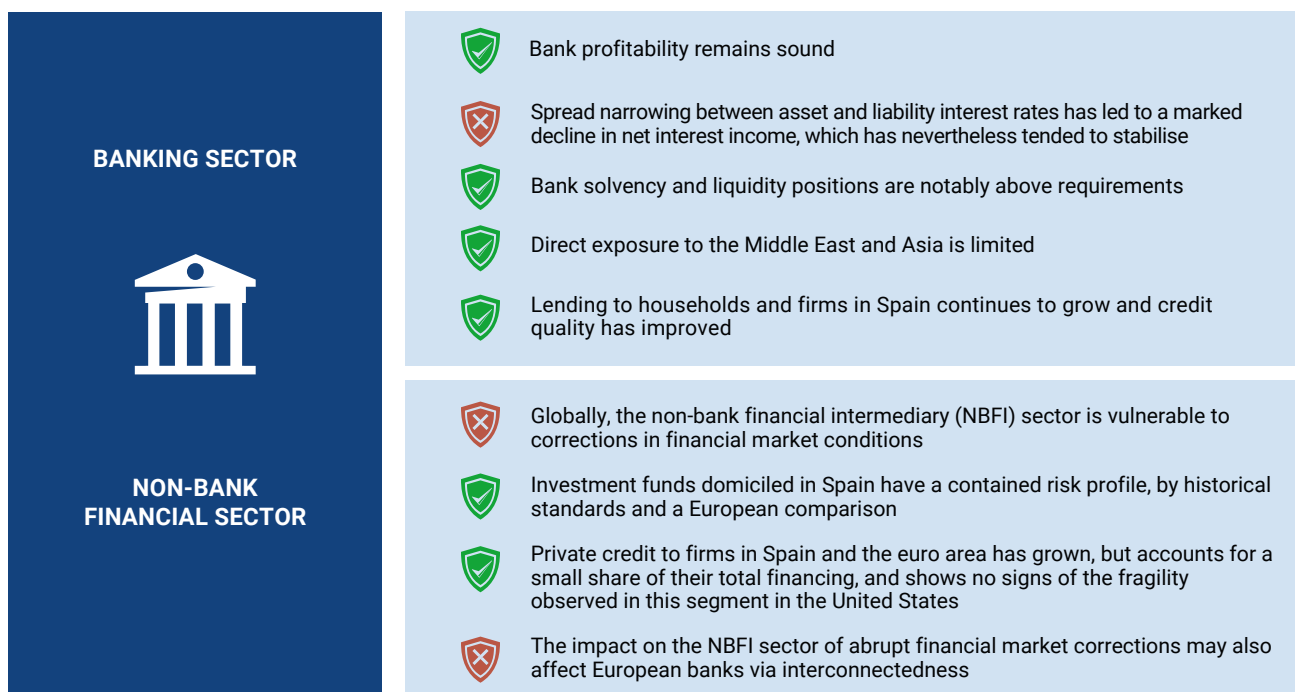
## FINANCIAL POSITION OF SPANISH BANKS AND THE NON-BANK FINANCIAL SECTOR



### 3 FINANCIAL POSITION OF SPANISH BANKS AND THE NON-BANK FINANCIAL SECTOR

Figure 3.1

#### Financial position of banks and the non-bank financial sector (a)



SOURCE: Banco de España.

a The green shields with a tick (red shields with a cross) 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/or the impact of the risks to financial stability.

## 3.1 Banking sector

### 3.1.1 Profitability

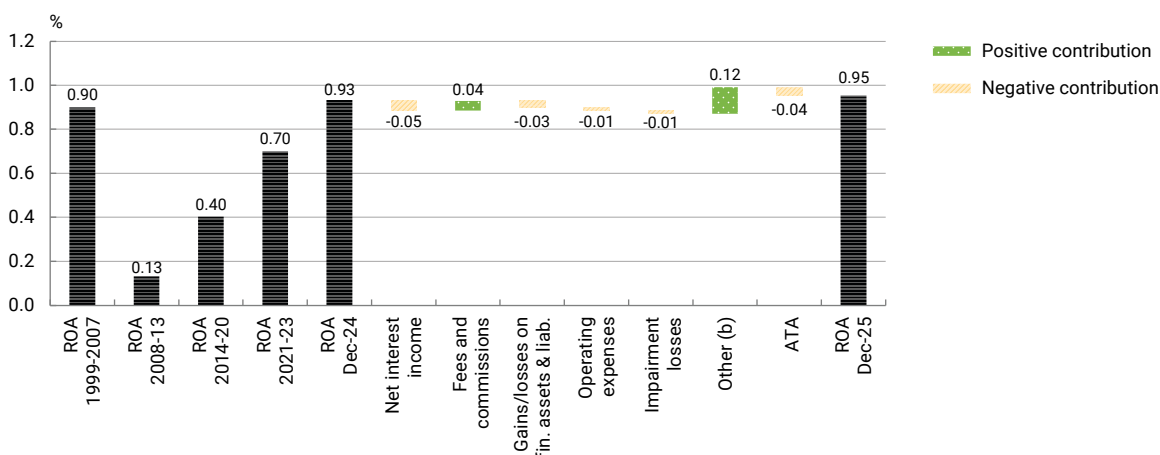
**The profitability of the Spanish banking sector improved in 2025, but less so than in recent years.** The sector's consolidated profit grew by 6% in 2025 (see Annex 1),<sup>1</sup> with a year-on-year increase of 2 basis points (bp) in the return on assets (ROA) to 0.95% in December 2025 (Chart 3.1). The return on equity (ROE) also increased, by 0.1 percentage points (pp), from

<sup>1</sup> In June 2025 a significant credit institution announced the agreement to sell a subsidiary abroad, and in September 2025 another significant institution did the same. Thus, in accordance with International Financial Reporting Standard 5, both institutions recorded the results of the business concerned under a single heading in their consolidated income statement ("Profit or loss from discontinued operations (net)"), therefore excluding them from the heading-by-heading breakdown of the continuing operations. In this section, to ensure consistency in the analysis and the year-on-year comparison with December 2024, these amounts have been reincorporated into the main income statement headings. This distribution of "Profit or loss from discontinued operations (net)" does not alter net profit and, therefore, neither ROA nor ROE.

Chart 3.1

### In 2025 the Spanish banking sector's ROA improved somewhat, while net interest income declined

#### 3.1.a Breakdown of the change in ROA. Consolidated data (a)



SOURCES: Banco de España and public financial reports. Latest observation: December 2025.

a, b Note A2.3.1.1.1 in Annex 2.



14.2% to 14.3% in the same period (Chart A2.3.1.1.2 in Annex 2). These improvements in ROA and ROE,<sup>2</sup> although less marked than in previous years, were seen across all banks (Chart A2.3.1.1.3 in Annex 2). The main listed banks' earnings for 2026 Q1 show that bank profitability remains on an upward path.

**Net interest income fell year-on-year in 2025, although this decline moderated over the course of the year.** Net interest income fell by 1.9% in December 2025 compared with the same month a year earlier, but this year-on-year decline moderated over the course of the year (-4.2% in March, -3.7% in June and -2.4% in September). Net interest income also declined in business in Spain. In terms of ROA, this decline in net interest income has resulted in a drop of 5 bp (Chart 3.1). In 2026 Q1, the consolidated income statements published by the main listed banks indicate that net interest income has stopped declining, showing a year-on-year increase.

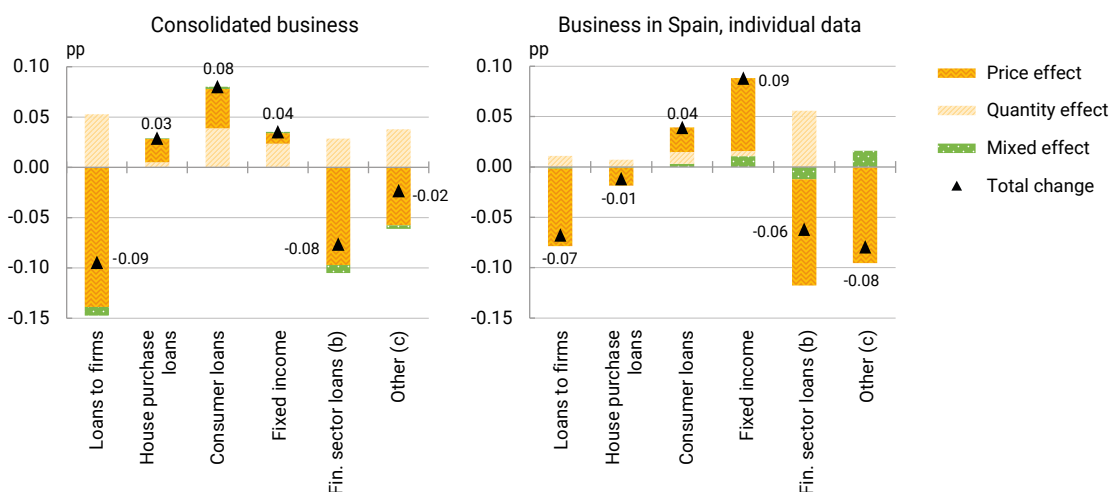
**Net interest income performed unevenly across portfolios, at both consolidated level and in business in Spain.** A fall was recorded due to the contraction in unit margins for business and financial sector (credit institutions and other financial corporations) credit portfolios, at both consolidated level and in business in Spain. Conversely, increases were observed in both perimeters for the consumer credit and fixed income portfolios, driven by growth in their volume and expansion of their unit margin (Chart 3.2). For their part, housing loan portfolios experienced moderate changes in net interest income, which increased at consolidated level and fell slightly in business in Spain. In aggregate, unit margins decreased in 2025, at both

<sup>2</sup> ROA and ROE rose against a backdrop of increases in the ratios' denominators (average total assets and average equity grew by 4.1% and 5%, respectively, in 2025).

Chart 3.2

**Net interest income performed unevenly across portfolios in 2025, notably decreasing in lending to firms and the financial sector and rising in consumer credit and fixed-income portfolios**

3.2.a Breakdown of the change in net interest income as a percentage of average total assets (ATA) (a)



SOURCES: Banco de España, ECB, Capital IQ and public financial reports. Latest observation: December 2025.

a, b, c Note A2.3.1.1.6 in Annex 2.

consolidated level and in Spain, although this decline eased as the year progressed (Chart A2.3.1.1.4 in Annex 2).

**The uneven performance of net interest income across different credit portfolios is consistent with the varying effects on portfolios of the pass-through of monetary policy rate cuts since 2023.** Specifically, in business in Spain, this pass-through to bank lending rates is higher for loans to firms and for house purchase than for other household loans. In addition, the pass-through by Spanish banks has been higher than by European banks overall (Chart A2.3.1.1.5.a in Annex 2), partly because Spain has a larger proportion of variable rate loans.<sup>3</sup> However, this proportion has decreased in recent years in the case of loans to households (Chart A2.3.1.1.5.b in Annex 2). In any event, as the pass-through of lower monetary policy rates to bank interest rates is completed, it is likely that its adverse impact on net interest income will tend to fade and that this component of profit will stabilise, as observed over the course of 2025. However, this trend could change as a result of the geopolitical conflict in the Middle East, and its impact on reference interest rates and financial intermediation.

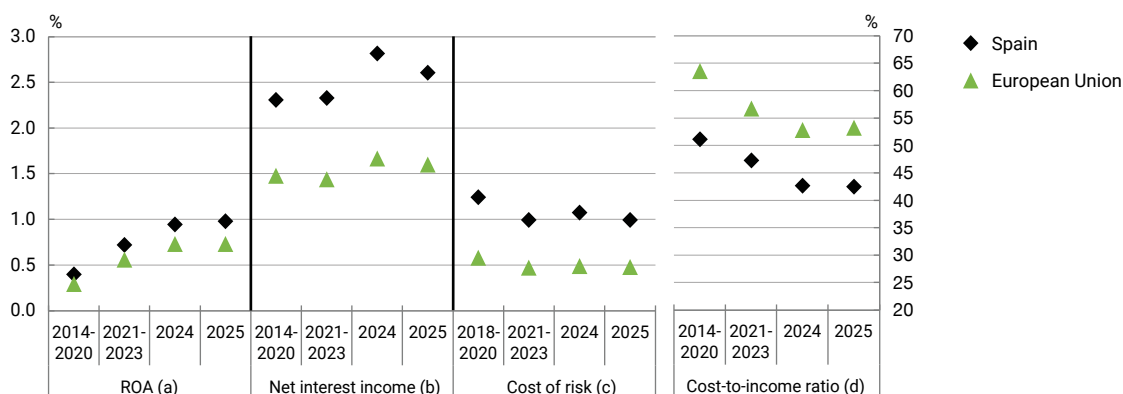
**Although other income statement headings have performed unevenly, overall, they have offset the decline in net interest income.** Notable among the components that contributed to

<sup>3</sup> In particular, according to European Central Bank (ECB) data, in household lending, for instance, the proportion of loans with an interest rate reset period of up to 12 months and original and residual maturities of over one year was around 45% in Spain in December 2025, compared with 16% in the euro area as a whole.

