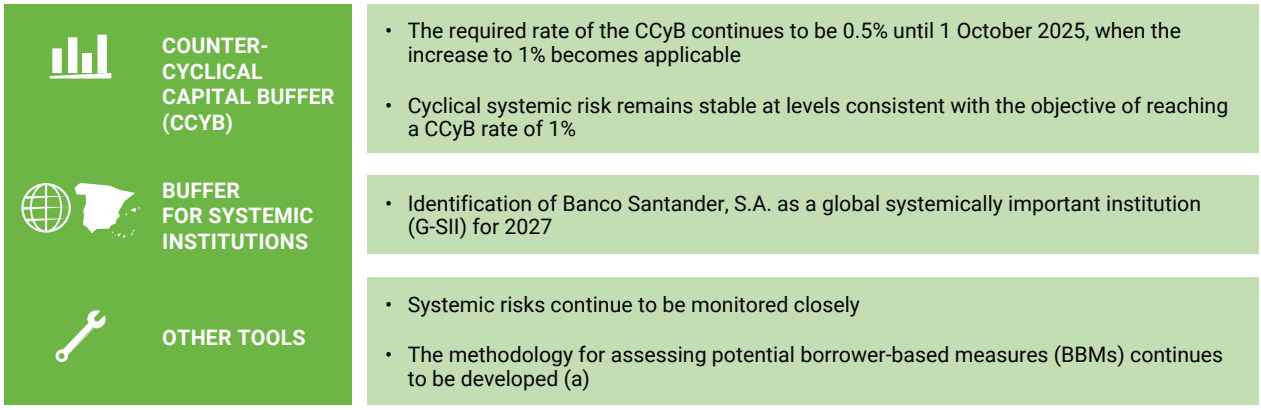
6

MACROPRUDENTIAL POLICY

Figure 6.1
Macroprudential policy



SOURCE: Banco de España.

a BBMs are regulatory restrictions on the characteristics of the loans that can be granted in a jurisdiction. Examples include maximum maturities and limits on ratios, such as loan-to-income and loan-to-value.

6.1 The countercyclical capital buffer

Cyclical systemic risks remained at an intermediate level in Spain at the end of 2025. Overall, the key indicators of the Banco de España's countercyclical capital buffer (CCyB) monitoring framework declined slightly between June 2025 and December 2025 (Chart 6.1.a). Thus, the four key components, which amalgamate the indicators, stood at an intermediate level at the end of last year (Chart 6.1.b).[1]

The business cycle showed signs of stabilising in late 2025, while the credit cycle continued to shift upwards. The output gap (one of the key indicators of the macroeconomic block of the monitoring framework) remained in positive territory, although with no sign of any upward trend in 2025 H2. The credit-to-GDP gap (in the macro-financial block) continued to display an upward trend but still stood at negative levels (Chart 6.1.c). The bank credit-to-GDP gap, which was already positive, also showed an upward trend.

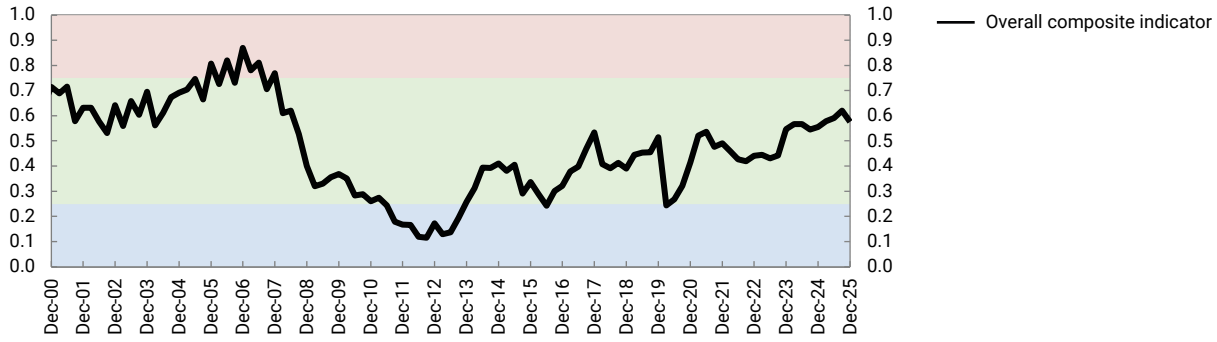
The stability of cyclical systemic risks at an intermediate level warrants the increase of the CCyB rate to 1%. The activation of the CCyB at this level was approved on 1 October 2025 and

1 The key indicators can be divided into four blocks: (i) macroeconomic, (ii) macro-financial, (iii) Spanish financial markets and (iv) the Spanish banking system. The overall composite indicator combines information from all of them. See the briefing note of 1 October 2024 "Revision of the framework for setting the countercyclical capital buffer in Spain" for more details.

