

FINANCIAL STABILITY REPORT

SPRING

2026

BANCO DE **ESPAÑA**
Eurosistema



FINANCIAL STABILITY REPORT SPRING 2026

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1

EXECUTIVE SUMMARY

1 EXECUTIVE SUMMARY

Figure 1.1

Agents and markets relevant to financial stability (a)

 HOUSEHOLDS	- Sound performance of income, employment and wealth - Historically low debt and debt burden levels
 FIRMS	- Sound performance of profit, albeit uneven across sectors - Historically low debt and debt burden levels
 PUBLIC SECTOR	- High debt level, although deficit is decreasing - Upside risks to government spending (defence, demographics, etc) - Lack of specificity in fiscal consolidation plans - Fiscal vulnerabilities in global systemically important economies
 BANKING SECTOR  NON-BANK FINANCIAL SECTOR	- Bank profitability remains sound - Spread narrowing between asset and liability interest rates has led to a marked decline in net interest income, which has nevertheless tended to stabilise - Bank solvency and liquidity positions are notably above requirements - Direct exposure to the Middle East and Asia is limited - Lending to households and firms in Spain continues to grow and credit quality has improved - Globally, the non-bank financial intermediary (NBFI) sector is vulnerable to corrections in financial market conditions - Investment funds domiciled in Spain have a contained risk profile, by historical standards and a European comparison - Private credit to firms in Spain and the euro area has grown, but accounts for a small share of their total financing and shows no signs of the fragility observed in this segment in the United States - The impact on the NBFI sector of abrupt financial market corrections may also affect European banks via interconnectedness
 REAL ESTATE MARKET	- Real house price growth remains high - Growth in real estate credit is contained relative to GDP and to the stock of bank loans, and is compatible with low household debt levels - Mortgage lending standards have eased slightly, but are still well below their all-time highs - Overall, the real estate risks to financial stability remain contained
 FINANCIAL MARKETS	- High valuations of risk-bearing assets, which have seen contained and, in some cases, short-lived corrections since the outbreak of the Middle East crisis, despite the ensuing rise in uncertainty - Uncertainty surrounding tech sector valuations and a worsening risk perception for private credit - As a result of the conflict in the Middle East, European sovereign risk spreads have widened moderately, but with no sign of financial fragmentation in the euro area

SOURCE: Banco de España.

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.

The Autumn 2025 *Financial Stability Report* (FSR) highlighted geopolitical tensions and possible abrupt corrections in financial market valuations as the main risks to financial stability. The onset of the conflict in the Middle East in February reinforced this diagnosis and has had adverse effects, whose scope is still uncertain, on energy markets and supply conditions worldwide. To address this challenge, Spanish households, firms and banks start from a relatively favourable financial situation, although high government debt poses a degree of vulnerability.¹

Households and firms

In Spain, household income and corporate earnings performed well in 2025 H2, although the pace of growth moderated. Among both households and firms, debt and debt service ratios evolved moderately, remaining around historically low levels. Nevertheless, there are some pockets of greater fragility among lower-income households that need to devote a high percentage of their income to essential expenses. Moreover, in various business sectors the ability to cover financial costs is sensitive to a potential deterioration in profitability and borrowing cost conditions. In any event, overall, the financial vulnerability of households and firms remains low by historical standards.

Public sector

In 2025, Spain's general government deficit fell by 0.8 percentage points (pp) to 2.4% of GDP, compared with a much smaller decline in the euro area. The favourable cyclical position of the Spanish economy, which grew by 2.8% (double the rate of growth in the euro area) made a decisive contribution to this improvement. However, net expenditure rose faster than expected, exceeding both the Government's initial estimates and the limit set in the Medium-Term Fiscal-Structural Plan (MTP).²

Following improvements in recent years, Spain's fiscal position has moved closer to its pre-pandemic level. Nevertheless, at around 100% of GDP, the high level of government debt remains a source of vulnerability for the Spanish economy. This is exacerbated by the persistence of relatively high budget deficits given the cyclical position of the economy, the growing spending needs related to population ageing, defence and the green and digital transitions, and the lack of concrete measures to meet European fiscal commitments.