Chart 3.3

**Spanish banks' profitability exceeds the European average, partly driven by higher net interest income and greater operational efficiency**

3.3.a European comparison of key profitability and operational efficiency variables. Consolidated data (a)



SOURCE: EBA. Latest observation: December 2025.

- a ROA is defined as net profit to total assets.
- b Net interest income is defined as net interest earned to total income-generating assets.
- c The cost of risk is defined as provisions for financial impairments divided by gross lending. Reporting for this variable began in 2018.
- d The cost-to-income ratio is defined as operating expenses divided by gross income, with lower values denoting higher efficiency.

profitability growth were the higher net fee and commission income, the reduction in provisions other than financial impairments, lower taxes and higher other operating income. The improvement in other operating income was largely due to the smaller adjustment for hyperinflation in business in Argentina and Türkiye,<sup>4</sup> a component that is one-off in nature and may foreseeably not last. By contrast, operating expenses and impairment losses on financial assets made a mildly negative contribution.

**The profitability of banks with significant business abroad increased in 2025.** These banks' earnings rose in 2025 in several major countries where they operate, especially in the United States and Türkiye. By contrast, profitability fell in Brazil and declined somewhat in Mexico. Nevertheless, despite this decline, Mexico remained the top foreign contributor to these institutions' earnings (Chart A2.3.1.1.7 in Annex 2).

**The profitability of the Spanish banking sector in 2025 outperformed the European average, underpinned by higher net interest income and greater operational efficiency.** On European Banking Authority (EBA) data at December 2025, the main Spanish banks' ROA was 25 bp above the European average (0.73%; Chart 3.3),<sup>5</sup> and higher than in other major European

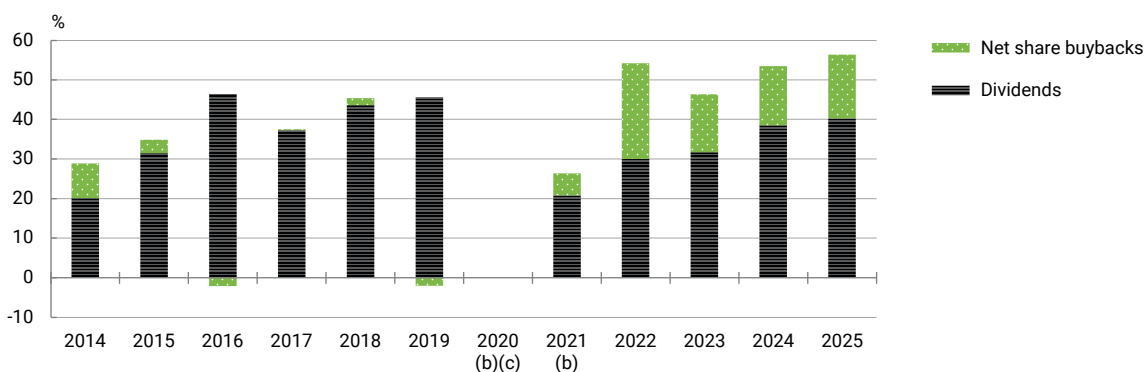
4 The hyperinflation adjustment affects the business abroad of the sector's two main banks. The international accounting standards applicable to Spanish banks effectively penalise the measurement of businesses whose functional currency is the currency of a hyperinflationary economy (see [International Accounting Standard 29](#)). Lower inflation in Türkiye and Argentina reduced these penalties in 2025.

5 Spain's ROA in this European comparison differs from that in the first paragraph, due to differences in the scope of institutions considered. To compare European figures, EBA data are used. These data refer to the major European Union (EU) banks, which, in the case of Spain, are limited to the ten significant institutions. The remainder of this section uses domestic data for all banks.

Chart 3.4

**The improvement in bank profitability in recent years has been accompanied by an increase in profit distribution since 2022**

3.4.a Dividends and net share buybacks as a percentage of net profit. Consolidated data (a)



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

- a The information on dividends and net share buybacks is obtained from capital statements and statements of changes in equity. Thus, part of the impact recognised in a particular year may derive from profits obtained in previous years. Share buybacks are calculated net of sales and redemptions (in the case of the latter, only when they are not deemed to be linked to capital reductions that neutralise their impact on equity).
- b An ECB recommendation to limit profit distribution was in force in 2020 and 2021.
- c Dividends and buybacks as a percentage of net profit are not calculated for this year, given that the sector as a whole recorded losses.

countries, except Italy (Chart A2.3.1.1.8 in Annex 2). This higher profitability was underpinned by higher net interest income (relative to ATA) and a substantially lower cost-to-income ratio<sup>6</sup> than that of European banks, amply offsetting Spanish banks' higher cost of risk.

**The distribution of profit, through dividends and net share buybacks,<sup>7</sup> rose in 2025, continuing the trend of recent years.** The improvement in profits was accompanied by an increase in the percentage allocated to shareholder remuneration<sup>8</sup> (Chart 3.4). While these higher payouts to shareholders increase the appeal of the banking sector to investors, they also entail an opportunity cost, constraining organic capital formation.

### 3.1.2 Solvency

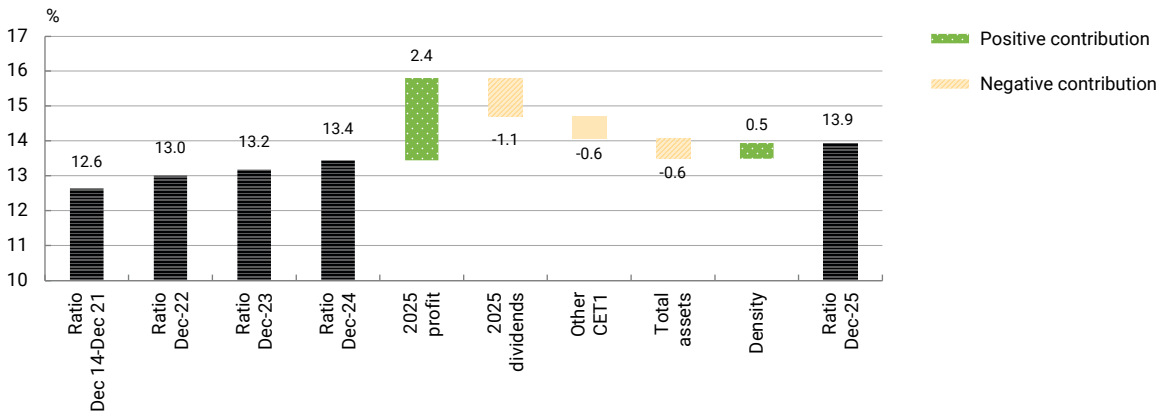
**The Common Equity Tier 1 (CET1) ratio rose by 0.5 pp in 2025, to stand at 13.9%.** This increase was due to year-on-year growth of nearly 5% in CET1 capital (the numerator of the ratio; Chart 3.5.a). This growth in the numerator is explained by the positive contribution of the profit obtained in 2025. As regards the denominator, risk-weighted assets (RWAs) rose by 1% in 2025,

- 6 The cost-to-income ratio is defined as operating expenses divided by gross income, with lower values denoting higher efficiency.
- 7 When an entity buys back its own shares in the market in order to redeem them, the number of outstanding shares decreases, thus increasing earnings per share, which is a form of shareholder remuneration.
- 8 This rising trend is also seen across European banks. In its June 2025 *Risk Assessment Report*, the EBA noted that European banks' profit distribution in 2024 reached 50.6%, and that the planned profit distribution for 2025 would amount to 55% of 2024 profits.

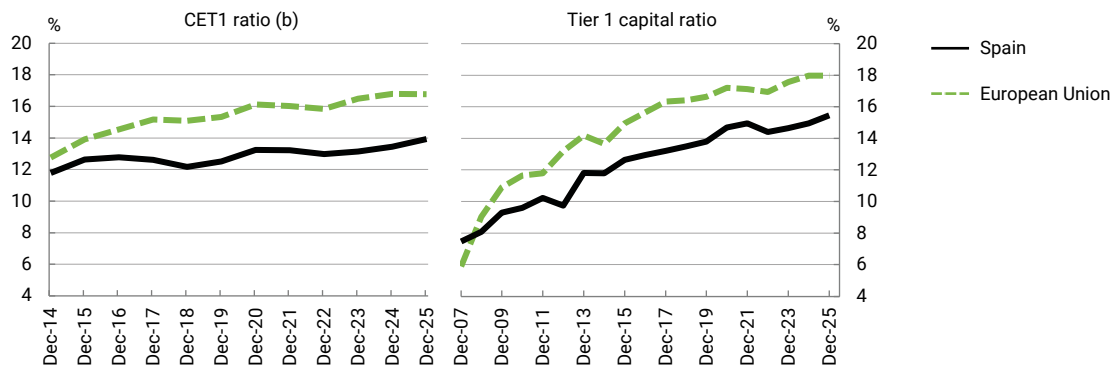
Chart 3.5

**The CET1 ratio increased in 2025, driven by the growth in capital, with a marked improvement in solvency levels since 2007**

3.5.a Breakdown of the change in the Common Equity Tier 1 (CET1) ratio into the main components of the numerator and the denominator. Consolidated data (a) (b)



3.5.b Changes in the CET1 ratio and in the Tier 1 capital ratio



**SOURCES:** Banco de España and ECB. Latest observation: December 2025 (except for the European data in Chart 3.5.b, where the latest actual value refers to September 2025, based on the ECB’s Consolidated Banking Data. The chart thus shows an estimate of the value in December through a simple regression based on the EBA’s Risk Dashboard values, which is available for December).

a, b Note A2.3.1.2.1 in Annex 2.



thus reducing the ratio. The increase in RWAs was driven by total asset growth (see Section 3.1.3), which was largely offset by a decline in the risk profile, measured by lower RWA density (Chart 3.5.a).<sup>9</sup> The increase in the CET1 ratio was seen across all banks (Chart A2.3.1.2.2 in Annex 2).

**Over a broader time horizon, capital ratios have risen considerably both in Spain and in Europe.** Since 2007, both Spain and Europe have seen a substantial increase in the Tier 1 capital ratio, alongside an upward trend in the CET1 ratio, following its introduction in 2014

<sup>9</sup> The change in the CET1 capital ratio can be broken down into the contribution of CET1 capital (the numerator) and RWAs (the denominator). The contribution of the latter can, in turn, be broken down into the contribution of total assets and RWA density. RWA density is the ratio between RWAs and total assets, with higher values indicating a higher risk profile.

(Chart 3.5.b). This has significantly strengthened the capacity of European banks to absorb negative shocks.<sup>10</sup>

**The Spanish banking system's capital ratios remain below the European average, although the gap is smaller in terms of voluntary capital.** In September 2025<sup>11</sup> the European average CET1 ratio was around 3 pp higher than that of Spanish banks, although the gap narrowed last year (in late 2024 the European average was 3.4 pp higher). While Spanish banks' voluntary capital ratio (the difference between their actual CET1 capital ratio and the required level) is 1.4 pp below the European average,<sup>12</sup> the gap was 0.3 pp smaller than 12 months earlier.

**The Spanish banking system's leverage ratio remained stable in 2025, at a level comparable to that of other European countries.** In December 2025, the Spanish banking sector's leverage ratio stood at 5.7%, unchanged from December 2024, due to similar growth in Tier 1 capital (the numerator of the ratio) and in exposure (the denominator of the ratio; Chart A2.3.1.2.4 in Annex 2). Nor were there significant changes in the dispersion of the ratio across banks (Chart A2.3.1.2.5 in Annex 2). Spanish banks' leverage ratio is comparable to that of other major European countries (right-hand panel of Chart A2.3.1.2.3 in Annex 2).

### 3.1.3 Consolidated balance sheet

**Spanish banks' consolidated assets remained on an upward path in 2025 H2, driven especially by the increase in financial assets with foreign counterparties.** Total assets rose by 4.7%<sup>13</sup> year-on-year in 2025 (see Annex 1). Financial assets with counterparties in Spain grew by 1.9% year-on-year, while financial assets with foreign counterparties did so by 6.3%.