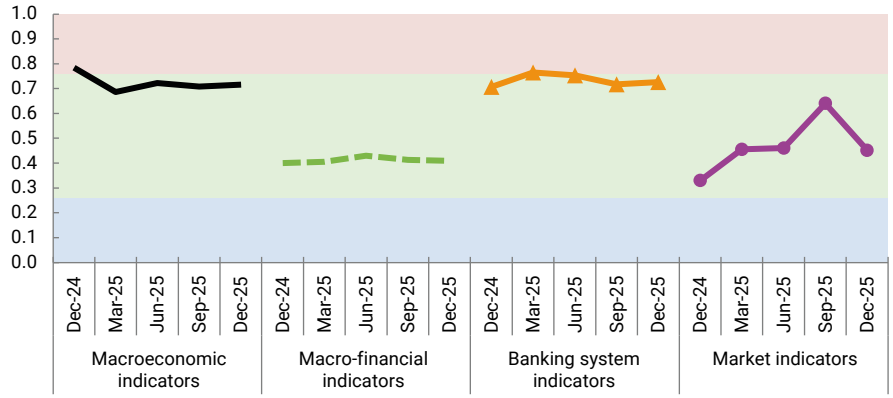
Chart 6.1

The cyclical systemic risk indicators eased in Spain in 2025 H2. The output gap remained steady at a positive level and the credit-to-GDP gap continued to grow

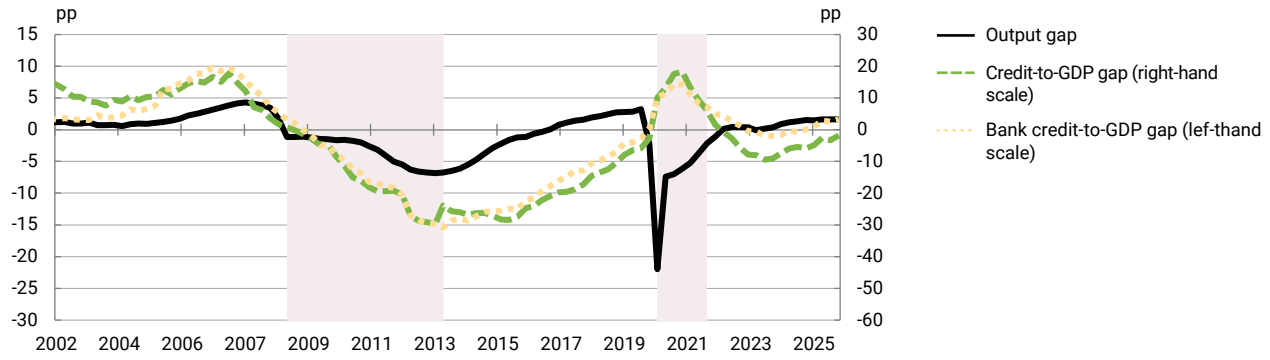
6.1.a Overall composite indicator (a)



6.1.b Composite indicators by risk category (a)



6.1.c Credit-to-GDP gap and output gap (b)



SOURCES: Banco de España, INE, Datastream and authors' calculations. Latest observation: December 2025.

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 and pink shaded areas indicate, respectively, a low, standard and high level signal of cyclical systemic risks.
b See note A2.6.1.1 of Annex 2.

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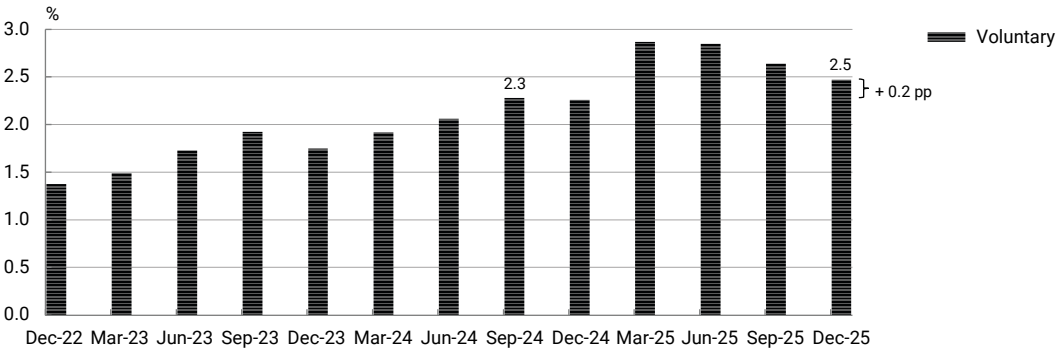
Chart 6.2