Although the cost of Spanish government debt remains contained, partly thanks to favourable financial market conditions, this situation could reverse. First, a vulnerable fiscal position may

¹ In this report, vulnerabilities are defined as economic and financial conditions that increase the impact or probability of materialisation of risks to financial stability.

² The MTP is the main medium-term fiscal planning tool under the new economic governance framework approved by the European Union in 2024. Each Member State has to produce a medium-term plan at least every four years and an annual monitoring report on fiscal and economic policy commitments.

render the cost of Spanish general government debt more sensitive to a potential deterioration in public financing conditions worldwide. The unfavourable fiscal position of systemic economies such as the United States and France and the increase in geopolitical risks make such scenarios more relevant. Second, if medium and long-term spending pressures are not balanced by offsetting measures, the consequent worsening of Spain's government deficit and debt could also drive up investors' required returns.

Banking sector

The financial position of the Spanish banking sector remained favourable in 2025. Consolidated sector profit rose by 6%, giving a return on assets (ROA) of 0.95% and a return on equity (ROE) of 14.3%. Both these metrics increased compared with 2024, but more moderately than in previous years.

Net interest income fell in year-on-year terms, although the pace of decline moderated over the course of the year. As the pass-through of the 2024-25 monetary policy rate cuts came to an end, their negative impact on net interest income eased. Over the coming quarters, net interest income will depend more on the monetary policy response to the impact the geopolitical environment has on inflation.

The decrease in net interest income was offset by other income statement items, notably the growth in net fees and commissions and in other operating income. In the latter, the reduction in hyperinflation adjustments in some business abroad (Argentina and Türkiye) played an important role, a contribution that cannot be expected to be recurring. The profitability of the main listed banks continued to grow in 2026 Q1.

In keeping with this higher profitability, Spanish banking sector solvency strengthened in 2025. The Common Equity Tier 1 (CET1) ratio increased by 0.5 pp to 13.9%.³ However, despite this improvement, Spanish banks' capital ratios remained below the European average, although the gap narrowed somewhat in the year. In addition, the gap is smaller in terms of voluntary capital, i.e. that held by banks in excess of prudential capital requirements. The leverage ratio held stable at 5.7% and remains at similar levels to those of the main European banking systems.⁴

The consolidated balance sheet continued to expand in 2025, with assets growing by 4.7%, in line with the previous year. Spanish banks have limited direct exposure to the Middle East and Asia (a region that could be particularly hard hit by rising energy prices and supply constraints).

³ The CET1 ratio is defined as CET1 capital (the highest quality of regulatory capital) divided by risk-weighted assets. Assets with lower associated financial risks (such as government debt) receive a lower weighting in the calculation of the denominator, the logic being that lower-risk assets are less likely to incur unexpected losses that need to be absorbed by available capital.

⁴ The leverage ratio is defined as Tier 1 capital (CET1 capital plus additional Tier 1 capital) divided by the sum of on and off-balance sheet assets, not risk-weighted (see footnote 3).

Bank lending accelerated in Spain in 2025. Lending to households, firms and the self-employed rose by 3.6% year-on-year (compared with 0.8% in 2024). This growth was strongest in the household segment, thanks to the robust labour market and stabilising interest rates. Credit quality continued to improve. The stock of non-performing loans (NPLs)⁵ and stage 2 loans⁶ declined significantly in 2025, and the NPL ratio fell to 2.8% and the stage 2 ratio to 5.8%.

Regarding financing conditions, the average cost of bank liabilities continued to fall in 2025 H2, to around 2.6% at consolidated level. Meanwhile, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) remained at comfortable levels – 170.4% and 134.7%, respectively – well above the regulatory minimums and in line with or above the European averages.

Non-bank financial sector

The non-bank financial intermediary (NBFI) sector⁷ represented around one-third of total financial assets in Spain at the end of 2025 Q3, compared with 60% in the euro area. Over the year it continued to contribute to asset growth in the Spanish financial system, albeit to a lesser extent than the banking sector.

Within the Spanish NBFI sector, investment funds were again the main growth driver in 2025, although their contribution moderated compared with previous years. Spanish funds maintained a contained risk profile, both by historical standards and compared with the euro area as a whole, with low leverage levels, stable liquidity ratios, no significant use of derivatives and low settlement risk.