**Consolidated liabilities grew in step with assets, at a faster pace in H2, also on the back of the business with foreign counterparties.** In 2025, Spanish banks' total liabilities<sup>14</sup> rose by 4.7% (see Annex 1). Financial liabilities with counterparties in Spain increased by 2.6% year-on-year, while consolidated liabilities with foreign counterparties did so by 5.9% in 2025.

**In December 2025 marketable financial assets accounted for 17% of banks' total assets.** Within this aggregate, sovereign debt holdings represented 13.4% of total assets at end-2025. While their volume increased by 12.6% in 2025, these holdings grew only moderately (0.9 pp)

<sup>10</sup> For example, the strengthening of Spanish banks' capital levels would provide them with far greater resilience than they had at the time to extreme shocks such as the global financial crisis. See *Box 3.2 of the Financial Stability Report. Autumn 2025*.

<sup>11</sup> According to the ECB's Consolidated Banking Data (at September 2025, the latest available data at the cut-off date of this report). Differences that are similar to those in the EBA's Risk Dashboard (left-hand panel of Chart A2.3.1.2.3 in Annex 2).

<sup>12</sup> The EBA figure refers to June 2025 (latest available figure) and considers only CET1 requirements. The sample comprises 164 euro area banks; the Spanish banks in the sample are the ten significant institutions.

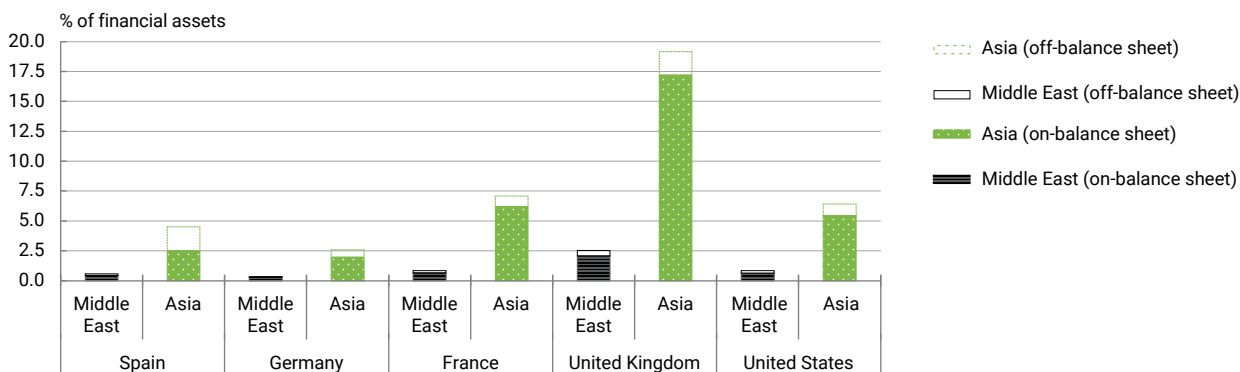
<sup>13</sup> Both consolidated assets and liabilities, and the changes therein, based on the residence of the counterparty, incorporate exposures to two subsidiaries abroad currently being sold by two significant institutions.

<sup>14</sup> Banks' assets are funded by interest-bearing financial liabilities and other liabilities (referred to in this chapter as "liabilities") and equity. Thus, assets = liabilities + equity.

Chart 3.6

**Although direct exposure to the Middle East among major European and other advanced-economy banking systems is limited, the indirect impact channels of the regional crisis could be more significant**

3.6 a International comparison of exposure to regions affected by the conflict in the Middle East. Consolidated data



SOURCE: Bank for International Settlements (Consolidated Banking Statistics). Latest observation: December 2025.



as a share of total assets. This growth was largely due to foreign sovereign debt, whose share of total assets was 7.6% in December 2025, 0.8 pp more than a year earlier. Domestic debt remained stable at around 5.8% of consolidated assets<sup>15</sup> (see Chart A2.3.1.3.1 in Annex 2 and more details on the breakdown of these holdings in the European business in Chart 3.20).

**Direct exposure to the Middle East remains limited among major Spanish and other European banks.** In December 2025, Spanish banks' assets vis-à-vis counterparties in the Middle East accounted for 0.4% of their total financial assets, and off-balance sheet exposures<sup>16</sup> represented just 0.1%. This level is similar to the average exposure of major banks in peer European banking systems and lower than that of banks in the United Kingdom (2.5%) and France and the United States (0.8%) (Chart 3.6).

**Although direct exposure is contained, banks could be significantly affected through other impact channels.** First, risks could materialise through counterparties in Asia, where the energy crisis may have a greater adverse impact than in Europe, not only due to price factors but also to downside risks to supply (see Section 5.1). In December 2025, Spanish banks' on- and off-balance-sheet exposures to Asia represented around 4.5% of their total financial assets, below the levels of exposure of banks in the United States (6.4%), France (7.1%) and the United Kingdom (19.2%) (Chart 3.6). Adverse global macroeconomic effects stemming from the conflict could spill over to the broader banking business (see Chapter 5 and Box 5.2 for an in-depth analysis of these channels and risks).

<sup>15</sup> Over a broader time horizon, between 2019 and 2025, the share of domestic sovereign debt in total assets increased by 0.8 pp.

<sup>16</sup> Off-balance sheet exposures stem from financial commitments – such as loan agreements, derivatives or financial collateral – that are not recorded on the balance sheet but may carry risks.

### 3.1.4 Lending

#### *Credit developments*

**Growth in lending to households, firms and the self-employed in Spain accelerated in 2025.**

The year-on-year rate of change in lending to these sectors rose from 0.8% in 2024 to 3.6% in 2025 (Chart 3.7.a).

**Real lending growth in Spain has also gathered pace in recent quarters, approaching that of the euro area as a whole in the early months of 2026.**

This points to a gradual normalisation after the adjustment period associated with the monetary tightening cycle in 2022-23. According to the latest available data, in March 2026, lending to these sectors increased in real terms by 0.5% in both Spain and the euro area, somewhat below the real growth recorded in the first two months of the year due to the rise in inflation associated with higher energy prices (Chart 3.7.b).

**Lending to both firms and households in Spain accelerated throughout the year, with somewhat stronger momentum among households.**

Household lending rose from 1.2% in 2024 to 4.6% in 2025, underpinned by higher disposable income, a strong labour market and reference interest rates stabilising below their 2023-24 levels. Lending to firms and the self-employed picked up from 0.4% to 2.3% against a backdrop of more buoyant economic activity and stable financial conditions. As in previous years, large firms once again posted the strongest growth, at 4.9% in 2025. Overall, households made the biggest contribution to growth in total lending to these sectors (Chart 3.7.a). In the early months of 2026, the upward trend continued in lending to both households and firms.

**In the case of households, there was an increase in lending for house purchase and consumer credit.**

The stock of loans for house purchase, which make up the bulk of loans to households,<sup>17</sup> rose by 3.7% in 2025, following growth of 0.5% in 2024. Other lending to households also gained notable momentum,<sup>18</sup> particularly consumer credit (as mentioned in Section 2.1), which grew by 12% in 2025, up 4.7 pp on 2024. Growth in consumer credit, which is riskier but more profitable, contributed positively to net interest income, as discussed in Section 3.1.1. Overall, the category of lending for house purchase made the biggest contribution to growth in this portfolio in the last year (see Chart A2.3.1.4.1 in Annex 2).

**Lending to firms grew across all sectors of economic activity in 2025.** The construction and real estate activities sectors made a modest positive contribution in 2025 to growth in corporate lending (Chart 3.8), following a protracted process of deleveraging that started with the global

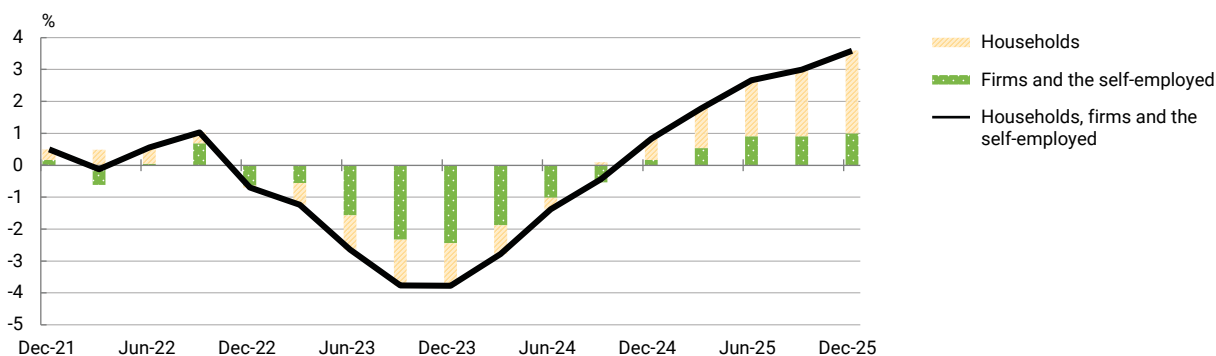
<sup>17</sup> Loans for house purchase accounted for 79.7% of total lending to households in December 2025, while consumer credit and other lending represented 14.5% and 5.8%, respectively.

<sup>18</sup> Lending for purposes other than house purchase includes, in addition to consumer credit, the purchase of land, parking spaces and storage space, the purchase of securities and debt consolidation. In addition to deposit institutions, specialised lending institutions, which are discussed in Section 3.2 of this chapter, play a key role in consumer credit. For these institutions, year-on-year growth in consumer credit was more subdued (0.1%).

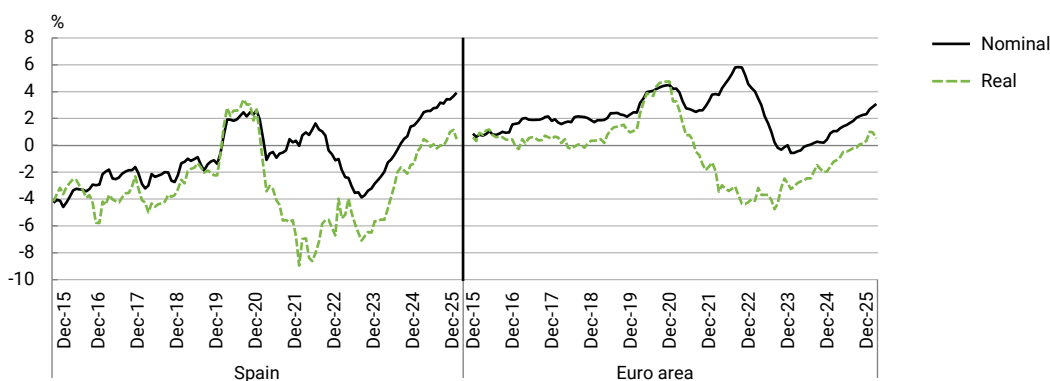
Chart 3.7

**In Spain, lending continued to grow in 2025, in both nominal and real terms**

3.7.a Contributions to the year-on-year rate of change in loans to households, firms and the self-employed resident in Spain. Business in Spain. Individual data (a) (b)



3.7.b Year-on-year rate of change in lending to households, firms and the self-employed in both nominal and real terms. Business in Spain. Individual data (c)



SOURCES: ECB and Banco de España. Latest observation: December 2025 (3.7.a) and March 2026 (3.7.b).

- a "Firms and the self-employed" denotes the institutional sectors of NFCs and sole proprietors.
- b Lending by deposit institutions' branches in Spain.
- c Lending to resident sectors in Spain and the euro area.



financial crisis. Tensions in the Middle East and uncertainty about the ceasefire in the Iran war could affect the overall positive performance across sectors, some of which are more vulnerable to surging energy prices (see Box 3.1).

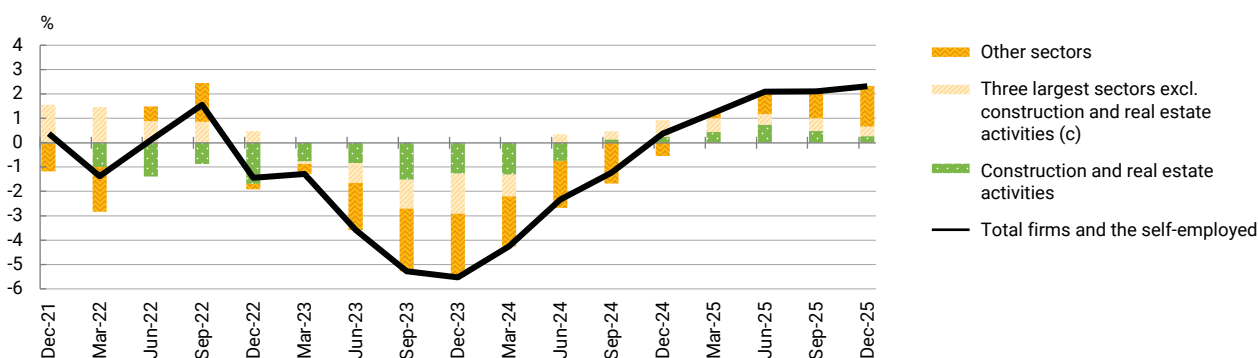
**In recent years, the sectoral concentration of lending to firms has remained relatively stable.** Most banks have low sectoral concentration, indicating highly diversified portfolios across sectors, while only a limited number – mostly smaller banks – show higher concentration, owing to greater specialisation in specific sectors, also linked to their geographical concentration (Chart A2.3.1.4.2 in Annex 2).