Voluntary capital buffers at end-2025 were at broadly the same level as before the countercyclical capital buffer rate was set at 0.5% in October 2024

6.2.a The voluntary capital buffers of Spanish institutions (a)



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

a The values are shown as at September 2024, before the announcement of the 0.5% increase in the CCyB (published on 1 October 2024 and applicable from 1 October 2025), and December 2025. The voluntary capital buffer is calculated as the level of CET1 capital less the prudential requirements and Pillar 2 guidance, also taking into account the leverage ratio and MREL requirements.

will be applicable from 1 October 2026.[2] Until that date, the required rate is 0.5%.[3] These changes in the CCyB rate are consistent with the methodology for its determination published by the Banco de España and with previous notices regarding the CCyB since 2024.[4] Institutions currently maintain voluntary capital buffers well above the 50-basis point increase required.[5] Along with the 12-month period between activation and applicability, this facilitates their capital management in response to the new requirement (Chart 6.2).

The preliminary information available for 2026 does not anticipate any change in the intermediate level of cyclical systemic risks in Spain. As at the cut-off date for this report the set of indicators for monitoring the CCyB for the first four months of the year had not been fully updated, but growth in activity (GDP,[6] social security contributions, etc.), credit (see Section 3.1.4) and the housing market (see Section 4.2) indicate the advisability of upholding the decision to strengthen this releasable buffer. In any event, the Banco de España remains alert, incorporating new information as and when it becomes available, which is particularly important in the environment of uncertainty associated with the conflict in the Middle East.

2 See the press release of 1 October 2025 "The Banco de España resolves to increase the countercyclical capital buffer (CCyB) rate to 1%".

3 The 0.5% rate was set in October 2024 and is applicable from 1 October 2025. See the press release of 1 October 2024 "The Banco de España approves the new framework for setting the countercyclical capital buffer and sets the buffer rate for 2024 Q4 at 0.5%".

4 See, the briefing note "Revision of the framework for setting the countercyclical capital buffer in Spain" and the previous notices in the CCyB section of the Banco de España's website.

5 The CCyB determined by the Banco de España applies to exposures in Spain. A rate of 0.5% of exposures in Spain corresponds to approximately 0.25% of total exposures at consolidated level.

6 See INE. Quarterly National Spanish Accounts. First quarter 2026. Preview.

6.2 Capital buffers for systemic institutions

In December 2025, the Banco de España announced the designation of Banco Santander, S.A. as a global systemically important institution (G-SII) in 2027.[7] The identification of this institution as a G-SII for another year entails the requirement that it maintain a macroprudential capital buffer of 1% of CET1 capital.[8] The aim of the G-SII buffer, which helps shore up the institution's loss-absorbing capacity, is to mitigate the adverse impact that institutions of this nature (due to their size, level of interconnectedness, complexity and cross-border activity, and the difficulty of replacing some of the services they provide) could potentially have on the global financial system, should they experience difficulties. Under current regulations, the effective capital buffer rate applicable to Banco Santander, S.A. in 2027 as a systemically important institution will be the higher of: (i) the G-SII buffer rate and (ii) the buffer rate for other systemically important institutions (O-SIIs), to be set by the Banco de España in 2026.[9]

6.3 Other macroprudential tools

The Banco de España has continued to analyse the possible effects of using borrower-based measures (BBMs). As indicated in previous FSRs, the Banco de España has the power to establish these measures, which consist in regulatory restrictions on the characteristics of the loans that can be granted in a jurisdiction.[10] Most European countries have activated at least one measure of this type and various international authorities, such as the European Systemic Risk Board and the International Monetary Fund (IMF), have recommended that the Banco de España consider using them to prevent risks building up in the real estate sector.[11]

This type of measure has benefits for financial stability, but also costs associated with the restrictions on individual household decisions. Assessment of these policies is especially complex as their costs and benefits vary across different population groups. It is therefore essential to fully understand their effects and to analyse how they should be calibrated to ensure that their overall cost-benefit balance makes them worth adopting. For this purpose, as discussed in the last issue of the FSR,[12] the Banco de España is pursuing an intense analytical agenda, which includes various types of models, both empirical and theoretical.