In the recent period the international setting has been marked by tensions in private credit to business in the United States,⁸ where investor confidence in this area has been undermined by various episodes of insolvency, fraud and liquidity constraints. In Spain and in the euro area overall, private credit accounts for a limited but growing share of lending to firms, with no significantly higher risk profile detected among those that use it. This growth is largely driven by the readiness of US and other non-euro area intermediaries to provide credit.

Beyond private credit, global concerns persist about open-ended investment funds, hedge funds and other NBFIs, which take on more risk relative to their leverage and liquidity and may amplify financial market corrections. In particular, these intermediaries may be obliged to make forced sales to cover increased liquidity needs in adverse market scenarios, thus exerting downward pressure on market valuations.

5 NPLs are those for which there is a significant probability of default by the debtor, either because they are more than 90 days past due on a principal or interest repayment or because there is reasonable doubt regarding their ability to meet their obligations, even if they have not fallen due.

6 Loans that are not “non-performing” but that show signs of impairment in the debtor’s financial position or in the loan’s credit quality are classified as stage 2 loans.

7 This sector includes, among other NBFIs, money market funds, non-monetary investment funds, insurance companies and pension funds.

8 Private credit refers to non-bank lending, for instance by specialist investment funds.

From a systemic standpoint, in general Spanish banks' direct interconnectedness with the NBFIs sector continued to account for less than 10% of the balance sheet, with higher exposures at the larger banks. Indirect interconnectedness through common holdings of securities has risen continuously since 2019. In Spain, domestic sovereign debt accounts for a larger proportion of these common holdings, while in the euro area they are more diversified, with a greater share of corporate debt. Overall, although interconnectedness has increased, the Spanish banking sector's exposure to the NBFIs sector remains contained.

Real estate market

The number of house purchases remained high in 2025, reaching almost 750,000 units, although recent developments point to some stabilisation. Meanwhile, the pace of house price growth accelerated, up to 12.7% in nominal terms (9.7% in real terms). Regional differences in house prices also increased, with higher cumulative growth in higher-priced provinces and modest or no growth in lower-priced ones. This contrasts with price behaviour in the property boom before the global financial crisis, when price rises were more widespread across provinces.

These market developments were driven by a combination of buoyant demand and rigid supply, with the pace of housebuilding well below that of net household formation. In this setting, second-hand housing accounted for 90% of house purchases. All these factors exacerbate the problem of housing affordability in Spain.

Real house prices have continued to grow relative to household income and interest rates. This decoupling, which has intensified since 2024, explains the increased stress in house price indicators, which are, however, still around 2004 levels and well below the peaks observed in the run-up to the 2008 financial crisis.

New mortgage credit recorded strong growth in 2025, but it is still moderate as a proportion of GDP and total bank credit. The stock of mortgage lending continues to increase gradually, although by historical standards it also remains low in relation to economic activity. Bank financing to the construction and real estate sector continued along the recovery path observed in 2024, albeit from levels close to all-time lows.

Lending standards for new mortgages relative to borrower income and collateral value remain contained and well below those observed in previous upturns, despite a modest increase in more highly leveraged transactions. Loan-to-price and loan-to-income ratios rose only slightly in the year, while debt service burdens remained contained, significantly below their all-time highs.

Overall, the composite housing market risk indicator, which takes a broad view of the various supply and demand factors affecting the sector, remains contained, at levels similar to those of the early 2000s. This is due to households' sound financial situation, prudent mortgage lending standards and low property development and construction activity.

Financial markets

From autumn 2025 to February 2026 global financial markets continued to enjoy highly favourable conditions. The geopolitical shock associated with the start of the Iran war in late February brought that to an end, although during March the impacts were contained and, since the ceasefire announcement in April, the effects have dissipated to varying degrees across the different asset classes.

As regards monetary policy, the European Central Bank (ECB) held its deposit facility rate at 2.0%,⁹ while between September and December 2025 the Federal Reserve System cut its federal funds rate by 75 basis points (bp), to a range of 3.5%-3.75%, in an environment of heightened economic uncertainty. Following the start of the conflict in the Middle East, policy rate expectations have been revised up in both economies, especially in the euro area.