**By firm size, the share of lending to large firms has increased.** The distribution across banks of the share of large firms in total lending to firms and the self-employed has shifted clearly towards higher values in recent years (Chart A2.3.1.4.3 in Annex 2).

Chart 3.8

**Lending to firms and the self-employed grew across the board with a modest positive contribution from construction and real estate activities**

3.8.a Contributions to the year-on-year rate of change in loans to firms and the self-employed resident in Spain, by sector of activity. Business in Spain. Individual data (a) (b)



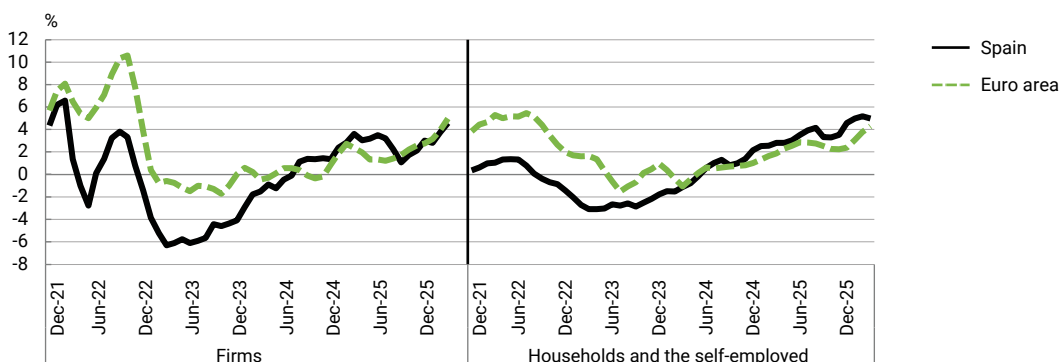
SOURCE: Banco de España. Latest observation: December 2025.

- a "Firms and the self-employed" denotes the institutional sectors of NFCs and sole proprietors.
- b Lending by deposit institutions' branches in Spain.
- c The three largest sectors excluding construction and real estate activities are: trade and repairs, transportation and storage, and professional, scientific and technical activities.

Chart 3.9

**The momentum indicator of credit growth in Spain rose in recent months, outpacing that of the euro area in lending to households and the self-employed**

3.9.a Momentum indicator of growth in the stock of loans to resident firms, households and the self-employed. Domestic business. Individual data (a) (b) (c)



SOURCE: ECB. Latest observation: March 2026.

- a The firms and self-employed categories denote the institutional sectors of NFCs and sole proprietors, respectively.
- b The momentum indicator shows the annualised quarter-on-quarter rate of change in the three-month moving average of the seasonally adjusted credit stock.
- c Includes lending to the resident private sectors in Spanish and euro area banks' domestic business.

**In addition to the increase in the stock of loans, there was sound growth in new lending similar to that of the previous year.** New lending to households, firms and the self-employed increased at a rate of 11.3%, just slightly lower than in 2025 (12.5%). This growth was stronger for households (where new loans rose by 19.0%), driven in particular by lending for house purchase (26.2%). By contrast, new loans to firms and the self-employed rose more moderately by 9.3%, compared with 13.0% in 2024. Nevertheless, total new lending to firms was more

buoyant when the contribution of private credit involving non-bank intermediaries is considered (see Section 3.2 and Box 3.2).

**The credit growth momentum indicator for Spain,<sup>19</sup> which summarises the latest data on developments, confirms that credit continued to perform well in the early months of 2026.** This indicator thus confirms the pattern seen in year-on-year rates of change and shows the vigour of bank lending to households and the self-employed, as well as to firms, in late 2025 and early 2026 (Chart 3.9).

**In the international arena, lending to residents abroad also expanded.** In consolidated terms, lending to foreign private counterparties grew by 5.6% year-on-year, slightly less than in 2024 (6.1%). Developments varied across the main business areas (Chart A2.3.1.4.4 in Annex 2).

### *Credit quality*

**Non-performing and stage 2 loans to households and firms continued to decline in 2025.** The year-on-year decline of 15.5% in the stock of non-performing loans (NPLs) and the decrease of 8.1% in the stock of stage 2 loans<sup>20</sup> are accounted for by expanding economic activity, the strong labour market, the improvement in the income of households and firms, and risk management by banks.

**NPLs and stage 2 loans fell in most portfolios of credit to households, firms and the self-employed.** In 2025 the fall in the stock of NPLs to firms amounted to 14.6% and was widespread across the various sectors of activity. For households, this decline stood at 16.7%. NPLs in the consumer loan portfolio increased by 1%, which was lower than the previous year's increase of 4%. Stage 2 loans also dropped in most portfolios, although they increased in the housing portfolio (4.4%), in contrast to the strong decline in the previous year.

**Credit growth and, especially, the above-mentioned falls in non-performing and stage 2 loans explain the declines in the NPL and stage 2 ratios.** The overall NPL ratio in lending to households, firms and the self-employed dropped 0.6 pp to 2.8% in December 2025. It declined to 3.6% for lending to firms and the self-employed, and to 2.1% for lending to households. These trends are also observed in the weight of stage 2 loans (Charts 3.10.a and 3.10.b). The data from 2026 Q1 confirm that the downward trend in the NPL ratio has continued; it stood at 2.7% in March for households, firms and the self-employed overall.

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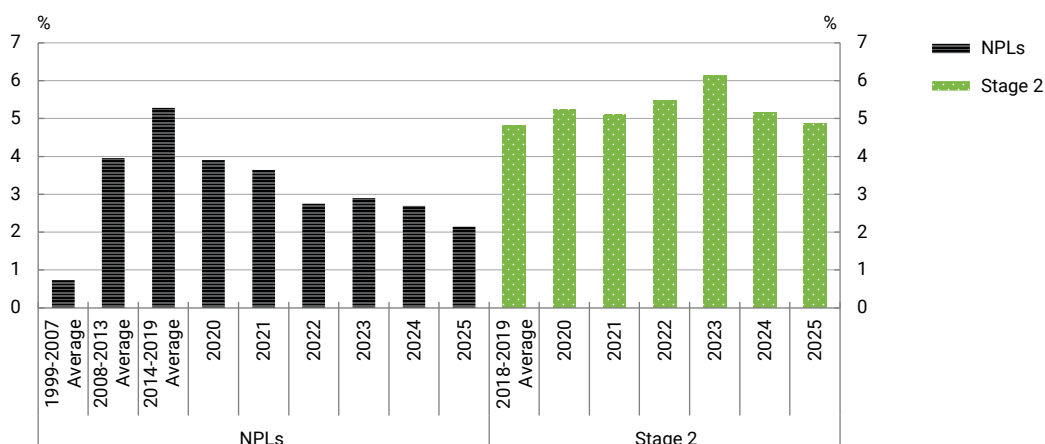
<sup>19</sup> The credit growth momentum indicator shows the annualised quarter-on-quarter rate of change in the three-month moving average of the seasonally adjusted credit stock

<sup>20</sup> Pursuant to [Circular 4/2017](#), a loan is classified as a stage 2 exposure when credit risk has increased significantly since initial recognition, but no default event has occurred.

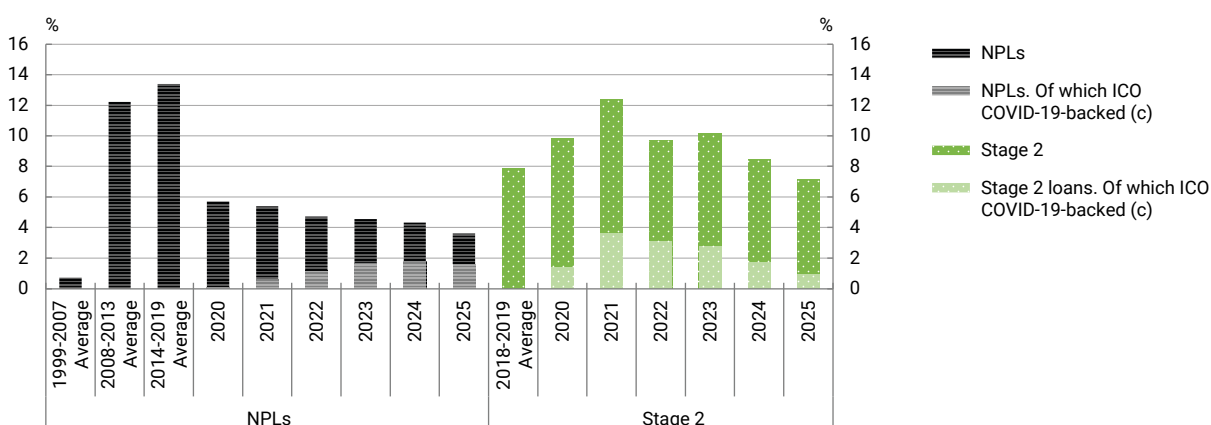
Chart 3.10

**NPL and stage 2 ratios continued to decline across the board**

3.10.a NPLs and stage 2 loans as a share of total loans to households resident in Spain. At December of each year. Business in Spain. Individual data (a)



3.10.b NPLs and stage 2 loans as a share of total loans to firms and the self-employed resident in Spain. At December of each year. Business in Spain. Individual data (a) (b)



SOURCE: Banco de España. Latest observation: December 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 COVID-19 backed loans to NFCs and sole proprietors.
- c Referred to only as ICO-backed in previous Financial Stability Reports.



**The volume of loans backed by the Official Credit Institute's (ICO) COVID-19 guarantee facility<sup>21,22</sup> in the corporate loan portfolio continued to decrease and the remaining exposure was concentrated to a greater extent in NPLs.** In December 2025, the outstanding balance of these loans stood at €24.1 billion, after falling by 37.8%, year-on-year. This reflects the closed nature of this portfolio, since no new loans are arranged, and the advanced stage of

21 Royal Decree-Laws 8/2020, 25/2020 and 34/2020 enacted and regulated the State guarantee facilities for firms and the self-employed, which aimed to address the liquidity needs generated by the restrictions on activity and movement imposed to combat the COVID-19 pandemic. In mid-2021 this loan portfolio amounted to over €90 billion.

22 In December 2025 loans backed by ICO COVID-19 guarantees accounted for 84.4% of total ICO-backed lending and the other programmes backed by ICO (Ukraine, flash flooding in Spain, Housing and Tariffs) accounted for the remaining 15.6%.

repayment.<sup>23</sup> In the same period, NPLs decreased by 9.0%, whereas stage 2 loans declined much more sharply by 41.4%. However, despite the favourable performance of the numerators, the drop in the total balance of the portfolio had a mechanical effect on the credit quality ratios, resulting in a fall of only 1.2 pp in the stage 2 loan ratio to 19.7% and an increase in the NPL ratio of 9.8 pp to 31.1%.<sup>24</sup>

**The decline in refinanced and restructured transactions persisted in 2025, continuing the downward pattern observed in recent years.**<sup>25</sup> Specifically, 0.1% of the stock of loans to households in December 2024, was refinanced or restructured in the subsequent 12 months. In the case of firms, this proportion stood at 0.4%. These figures remain slightly below those of recent years and are significantly lower than in the period December 2020-December 2023, when the share for households ranged from 0.2% to 0.6% and that for firms from 0.6% to 2% (Chart A2.3.1.4.5 in Annex 2).

**By contrast, the flow of renegotiated and roll-over loans to firms and the self-employed rose slightly.** These are loans involving changes in their terms and conditions to borrowers showing no sign of financial difficulty. In the 12 months to December 2025, they accounted for 15.5% of the outstanding balance in December 2024, thus prolonging the rising trend of previous years, in a context marked by interest rate changes (Chart A2.3.1.4.5 in Annex 2).

**At consolidated level, the NPL ratio of loans to foreign counterparties barely changed in 2025.** It stood at 3% at end-2025 in line with the data at end-2024 and, despite remaining stable overall, it performed unevenly across jurisdictions (Chart A2.3.1.4.6 in Annex 2).