The analysis of the costs and benefits of BBMs can be interpreted in terms of their efficacy and efficiency. As regards their efficacy, we need to assess the extent to which this type of policy

7 See the Banco de España's press release of 5 December 2025.

8 This Banco de España measure (a macroprudential action envisaged in prevailing EU and Spanish legislation) formalises the prior designation of this bank as a global systemically important bank by the Financial Stability Board (FSB). See "2025 List of Global Systemically Important Banks (G-SIBs)", published by the FSB on 27 November 2025.

9 In 2026, Banco Santander, S.A. faces a requirement rate of 1% as a G-SII and of 1.25% as an OSII, so, according to this rule, the current effective requirement applicable to it as a systemic institution is 1.25%.

10 See Circular 5/2021 of 22 December 2021.

11 See IMF (2026) "Spain: Staff Concluding Statement of the 2026 Article IV Mission", 20 March 2026.

12 See Section 6.3 of the Autumn 2025 FSR.

achieves the objective of reinforcing financial stability by improving the quality of banks' credit portfolios and households' financial position, as well as through a more stable macro-financial environment. One way of doing this is to analyse the reduction in mortgage default risk. However, an improvement in this metric can be achieved in an inefficient way if excessive restriction of household choice leads to high costs. That is to say, the measure may not be so useful if it significantly distorts decisions (e.g. on access to owner-occupied housing or consumption and saving over the life cycle of households) or has side effects on variables such as rents.

As regards the efficacy of the measures, the analytical work currently in progress has identified important benefits in terms of greater household resilience in the face of adverse events. BBMs have the direct benefit of lowering household indebtedness. This reduces households' vulnerability to abrupt changes in financial and economic conditions, resulting in lower credit risk.

BBMs could be especially useful to mitigate the increase in defaults owing to marked cyclical fluctuations. Historical evidence suggests that banks ease their credit standards more during upturns. The effects of BBMs would thus be amplified notably, further reducing the probability of default.[13] Moreover, existing theoretical studies concur that these measures help to smooth financial cycles, thereby underpinning more stable growth of credit, house prices and economic activity.[14]

As for the efficiency of the measures, studies in progress find heterogeneous effects on the real estate market and household consumption. BBMs entail costs in terms of access to mortgage credit, which must be taken into account when assessing the overall cost-benefit balance. Studies currently under way also analyse their impact on ownership rates, house prices and rents, household consumption and welfare, distinguishing between short and long-term effects.

The preliminary findings suggest that activation of these measures would shift part of the market for owner-occupied housing to that for rental housing. Thus, declines in the long-term ownership rate would be observed. This effect, arising from lower lending, would be partially mitigated by lower house prices, associated with the decline in mortgage credit and the resulting lower demand for owner-occupied housing (Figure 6.2). However, the reduced access to ownership would shift demand towards rental. Note that these impacts are long-term aggregate effects, being notably smaller in the short term. In addition, it is worth emphasising that the results are conditional upon the assumptions of the model considered.[15]

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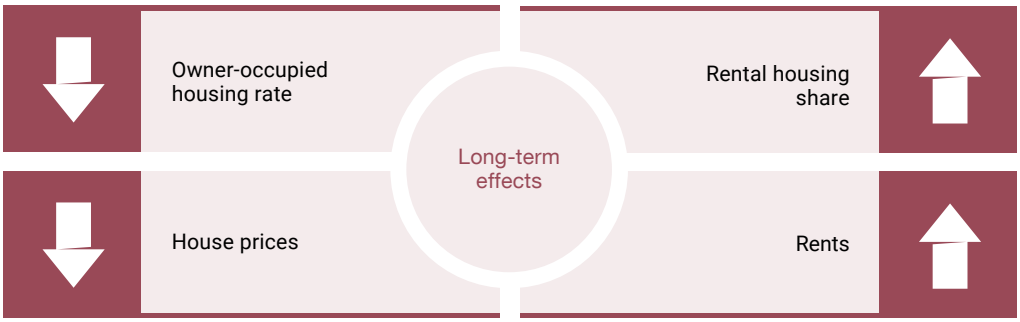
13 See Box 1.3, Financial Stability Report, Autumn 2019, Banco de España, and Galán, J.E. and M. Lamas (2025). "Beyond the LTV ratio: lending standards, regulatory arbitrage and mortgage default". Journal of Money, Credit and Banking, 57, 107-150.