In sovereign debt markets, the conflict prompted broad-based yield spikes and a flattening of yield curves, reflecting both inflationary risk and the expectation that the hostilities would be short-lived. Sovereign spreads in Europe widened moderately, with no significant sign of fragmentation.

In equity markets, volatility increased markedly, albeit to levels significantly below all-time highs, and then fell back to pre-conflict levels following the ceasefire announcement. European stock markets reacted more negatively to the conflict than their US counterparts, prompting a reversal of their previous better performance. By contrast, corporate bond markets saw a very modest response, both in the investment grade and high-yield segments, in the United States and in Europe alike.

In the foreign exchange markets, the dollar appreciated temporarily in March and then partially recovered its role as a safe-haven asset, benefiting also from the rise in oil prices. Meanwhile, despite its earlier strength, gold lost some of its attractiveness following the outbreak of the conflict. Lastly, emerging markets, which had been highly resilient, have seen some deterioration in financial conditions since February and risk aversion has increased.

Risks

Global geopolitical tensions have escalated sharply, with the conflict in the Middle East the main focus of risk.¹⁰ The start of the hostilities in February has prompted a considerable surge

9 The ECB's deposit facility rate is the interest rate that financial institutions receive for depositing their excess liquidity with the national central bank overnight. It is a key monetary policy instrument that sets the lower bound (floor) for overnight market interest rates.

10 Risks are identified in this report as adverse changes (with uncertain probability) in economic and financial conditions or in the physical or geopolitical environment that hamper or impede financial intermediation and have negative consequences for real economic activity.

in what were already high levels of global economic uncertainty. This heightened uncertainty particularly affects energy prices and inflation.

The conflict has had an especially severe impact on energy markets. Since the attacks began, oil and natural gas prices have risen in Europe, with increases of around 84% and 92%, respectively, in the second half of March. These price rises subsequently eased, especially after the ceasefire announcement, but volatility has remained high and has recently picked up again, with oil prices exceeding their March levels. In particular, it seems, because of the severe restrictions on passage through the Strait of Hormuz. Although futures markets anticipate a gradual decline in energy prices, expectations for subsequent years – especially 2026 – remain clearly above pre-conflict levels.

The extent of the energy shock stems from the scale of the supply potentially affected. Under normal conditions, around 20% of the world's oil and global liquefied natural gas exports pass through the Strait of Hormuz, while oil production in the Persian Gulf region as a whole accounts for around 30% of the total worldwide. The conflict has halted production of approximately 10 million barrels of oil per day, some 10% of global supply before the conflict began. This is a higher proportion than that affected after Russia's invasion of Ukraine in 2022 and is more difficult to replace owing to the physical supply blockade.

This situation may have persistent effects on energy supply, as resuming production takes time and, in some cases, prolonged oil-extraction disruption can permanently reduce recoverable volumes. Moreover, the damage to energy infrastructure already caused by the conflict, and any potential further damage, will exacerbate these persistent effects.

The conflict also poses broader risks to global value chains. A substantial proportion of the world's fertiliser trade passes through the Strait of Hormuz, as do critical supplies of helium and neon that are essential for semiconductor manufacturing. Also notable are the indirect effects of the disruption of strategic shipping routes and higher fuel prices, which could drive up the transport and production costs of many sectors worldwide.

The mitigation measures taken so far, such as the release of strategic oil reserves and the introduction of fiscal subsidies, have only partially cushioned the impact of the shock. Nevertheless, these measures are limited relative to the scale of production affected, and should the fiscal policy measures remain in place, government debt, which is already high, could increase further.

High uncertainty surrounding US trade policy also contributes to geopolitical risks. The Supreme Court ruling limiting the use of certain tariff instruments has given rise to a temporary general tariff framework that coexists with various previously established sectoral measures. The average tariff level has decreased following the ruling, albeit unevenly across geographical areas, with a negligible tariff cut for the euro area. However, the lack of clarity about a possible extension of the timeframe or any new measures that could be adopted drives up uncertainty for exporters and hampers medium-term global supply chain planning.

More generally, the deterioration in multilateral cooperation renders global economic policy less predictable and reduces the likelihood of coordinated responses to future crises.