### *Securitisations*

**The outstanding amount of securitisations originated by Spanish banks held steady in 2025, with a notable increase in the share of synthetic securitisations.**<sup>26</sup> Last year, the outstanding amount of securitisation originations to the total consolidated assets of banks actively originating or investing in these financial instruments stood at 6.1%, and did not vary significantly from the average of the period 2020-24 (6.2%) (Chart 3.11). However, synthetic securitisations as a share of

<sup>23</sup> The residual maturity of performing outstanding loans in December 2025 stood slightly above 20 months. A total of 90% of these loans were granted before 2023. Nevertheless, forbearance may lengthen the residual maturity of loans which become non-performing.

<sup>24</sup> Had the amount of these loans (the ratio's denominator) remained constant at its December 2024 level, the NPL ratio would have decreased by 1.9 pp to 19.4%. Under the same assumption, the stage 2 loan ratio would have declined by 8.7 pp to 12.3%.

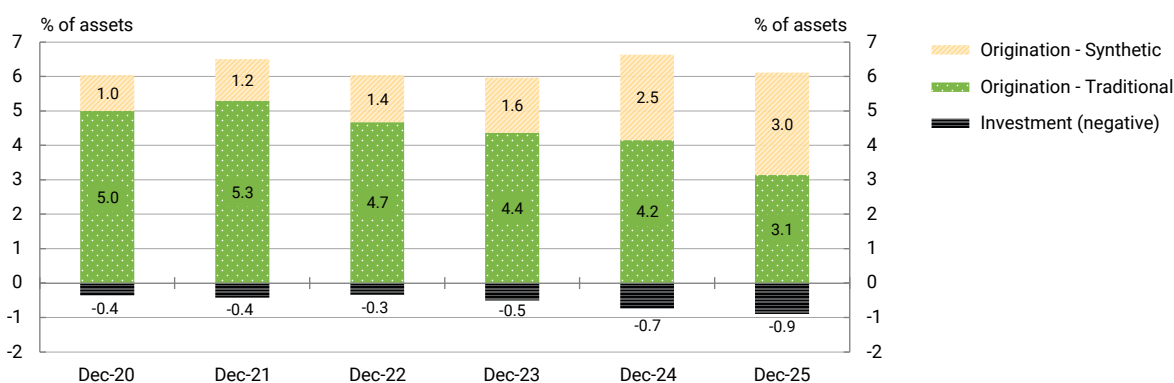
<sup>25</sup> Refinancing is granted to facilitate the compliance of borrowers in financial difficulties with one or more (refinanced) transactions; restructuring is where the contractual terms are amended to facilitate payment of the debt due to the borrower's difficulty to pay. By contrast, renegotiation is where the financial conditions are amended without the borrower being in financial difficulties, and a roll-over is a loan arranged to replace another loan previously extended by the bank without the borrower being in financial difficulties.

<sup>26</sup> In a traditional securitisation, the originator transfers ownership of the off-balance sheet assets to a special purpose vehicle which issues securities based on the cash flow of these assets. Conversely, synthetic securitisations involve the transfer of all or part of the credit risk to a counterparty, while the bank retains ownership of the underlying assets.

Chart 3.11

**Securitisations as a share of the consolidated balance sheet have remained stable, although the relative share of synthetic securitisations has increased**

3.11.a Ratio of the outstanding amount of originations (distinguishing between synthetic and traditional securitisations) and investment in securitisations to total consolidated assets (a)



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

a The sample used to construct this chart comprises banks whose outstanding origination or investment amounts are positive in at least one month in the period December 2020-December 2025. The analysis is based on consolidated data at bank group level. The "Origination - Synthetic" ("Origination - Traditional") bar is calculated as the ratio of the aggregated outstanding amount of synthetic (traditional) securitisation originations to total consolidated assets. The "Investment" bar (depicted on a negative scale, as this decreases the net externalisation of credit risk via securitisations) is constructed analogously, by using the aggregate outstanding amount of securitisation investments in the numerator.

total securitisation originations did increase from 17% in 2020 to 49% in December 2025, to account for 3% of consolidated assets. Meanwhile, the ratio of the outstanding amount of investment in securitisations to total consolidated assets amounted to 0.9% in December 2025.

**Although the flow of new securitisations originated in business in Spain increased relative to last year, it remains at levels comparable with the recent period.** The ratio of the amount of new origination transactions backed by loans arranged in Spain to new lending to households and firms in Spain was 12.2% in December 2025, up 3.3 pp on December 2024 and in line with the average of the period 2020-24 (12.4%) (Chart A2.3.1.4.7 in Annex 2).

### 3.1.5 Financing conditions and liquidity

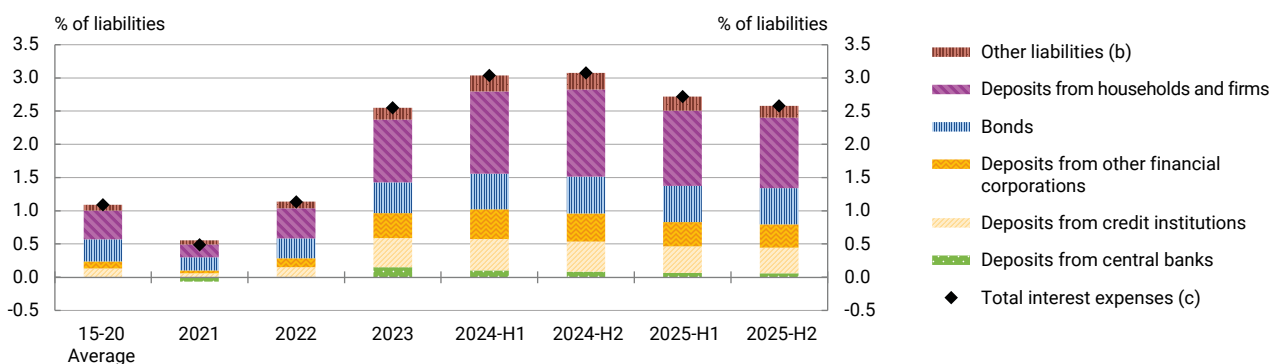
#### *Financing costs*

**In 2025 H2 the average cost of liabilities for Spanish banks at consolidated level continued to decline, albeit at a lower pace than in 2025 H1.** The average cost of liabilities stood at 2.6% in 2025 H2, compared with 2.7% in H1 and 3.1% a year earlier (Chart 3.12). All liability items contributed to this decline, most notably, deposits from households and firms, owing to their high share in banks' funding structures (57.3% of liabilities) and, also, although to a lesser degree, funding from the interbank market (8.4% of liabilities) and from the deposits of other financial corporations (6.9% of liabilities) (see also Annex I for more detailed information on the breakdown of consolidated liabilities).

Chart 3.12

**The fall in the average cost of financial liabilities tended to stabilise in 2025 H2**

3.12.a Interest expenses as a share of liabilities. Consolidated data (a)



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

- a The 2025 data exclude, both from interest expenses (the numerator) and from liabilities as a whole (the denominator), amounts relating to the business affected by the sale of subsidiaries abroad by two significant institutions.  
 b Includes interest paid on liabilities to general government and other interest expenses associated with other financial liabilities and other liabilities.  
 c Excludes expenses associated with interest rate hedging derivatives.



**The average cost of funding for business in Spain is lower than at consolidated level and benefitted from the containment of the average cost of deposits from households and firms.**

The average cost of liabilities for business in Spain stood at 1.4% in 2025 H2. The remuneration of deposits from households and firms (54% of aggregate liabilities in Spain) barely accounted for 21% of total costs, due to their low unit cost (Chart A2.3.1.5.1 in Annex 2).

**The pass-through of lower reference interest rates to the cost of deposits in Spain, albeit contained, contributed to reducing the average cost of funding in 2025.** This process had virtually been completed in December 2025 in line with the gradual stabilisation of the pass-through curve (Chart 3.13). The cumulative pass-through rate at end-2025 amounted to 28% for deposits from firms and 8% for deposits from households which are lower than in the euro area as a whole (34% for firms and 18% for households). This is partly due to the lower rate which was also passed through during the preceding monetary tightening cycle.<sup>27</sup> Overall, deposit funding costs have been moderately sensitive to changes in reference interest rates in the post-pandemic period.

**The volume of debt issuance by Spanish banks decreased in 2025.** Debt issuance by the major Spanish banks accounted for 1.7% of their assets in 2025, compared with 2.4% in the previous two years, when banks needed to issue financial instruments to comply with the minimum requirement for own funds and eligible liabilities (MREL)<sup>28</sup> and to replace central bank funding due to monetary

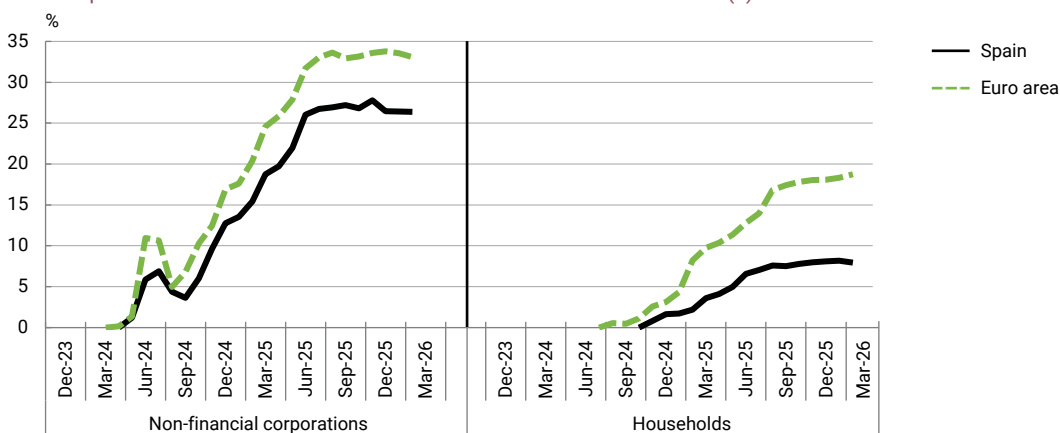
<sup>27</sup> For more information about the limited sensitivity of interest rates on deposits in Spain during the latest monetary tightening cycle, see Banco de España (2023). *Financial Stability Report. Autumn 2023*, pp. 87-88. Also, Alejandro Ferrer, Gergely Ganics, Ana Molina and José María Serena (2023). "The EURIBOR surge and bank deposit costs: an investigation of interest rate pass-through and deposit portfolio rebalancing". *Financial Stability Review - Banco de España*, 44, pp. 9-38 conducts an in-depth review of the links between bank deposit costs and the EURIBOR in Spain and the main European banking systems.

<sup>28</sup> MREL is a requirement aimed at ensuring that banks have sufficient own funds and eligible liabilities to support the application of resolution tools and make sure that shareholders and certain creditors are the first to bear losses should the bank fail.

Chart 3.13

**The pass-through of the fall in reference interest rates to the average cost of deposits in Spain had virtually been completed at end-2025**

3.13.a Cumulative pass-through rate of the fall in the EURIBOR to the average interest rate on deposits of firms and households by Spanish banks and banks in the euro area in their domestic business (a)



SOURCE: ECB. Latest observation: February 2026.

a The average interest rate on deposits at each date is calculated as a weighted average of the average interest rate on sight and time deposits. At each date, the pass-through is defined in pp as the ratio of the cumulative change in the average interest rate on deposits since the date on which it began to decline (between March and October 2024, depending on the portfolio and the geographical area) to the maximum change in the 12-month EURIBOR from the beginning of the downward cycle until that date (the biggest drop in the 12-month EURIBOR was 2.1 pp in July 2025). Although both changes are negative (decreases), the ratio is a positive aggregate and the higher the ratio, the higher the pass-through.

policy tightening. This downward trend was also observed at the other major banks in the euro area (4.3% in 2025 as opposed to 4.9% on average in 2023-24)<sup>29</sup> (Chart A2.3.1.5.2 in Annex 2). Since banks, particularly those in Spain, had built up enough instruments to cover resolution requirements<sup>30</sup> already in 2024, this led to lower levels of debt issuance in 2025.

**The risk premium of debt issued by European banks on the secondary market rose only moderately for a short time following the start of the Iran war.** The rate of return<sup>31</sup> increased in March for Spanish and European banks as a whole, basically as a result of the rise in the risk-free rate (which was reflected in the ten-year Overnight Index Swap (OIS) rate,<sup>32</sup> Chart 4.11 in Section 4.2). Thus, the spread, which captures the credit risk premium of bank debt issues rose only moderately in March and subsequently fell back to its pre-war levels. In comparison, the spreads widened significantly during the bout of trade tensions in April 2025 (Chart 3.14).