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

15 In particular, in the model, households that invest in housing react to higher rents by transferring supply from the owner-occupied housing market to the rental market. However, owing to their limited resources, they are not capable of transferring all the housing available as a result of the fall in purchases by constrained households. In practice, the increase in rents may also attract institutional investors, with higher purchasing power, thereby increasing rental supply and moderating rents. Thus, other models are being analysed in order to obtain a more complete assessment of the economy's behaviour under different plausible assumptions.

Figure 6.2
BBMs would reduce the home ownership rate and ease house prices, while putting pressure on rents

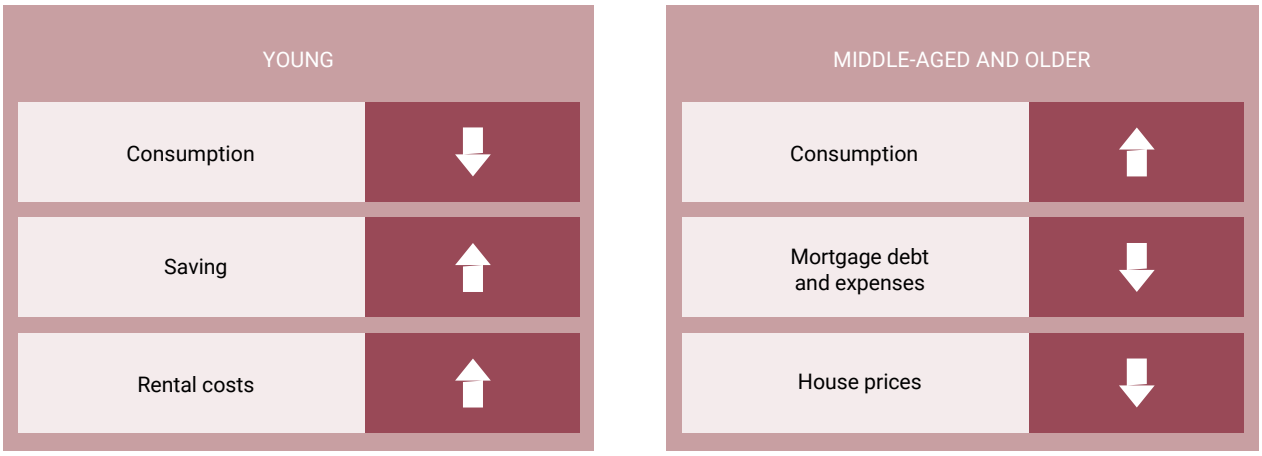
6.2.a Long-term effects of BBMs on the home ownership rate, house prices and rents



SOURCE: Banco de España.

Figure 6.3
BBMs have opposite effects over the life cycle of households, with the benefits concentrated among those with a middle-aged or older head

6.3.a Impact of BBMs on saving, consumption, mortgage debt, house prices and rents, by age of household head (a)



SOURCE: Banco de España.

a In the analysis, "young" are defined as households with heads below the age of 35 and "middle-aged and older" as those with heads over 35.

The impacts of these measures are heterogeneous across borrower groups and may affect their lifetime consumption and investment paths. In particular, younger households would be expected to lower their consumption as a consequence of their reduced access to mortgage credit, switching funds to saving and postponing the decision to purchase housing. However, when access to housing is achieved at later ages, household consumption would be higher than in the scenario without measures (Figure 6.3). This improvement results from a lower borrower debt-to-income ratio and a lower associated debt burden, along with the fall in house prices mentioned in the previous paragraph.

Nevertheless, it should be noted that these measures can be designed to be flexible, so as to mitigate possible redistributive effects (such as those already discussed with regard to age groups). For example, BBMs could be less restrictive or exceptions granted for certain groups of households, mitigating the more negative impacts on especially vulnerable population groups and potentially enabling more efficient implementation.

The methodological framework for assessing the costs and benefits of potential BBMs needs to be further developed in order for the analysis to be sufficiently precise and robust. As discussed in this section, the activation of such measures may have different repercussions – that vary across population groups – in many different spheres. Taking all the above into account, as well as the current situation of contained risks in the Spanish real estate market (See Section 4.1), the Banco de España continues to focus on methodological developments to ensure suitable calibration of these measures should they be activated.