Both the Spanish economy and the euro area economy overall have a high level of trade openness and energy dependence. However, under the baseline scenario, the macroeconomic impact of the current geopolitical crisis is expected to be limited. It could reduce banks' profitability to some extent, but it would have no significant effect on banking sector solvency. Under adverse scenarios in which the hostilities in the Middle East and the associated energy shock prove more severe and protracted, GDP decreases and both inflation and interest rates rise above the levels envisaged in the macroeconomic projections.

With this in mind, this report examines alternative, low probability but plausible scenarios to assess the risks to financial stability and, in particular, to banking sector resilience posed by the conflict in the Middle East. As was the case in the severe energy crises witnessed in the second half of the 20th century, the solvency of the Spanish banking sector overall is notably resilient under scenarios of surging prices of oil and other energy inputs. However, under such scenarios, the sector's profit-generating capacity is very low compared with the baseline scenario, and lending to households and firms slows significantly.

Despite a modest initial correction following the outbreak of the conflict, financial market conditions remain sound, although the risk of abrupt and sharp valuation adjustments appears to have increased owing to the heightened uncertainty. In particular, equity and corporate bond market valuations are high, underpinned by optimistic earnings forecasts that could fail to materialise should the macroeconomic outlook deteriorate or key sectors of activity be hit by specific shocks.

In this respect, developments in artificial intelligence (AI) technologies pose significant market risks, primarily owing to their disruptive nature, as they may render some business models obsolete. Indeed, financial markets have recently penalised certain sectors, for instance software development services, that are perceived as being most exposed to this disruption. Moreover, AI firms themselves face risks associated, inter alia, with the level of competition in the sector, the effect of geopolitical fragmentation and the doubts regarding the extent to which the expectations of productivity gains associated with this technology will be met. The conflict in the Middle East may adversely affect the AI sector by disrupting the supply of semiconductors and driving up energy costs. The high energy intensity of this technology is a significant vulnerability factor.

As mentioned above, private credit presents additional vulnerabilities, with recent business insolvencies and also liquidity stress in some specialist funds that could amplify financial shocks. Sovereign debt could also be affected by the fiscal deterioration associated with lower growth and the energy crisis, especially in economies whose fiscal positions are already fragile.

Other risks are also identified relating to the composition of growth in Spain, fiscal vulnerabilities and the potential negative medium-term effects of housing affordability problems on growth.

In addition to emerging risks, such as cyber risks¹¹ and others linked to the transition to a more digitalised financial system and the rise of crypto-asset markets (for instance, global stablecoin expansion).

In the field of cyber security, in particular, recent advances in AI could already be increasing risks, by making it easier and much quicker to identify and exploit cyber vulnerabilities, with potentially adverse effects for financial stability. Advances in quantum computing, which may have a disruptive effect on current cryptographic techniques, also pose an emerging risk to financial stability, albeit one that is less immediate than the AI-linked risks.

Macroprudential policy

The composite indicator for monitoring cyclical systemic risk in Spain was slightly lower at year-end than in mid-2025, although the indicator and each of its subcomponents – macroeconomic, macro-financial, banking and financial markets – remained at an intermediate level.

This endorses the decision adopted in October 2025 to raise the countercyclical capital buffer (CCyB) from the 0.5% currently required to 1% (required from October 2026), a decision consistent with the methodology for setting the CCyB published by the Banco de España.¹² The preliminary information available for 2026 indicates no change in the cyclical systemic risk assessment, which justifies maintaining the decision to strengthen the buffer. In any event, the Banco de España monitors all new information relevant to setting the CCyB as and when it becomes available.

The Banco de España has also continued to develop the methodological framework for assessment of the use of borrower-based measures to tighten mortgage lending standards. Analyses under way show that these measures can enhance the financial resilience of households and banks and can significantly reduce the rate of mortgage defaults among households, especially in the case of mortgages granted in expansionary phases of the cycle.

However, these measures may also have side effects, especially on housing affordability, rental costs and household consumption, with an uneven impact on different population groups. Accordingly, if they are adopted, careful calibration and flexibility are essential, to maximise the benefits in terms of financial stability while minimising the side effects.