<sup>29</sup> The difference between the volume of issuance in Spain and the euro area is explained essentially by the shorter maturity of debt issued in the euro area as a whole.

<sup>30</sup> The Single Resolution Board regularly monitors compliance with MREL by banks in the banking union and debt issuance on markets by credit institutions for this purpose in the *MREL Dashboard*. This report documents how banks have gradually increased their levels of MREL-eligible instruments. From 2024 onwards non-compliance with targets fell sharply thanks to the debt issued on markets in 2022, 2023 and 2024. As banks have met the requirements, their issuance of MREL-eligible instruments has decreased in most jurisdictions. For a specific analysis of Spanish banks, see Ibáñez et al. (2024) *The euro area banking sector and MREL: a challenge for medium-sized banks?*. *Financial Stability Review - Banco de España*, 46, Autumn.

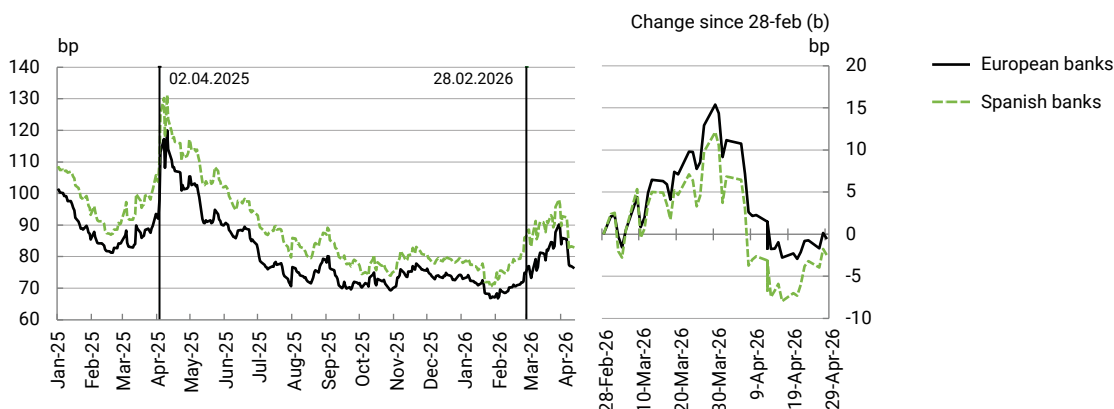
<sup>31</sup> The OAS is a measure of credit risk which is calculated as the difference between the rate of return of a debt instrument (in this case banks' senior debt issues) and the risk-free rate, discounting the premium associated with the repurchase option for option instruments.

<sup>32</sup> The OIS rate is considered the benchmark rate for euro area risk-free interest rates. The OIS rate is the fixed leg of an interest rate swap contract where the floating leg is the 1-day euro short-term rate (€STR).

Chart 3.14

**The risk premium of debt issued by European banks on the secondary market remains contained; with only a limited and temporary increase following the outbreak of the war in Iran**

3.14.a OAS of Spanish and European banks' senior debt issues (a)



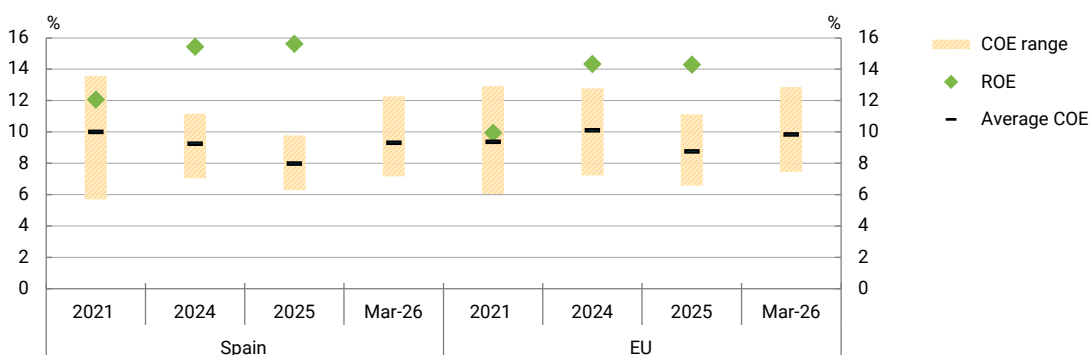
SOURCE: Bloomberg Latest observation: 29 April 2026.

- a The option-adjusted spread (OAS) is calculated as the spread between the return on a euro-denominated debt instrument (in this case banks' senior debt issues) and the risk-free rate, discounting the premium in option instruments. The vertical lines denote the date of commencement of the trade tensions due to the tariffs imposed by the United States (2.4.2025) and the outbreak of the conflict in the Middle East (28.2.2026).
- b Cumulative change in the OAS spread since 28 February, expressed in bp.

Chart 3.15

**The profitability of Spanish banks in the recent period amply exceeds their estimated COE, the latter being on a par with that of their European peers**

3.15.a COE and ROE of the main listed Spanish banks and the main European banks overall (a)



SOURCES: Banco de España, Thomson Reuters, Consensus Economics and S&P Capital IQ. Latest observation: March 2026.

- a Weighted average by market value of the securities of the main listed banks in Spain (ES) and the European Union (EU). The average cost of equity is calculated as the average of the four dividend discount models (Ohlson and Juettner-Nauroth (2005), Ohlson and Juettner-Nauroth (2005) (simplified), Fuller-Hsia (1984) and Altavilla et al. (2021)). See L. Fernández Lafuerza and M. Melnychuk. (2024). "Revisiting the estimation of the cost of equity of euro area banks". *Financial Stability Review - Banco de España*, 46, pp. 25-46. The range shown (COE range) is the difference between the highest and lowest estimate.

**Spanish listed banks' cost of equity is on a par with that of their European peers and their profitability has amply exceeded their COE in the recent period. The cost of equity<sup>33</sup> (COE) of the**

<sup>33</sup> The COE is the return investors demand for buying a firm's shares. It is unobservable and its estimation is subject to significant uncertainty. The value presented here is the average value and the minimum-maximum range of four dividend discount models, calculated as the weighted average estimate for the main Spanish listed banks. See Luis Fernández Lafuerza and Mariya Melnychuk. (2024). "Revisiting the estimation of the cost of equity of euro area banks". *Financial Stability Review - Banco de España*, Issue 46, pp. 25-46.

main Spanish listed banks fell to around 8.0% at end-2025 then rose in March 2026 to 9.3%, the same level as that observed at end-2024 (Chart 3.15). These figures are slightly lower than those of their European peers (8.8% in 2025, 9.9% in March 2026 and 10.1% in 2024). In both cases, the COE is considerably lower than the estimate for 2021 and the return on equity (ROE),<sup>34</sup> especially for Spanish banks.

### *Liquidity*

**Spanish banks' liquidity ratios remain comfortably above the regulatory minimum.** In March 2026 the liquidity coverage ratio (LCR) stood at 170.4%, compared with 171.3% a year earlier. The net stable funding ratio (NSFR), which measures banks' longer-term funding capacity, reached 134.7% at end-2025, a level similar to that in December 2024 (135%). Both ratios amply exceed the minimum threshold required of 100%. The LCR is in line with and the NSFR is higher than the average of the main European banks.<sup>35</sup>

## 3.2 Non-bank financial sector

### *Overall non-bank financial sector developments*

**In 2025, the non-bank financial intermediary (NBFi) sector made a smaller contribution than the banking sector to the growth of financial assets in Spain.** This marked a reversal from its more expansionary role in the preceding two years (Chart 3.16.a). Moreover, at the end of the year, NBFIs still accounted for a relatively small share of total financial assets in Spain, at around 34% (Chart 3.16.b). Investment funds continue to be the main driver of growth in the Spanish NBFi sector, although their expansion has moderated (Charts 3.16.a and 3.16.b).

**The NBFi sector is more prominent in the euro area as a whole.** First, its contribution to overall growth dynamics is greater (Chart A2.3.2.1 in Annex 2). Second, in terms of asset share, the NBFi sector accounted for approximately 61% of total financial assets in the euro area as a whole in December 2025. Investment funds and other NBFIs are the most important segments, representing 22% and 26% of assets, respectively (Chart 3.16.b).

### *Investment funds*

**Spanish investment funds' total assets grew by 13.4% year-on-year at end-2025.** All fund categories increased their assets. Overall, this rise was driven mainly by net subscriptions and, to a lesser extent, valuation effects. A similar trend was observed in the euro area, where there was a 9.5% increase over end-2024 levels.

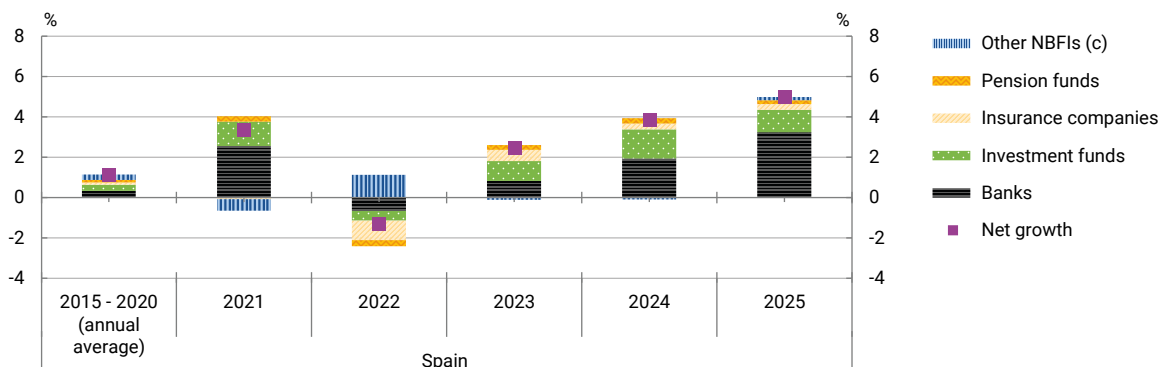
<sup>34</sup> A bank with a lower COE than ROE indicates that it is currently generating a higher return than the long-term return required by investors to buy its shares, which may spur short-term demand for them.

<sup>35</sup> According to EBA data on the main EU banks, in December 2025 the LCR of the main Spanish and European banks stood at 161.8% and 163.1%, respectively. The NSFR of the main Spanish banks was 132.5%, compared with 126.9% for the main European banks.

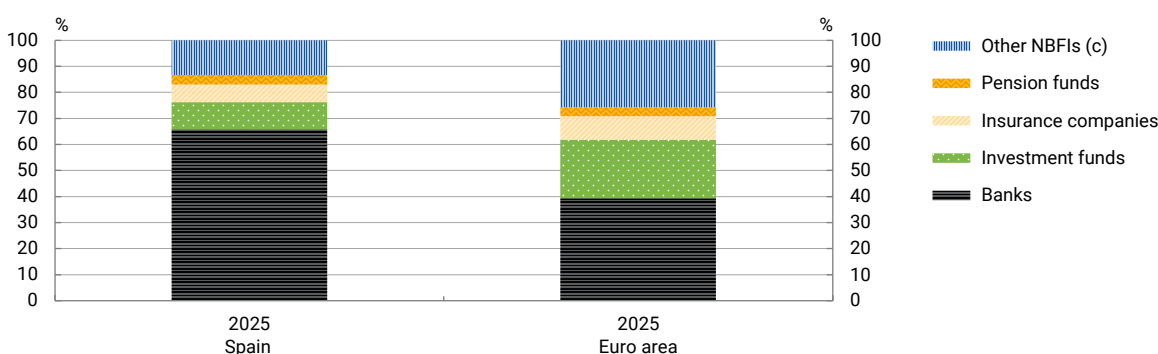
Chart 3.16

**The NBFi sector has contributed less than the banking sector to growth in financial assets in Spain, where the former represents a significantly smaller share of financial assets than in the euro area**

3.16.a Contribution of the banking and NBFi sectors to financial asset growth in Spain. Non-consolidated data (a) (b)



3.16.b Weight of the banking and NBFi sectors in total assets of both sectors in Spain and the euro area. Non-consolidated data (a) (b)



SOURCES: Banco de España and ECB. Latest observation: December 2025.

a, b Note A2.3.2.4 in Annex 2.

c "Other NBFIs" includes securities dealers and agencies, financial vehicle corporations, payment institutions and holding companies. For a more thorough list of inclusions, see Note A2.3.2.4 in Annex 2.

**Investment funds domiciled in Spain maintained a contained and stable risk profile in 2025 H2.** The leverage ratio (defined as the ratio of total assets under the management of investment funds to the value of shares/units issued) remained low and broadly unchanged from the first half of the year and was no higher than 103% in any fund category, a level clearly below that observed for funds in the rest of the euro area and United States.<sup>36</sup> No significant use of derivatives to synthetically increase this leverage was observed either.<sup>37</sup> Moreover, for both equity and fixed-income funds (in Spain and generally in the euro area), the risk of fire sales driven by potential redemption needs is low compared with levels observed over the past

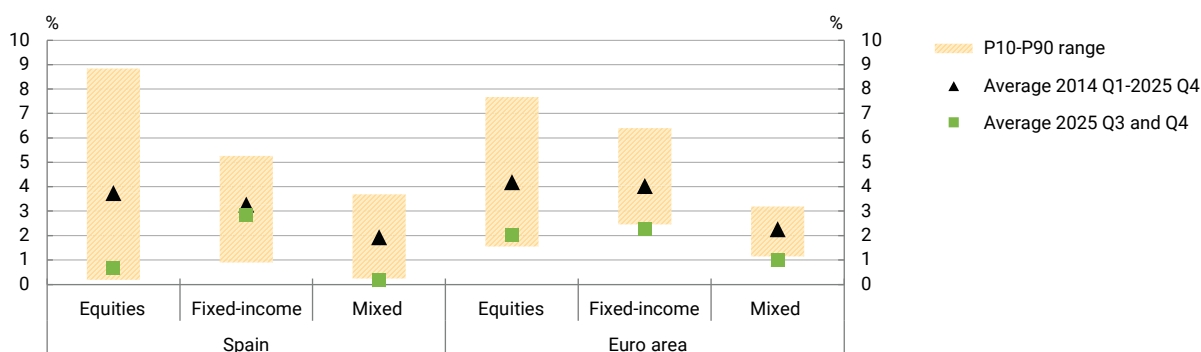
<sup>36</sup> See *Financial Stability Report. Autumn 2025*, Banco de España; and *Financial Stability Report. November 2025*, Board of Governors of the Federal Reserve System. In the euro area, hedge funds and real estate funds were the most leveraged, with ratios of 149% and 124%, respectively, in December 2025.

<sup>37</sup> Synthetic leverage ratios (the sum of the notional amount of derivatives contracts relative to net assets) of funds domiciled in Spain at end-2025 stood at 109.3% for fixed-income funds, 112.9% for equity funds and 121.2% for mixed funds. Beyond aggregate data, fund-level data derived from derivatives reporting mandated by the European Market Infrastructure Regulation show that Spanish funds' exposure to derivatives is very limited: the median fund across all investment segments has no or virtually no exposure.

Chart 3.17

**The share of investment fund assets potentially affected by high redemptions remains low relative to levels seen since 2013**

3.17.a Fire sale risk, by fund type. Spain and the euro area (a) (b)



SOURCE: Refinitiv Lipper for Asset Management.

a, b Note A2.3.2.5 in Annex 2.

decade (Chart 3.17).<sup>38</sup> This profile bolsters the resilience of Spanish and other European funds to potential market shocks and limits their ability to transmit tightening. Nevertheless, given the nature of these funds, both the assets they manage and their investor base would still be sensitive to sharp and abrupt market corrections (see Chapter 4).

**Spanish investment funds maintained stable liquidity levels in 2025 H2**, with average liquidity ratios in the period standing at 5.6% for equity funds, 5.0% for fixed-income funds and 4.0% for mixed funds, all above the corresponding levels for the euro area as a whole (Chart A2.3.2.3 in Annex 2).<sup>39</sup> Although these liquidity levels are low by historical standards, they are in line with a level of liquidation risk that is also contained.<sup>40</sup>

**Nevertheless, concerns regarding the sector's financial vulnerabilities persist at the global level.** In particular, some open-ended investment funds and hedge funds that take more risk in

<sup>38</sup> A fund is potentially affected by unusually high redemptions when the ratio of net capital flows to total assets is below the 10th percentile of the historical distribution (2013 Q4 to 2025 Q4) for funds of the same type. In such cases, only the share of assets equivalent to the amount of the redemptions that exceed that historical threshold is deemed to be affected. For instance, if a fund has net flows equivalent to -10% of its total assets and the historical 10th percentile is -5%, then an estimated 5% of its assets are potentially affected by high redemptions.

<sup>39</sup> The liquidity ratio is calculated as the ratio of deposits plus cash to total assets under management. This is a restrictive definition of liquidity, as funds also have other high-quality assets, such as highly liquid euro-denominated government debt. This metric enables a historical comparison of liquidity with that of euro area funds, by fund type. However, there are broader alternative metrics for which only data on funds domiciled in Spain are available. For instance, the ratio of high-quality liquid assets (HQLA Level 1 holdings), which, in addition to deposits and cash, includes high-quality public debt, stood at 27.90% for fixed-income funds, 8.22% for equity funds and 18.30% for mixed funds in December 2025.

<sup>40</sup> There are liquidity management tools, such as swing pricing, that allow fund managers to adjust net asset values under stress conditions. This adjustment penalises investors redeeming at such times, protecting those who remain in the fund by avoiding dilution and reducing liquidity pressures by discouraging redemptions and limiting the need to hold large buffers of liquid assets. In Spain, however, such tools have been used for several years.

terms of leverage and liquidity may amplify possible corrections in the financial markets. Such institutions may be forced into fire sales to meet rising liquidity needs in adverse market scenarios, putting additional downward pressure on market valuations.<sup>41</sup>

### *Private credit*

**Recently, tensions have surfaced in the US private credit sector.**<sup>42</sup> Various occurrences of insolvency and fraud in firms using this type of financing (e.g. First Brands and Tricolor) and liquidity constraints in specialised funds (e.g. Blue Owl) have undermined investors' confidence in this segment of the market (see Box 3.2). A tightening of global financial conditions could lead to the materialisation of credit and liquidity risks and the lack of transparency regarding some of the sector's investments hinder risk assessment.

**This sector in Spain and the euro area as a whole has not triggered warning signals comparable to those in the US market.** Private credit represents a small, but growing, share of lending to Spanish and other European firms. Firm-level micro data analysis reveals no significantly higher risk profile for firms applying for private credit. Nevertheless, this growth is largely driven by US and other non-EU institutions' willingness to extend loans (see Box 3.2). As such, shocks beyond the European context (for example, changes in US monetary policy) could slow this recent growth and curb the availability of this form of funding or worsen its conditions.

### *Pension funds*

**Benefit payments by Spanish pension funds continued to exceed gross contributions in 2025, although by a smaller margin than in 2024.** As a result, net capital outflows amounted to €369 million in 2025, equivalent to 0.3% of total assets in 2024. This compares with net outflows of €608 million in 2024, which represented around 0.5% of assets in 2023. Despite these net outflows, total pension fund assets increased by 4.6% in 2025, reaching nearly €138 billion, mainly owing to positive financial market returns, which more than offset negative net contributions.<sup>43</sup>

**Sector returns remain high, despite having moderated in comparison with recent years.** In 2025 the average one-year return was 6.0%, compared with an annual average of 8.0% over the period 2023-25. Even so, these short-term returns in 2025 far exceed the 20-year average of 3.2%. Recent years' strong returns reflect the buoyancy of the financial markets.

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<sup>41</sup> See the discussion regarding the risk of leveraged NBFIs in the IMF's April 2026 [Global Financial Stability Report](#).

<sup>42</sup> Private credit refers to the provision of loans by non-banks, such as specialised investment funds. Loans may be jointly provided by banks and non-banks.

<sup>43</sup> Negative net contributions to pension funds are calculated as the difference between gross contributions and benefit payments.

### *Insurance companies*

**Insurance companies' assets grew by 4% year-on-year to December 2025.** This was driven by holdings of equities and investment fund shares, which increased by 12.0% year-on-year and accounted for close to 20% of total assets. Debt securities grew by 2.7% over the year and remained the sector's largest asset class, representing just under 70% of total assets (Chart A2.3.2.2 in Annex 2).

**In profitability terms, the insurance sector continued to perform favourably at end-2025.** The return rate rose to 16.5% in 2025 Q4, a year-on-year increase of around 2 pp. Income from insurance premiums, particularly in the life insurance business, performed strongly, rising by 13.8% year-on-year and contributing to this improved profitability.

**The sector's solvency position remained stable at high levels.** The ratio of eligible own funds to the mandatory solvency capital requirement declined only slightly, to 238.8%. This level is very close to that recorded at end-2024 and consistent with the stability observed since 2016.

### *Specialised lending institutions*

**Specialised lending institutions (SLIs) recorded very modest growth in loans in 2025 while continuing to shed market share in consumer credit.** Lending by SLIs to households, firms and the self-employed grew by 0.2% in 2025, compared with a decline of 1.4% in the previous year. This was driven by improved performance in the corporate portfolio, which grew by 4.7% (-8.4% in 2024). By contrast, consumer credit (which accounts for 47.5% of all loans) grew by just 0.1%, compared with an increase of 9.1% in the previous year. SLI's share of all consumer loans granted (by both banks and SLIs) fell by 1.8 pp from December 2024, to 18.9%.

**The NPL ratio of loans granted by LSIs improved over the past year and, in the consumer loans segment, despite edging up slightly, remained below the level observed in the banking sector.** Overall credit quality continued to improve, with the NPL ratio for total lending falling to 4.9% (-0.8 pp relative to 2024) and the share of stage 2 loans declining to 6.5% (-0.5 pp). For consumer loans specifically, the NPL ratio stood at 3.6%, 0.1 pp higher than in 2024, but still 0.3 pp below that of the banking sector. Meanwhile, the share of SLI consumer loans classified as stage 2 rose by 0.1 pp compared with December 2024, reaching 6.3% (6.6% for banks as a whole).

## 3.3 Systemic interconnections

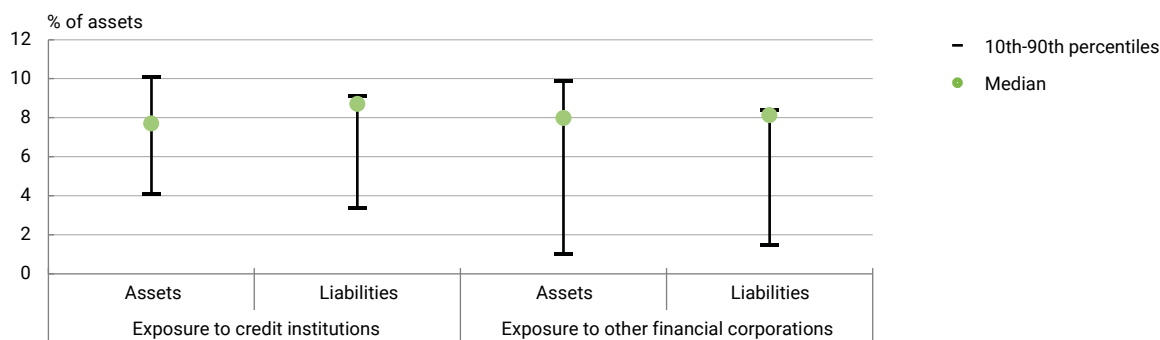
### *Direct interconnections among financial intermediaries*

**Heterogeneity among Spanish banks in terms of direct exposures to other credit institutions is limited, with exposures generally below 10% of balance sheets.** On the asset side, Spanish banks' direct exposure to other credit institutions at end-2025 ranged from

Chart 3.18

**Overall, Spanish banks' direct exposure to both other credit institutions and the NBFIs sector generally remains below 10%, with greater heterogeneity in exposures to the latter**

3.18.a Exposure of the Spanish banking sector to credit institutions and other financial corporations. December 2025. Consolidated data



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



4.1% to 10.1% of assets at the 10th and 90th percentiles of banks, respectively. Interbank loans accounted for 75.8% of these exposures. On the liability side, direct exposures were somewhat smaller, ranging from 3.4% to 9.1%, and consisted mainly of interbank loans received (78.5%) (Chart 3.18).

**Exposure to the NBFIs sector is somewhat more heterogeneous across banks, though that too stands generally below 10% of balance sheets.** In December 2025, the median bank exhibited a balanced degree of interconnection through both asset and liability exposures, each representing around 8% of total assets (Chart 3.18). Larger banks recorded higher exposure ratios, particularly on the liability side, largely reflecting deposits from the NBFIs sector (90.8% on aggregate). In any case, Spanish banks' exposure to the NBFIs sector is below the overall euro area average, which stands at around 10% on the asset side and 15% for financial liabilities.<sup>44</sup>

### *Indirect interconnections among financial intermediaries*

**Spanish banks' indirect exposures in terms of securities holdings in common with the euro area NBFIs sector grew between 2019 and 2025.** In Spain, the increase was broad-based with respect to the three sectors analysed – investment funds, insurance companies and pension funds –, with rises in common holdings with banks of 11.1 pp, 6.2 pp and 10.8 pp, respectively (Chart 3.19.a). In all cases, greater holdings of sovereign debt (around 8-9 pp) were the main driver of this rise.