The cut-off date for this report is 29 April 2026.

¹¹ Cyber risks refer to the risk of cyber incidents occurring and their impact. Cyber incidents are events that compromise the confidentiality, integrity or availability of information and/or information systems. They may be malicious or accidental.

¹² *Revision of the framework for setting the countercyclical capital buffer in Spain.*

2

FINANCIAL SITUATION OF HOUSEHOLDS, NON-FINANCIAL CORPORATIONS AND GENERAL GOVERNMENT

2 FINANCIAL SITUATION OF HOUSEHOLDS, NON-FINANCIAL CORPORATIONS AND GENERAL GOVERNMENT

Figure 2.1

Financial situation of households, firms and general government (a)

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

SOURCE: Banco de España.

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.

2.1 Households

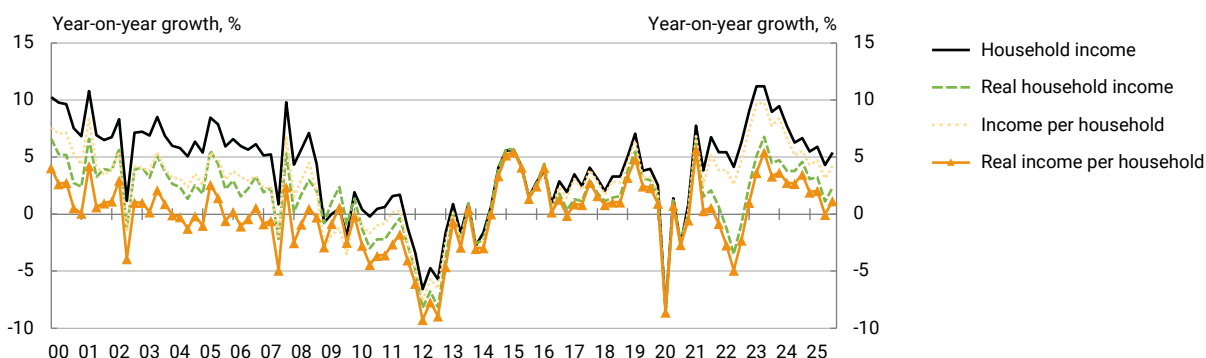
Household income continued to increase in 2025 H2, albeit at a slightly slower pace. Household income grew in nominal terms in 2025 H2 at an average year-on-year rate of 4.8%, down 0.8 percentage points (pp) on H1 (Chart 2.1). The improvement in purchasing power also eased: adjusted for inflation and population growth, income grew year-on-year at 0.6 %, 1.4 pp less than in 2025 H1.

Gross real household wealth grew by 8.6% year-on-year at end-2025. This growth was mainly driven by real estate and (to a lesser extent) financial asset revaluation (Chart A2.2.1.1 in Annex 2) and is similar to the 2025 H1 figure (8.5%).

Private consumption continued to perform robustly in 2025 H2 thanks to favourable employment developments and the increase in wealth. In real terms, it grew at an average year-on-year rate of 3.1%, down slightly on 2025 H1¹ (3.6%). Growth in consumer credit (see

¹ See the National Statistics Institute's [Quarterly National Accounts for 2025 Q4](#).

Chart 2.1

Growth in household income moderated in 2025**2.1.a Spanish household income (a)**

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

a Household income is measured using GDI in the national accounts. This aggregate includes compensation of employees, gross operating surplus, gross mixed income, property income and net taxes paid (which are subtracted). Real income is adjusted for inflation using the consumption deflator.



Section 3.1.4 of Chapter 3) was another supporting factor. Meanwhile, the saving rate held steady at 12% in 2025 H2 (Chart A2.2.1.2 in Annex 2), a level that remains historically high (around the 85th percentile of the distribution since 1999).