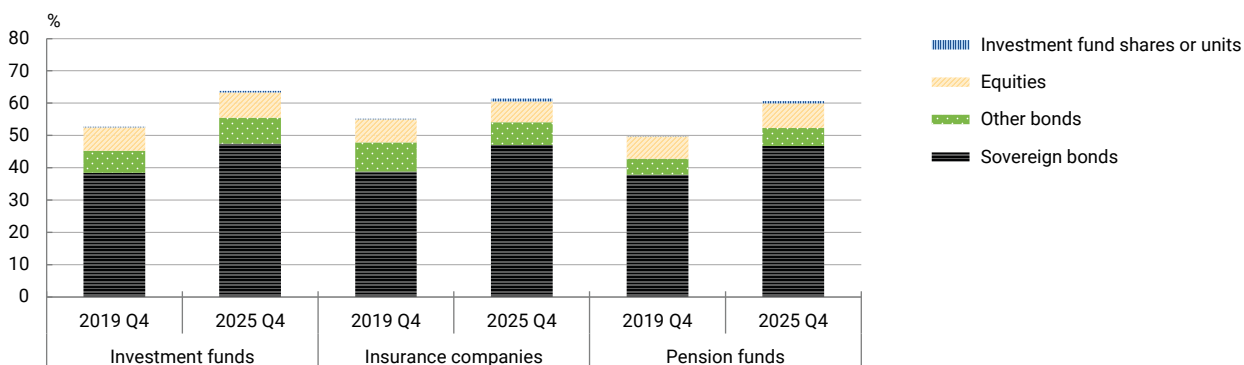
**Sector-specific common holdings also grew for euro area banks.** In comparison with Spanish banks, they did so more moderately for investment funds and pension funds (up by 4.5 pp and

<sup>44</sup> For more details, see Section 4.1 and *Special Feature B* of the ECB's November 2025 *Financial Stability Review*.

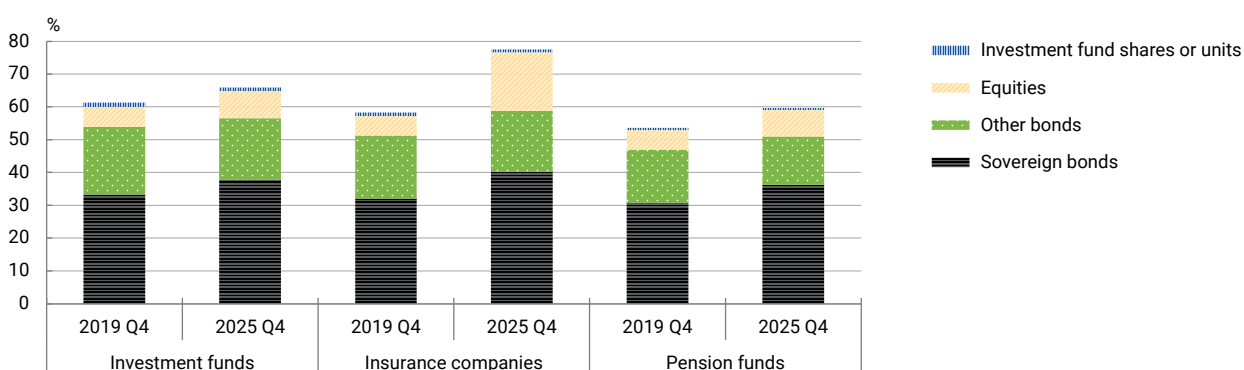
Chart 3.19

**Indirect exposures of Spanish banks to the euro area NBFIs sector have increased, driven by sovereign debt. A similar trend is observed in banks across the euro area, albeit with a smaller relative share of sovereign debt**

3.19.a Share in the Spanish banking sector's securities portfolio of holdings held by both Spanish banks and other euro area NBFIs (a) (b)



3.19.b Share in the banking sector's securities portfolio of holdings held by both euro area banks and other NBFIs (a) (b)



SOURCE: ECB (Securities Holdings Statistics by Sector). Latest observation: December 2025.

- a Banks' portfolio holdings overlap with those of other sectors. The bars show the share in banks' securities portfolios of holdings held by both euro area banks and other financial sectors, broken down by instrument and issuer sector.
- b The scope of consolidation in this analysis differs from that used in the discussion in Section 3.1.3, since in this case the banking sector holdings by country (including, in particular, Spain) are not presented at consolidated level, but rather as an aggregate of the individual banks. Nevertheless, in spite of this difference in the degree of consolidation, the data are still useful owing to the significance of European business, and the data source used here (Securities Holding Statistics by Sector) is the only option available to compare the banking and NBFIs sectors in Europe.

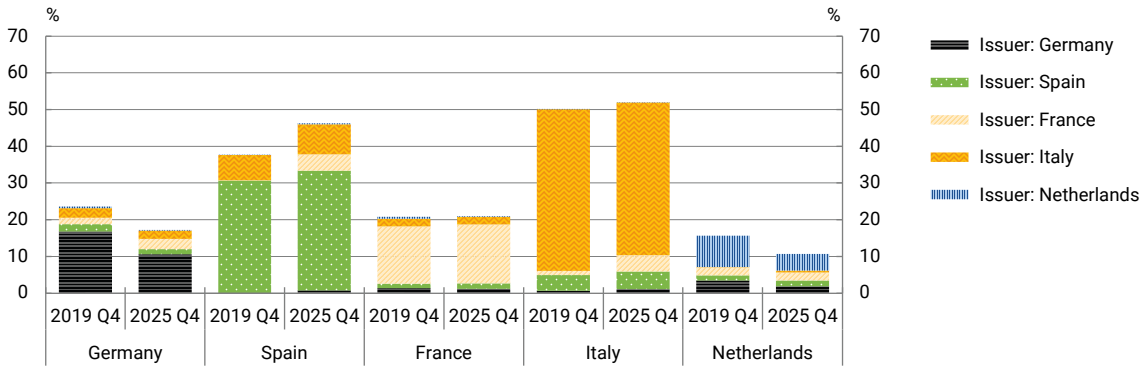
6.0 pp, respectively), while the increase was much larger with respect to insurance companies (up by 19.2 pp) (Chart 3.19.b). This reflects an increase in the share of sovereign debt and equity holdings, with equities contributing relatively more in the case of insurers.

**The indirect exposures of euro area banks to the NBFIs sector are generally greater than those of Spanish banks.** In 2025 Q4, common holdings with insurance companies accounted for a significantly larger share of banks' securities portfolios in the euro area, at a level around 16 pp higher than in banks in Spain. Levels of portfolio overlap of banks in both Spain and the euro area with investment funds and pensions funds are more similar, with differences of around 2 pp and 1 pp, respectively.

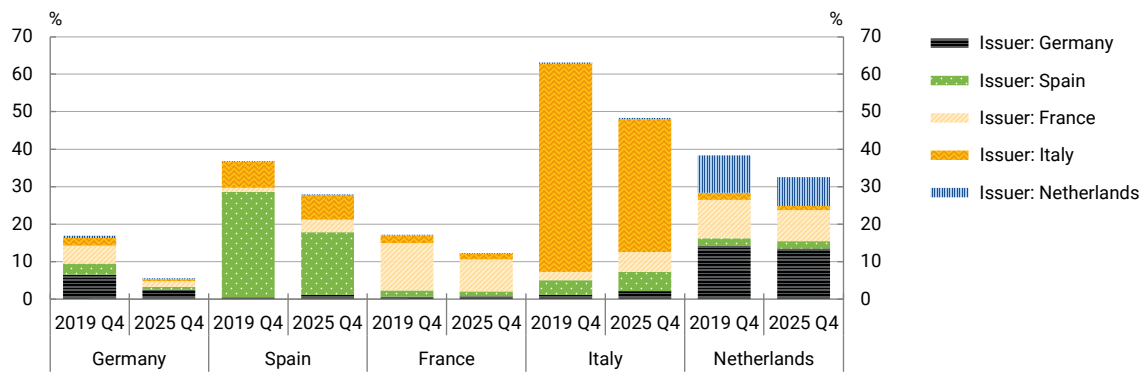
Chart 3.20

**European sovereign debt plays a smaller role in the NBFIs sector's financial instrument holdings than in 2019, while banking sector portfolios have remained broadly stable, with an increase observed in Spain**

3.20.a Share of sovereign debt holdings by issuer in the banking sector's securities portfolios, by country (a) (b)



3.20.b Share of sovereign debt holdings by issuer in the NBFIs sector's securities portfolio, by country (a) (b)



SOURCE: ECB (*Securities Holdings Statistics by Sector*).

- a Aggregate percentage of the banking and NBFIs sectors' securities portfolios invested in sovereign debt, by issuing country. The total value of securities portfolios is calculated as the sum of the market value of all individual securities (identified by an ISIN) held by each country's banking sector and the NBFIs sector, respectively.
- b The scope of consolidation in this analysis differs from that used in the discussion in Section 3.1.3, since in this case the banking sector holdings by country (including, in particular, Spain) are not presented at consolidated level, but rather as an aggregate of the individual banks. Nevertheless, in spite of this difference in the degree of consolidation, the data are still useful owing to the significance of European business, and the data source used here (*Securities Holding Statistics by Sector*) is the only option available to compare the banking and NBFIs sectors in Europe.

**These indirect exposures comprise different instruments for Spanish banks and euro area banks.** In Spain, the overlap with the NBFIs sector is more heavily concentrated in sovereign debt, whereas in the euro area sovereign debt has a smaller relative weight and equities and, in particular, other debt securities play a more important role. To further analyse the interconnectedness created by sovereign debt holdings, the exposure will be reviewed by sovereign issuer in order to measure the contagion risk of this channel and the degree of home bias.

**The NBFIs sector has seen its exposure to sovereign debt in Spain fall since 2019, whereas the banking sector's exposure has increased slightly over the same period.** Banks show a more pronounced preference for domestically issued sovereign debt (Chart 3.20.a).<sup>45</sup> As at

<sup>45</sup> The breakdown of sovereign debt holdings by holding sector is shown in Chart A2.3.3.1 in Annex 2.

December 2025, Spanish sovereign debt accounted for 32.5% of Spanish banks' securities portfolios,<sup>46</sup> 2 pp more than in December 2019. Exposure to the sovereign debt of the other four jurisdictions under consideration and shown on the chart stood at 13.7%, following an increase of 6.7 pp. By contrast, the NBFIs sector reduced its exposure to Spanish sovereign debt to 16.7%, a fall of 11.4 pp relative to 2019, while exposure to the sovereign debt of the other four countries rose to 10.8%. This pattern points to a weaker domestic bias and greater geographical diversification in NBFIs sector portfolios (Chart 3.20.b).

**Among the major euro area economies, both the Spanish banking sector<sup>47</sup> and the NBFIs sector<sup>48</sup> exhibit the second-highest aggregate exposure to sovereign debt, after Italy.** The Italian banking system is the most exposed, with sovereign holdings accounting for 52.0% of securities portfolio volume in December 2025. By contrast, the Dutch and German banking sectors show significantly lower exposures, at 10.7% and 17.2%, respectively, reflecting the greater relative importance of corporate debt. Turning to the NBFIs sector, Italy again has the highest sovereign exposure, at 48.4% in December 2025. By contrast, the NBFIs sector in Germany has the lowest exposure, at 5.5%, largely owing to a stronger channelling of investments to equity markets and investment funds.

**Overall, interconnections through non-domestic European sovereign debt holdings are limited for both European banks and NBFIs.** As shown in Chart 3.20, exposures remain primarily concentrated in domestic sovereign debt and, in the case of France, Germany and the Netherlands, relatively contained. The Dutch NBFIs sector is the exception, with a sovereign exposure that is more diversified across euro area countries.

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<sup>46</sup> The total value of securities portfolios is calculated as the sum of the market value of all individual securities (identified by an ISIN code) held by each country's banking sector.

<sup>47</sup> According to EBA data, in December 2025 marketable financial assets (debt and equity securities) accounted, on aggregate, for 15.6% of total assets for major German banks, 16.4% for French banks, 26% for Italian banks and 10.9% for Dutch banks.

<sup>48</sup> Financial accounts data show that, as at December 2025, marketable financial assets accounted for 77% of the total assets of euro area NBFIs.