The household debt-to-income ratio stood at 68.1% in 2025 Q4 and is expected to remain close to this level in the coming years. The ratio remains near the lows observed since 2000 and below that recorded in the euro area as a whole (82.3% of income in 2025 Q4) (Chart 2.2). The increase in the stock of debt observed since mid-2024 has been more than offset by income growth. Under the different scenarios in the Banco de España's March 2026 **macroeconomic projection exercise**, this ratio will remain around its current level. Depending on the scale and persistence of the impacts associated with the crisis in the Middle East, at end-2028 it will sit within a range of 65.5% of gross disposable income (GDI) (severe scenario) to 68.5% (baseline scenario). The lower level under the severe scenario is due to the sharp deceleration in credit, despite higher interest rates and lower income.²

The deleveraging initiated after the global financial crisis has been more pronounced in lower net wealth households.³ In 2025 Q3 households' debt-to-gross wealth ratio stood at 7.1% in Spain (13.2% in 2014). This ratio has also decreased in the euro area (by 2.4 pp since 2014), although it currently stands at 10.4%, higher than in Spain (Table 2.1). While this decline has been widespread, it has been particularly pronounced among lower net wealth households.

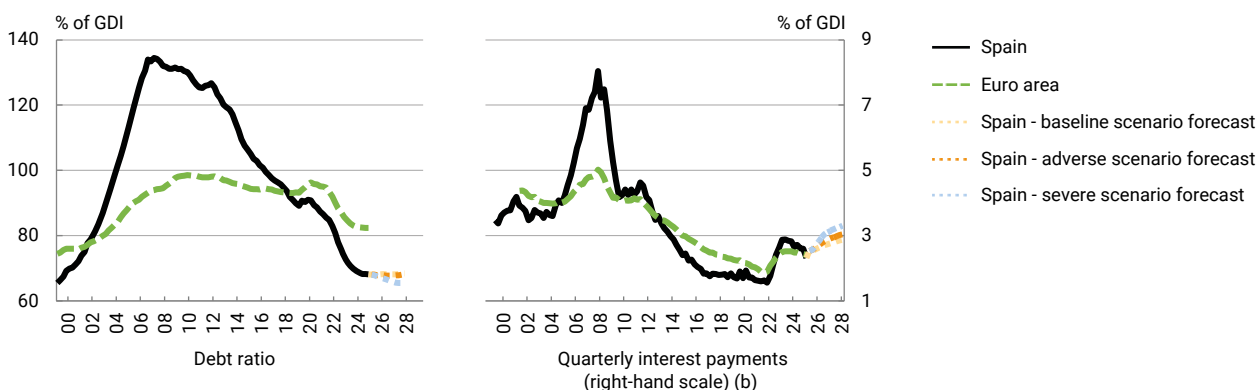
² The future paths of the ratios for Spain are estimated based on the projected GDI, interest rates and lending volumes included in the Banco de España's 2026 Q1 macroeconomic projections.

³ The information is drawn from the distributional wealth accounts for households, which combine survey micro data and macroeconomic data from the national accounts to analyse how wealth and debt are distributed across different population groups, based on their net wealth level.

Chart 2.2

The decline in Spanish households' debt ratio will stabilise over the coming years at moderate levels, while the interest burden could rise slightly

2.2.a Households' debt ratio and interest burden as a percentage of GDI (a)



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

- a Seasonally adjusted data. The future paths of the ratios for Spain are estimated based on the projected GDI, interest rates and lending volumes included in the Banco de España's 2026 Q1 macroeconomic projections. This exercise included two alternative scenarios (adverse and severe) that (with respect to the baseline scenario) are characterised by more persistent higher energy prices and more severe disruptions to global value chains.
- b Quarterly flow of interest effectively paid by households (i.e. the value of financial services implicitly received by households when they take out loans is not excluded) as a percentage of quarterly GDI.



This pattern is observed in Spain and in the euro area, although the adjustment has been greater in Spain.⁴

Households with lower levels of wealth have turned to liquid assets, such as deposits, reducing the share of residential property in their asset holdings.⁵ Since the end of the global financial crisis, households with lower net wealth in Spain and the euro area have significantly reduced the share of residential property in their total assets, increasing their holdings of deposits (Chart A2.2.1.3 in Annex 2). By contrast, Spanish households in the top net wealth quintile (which account for nearly 70% of total household net wealth) have increased the share of residential real estate assets in their total wealth, while in the euro area it has held steady for this quintile. These developments highlight home-ownership affordability issues, which are relevant from different economic policy perspectives (see Chapter 4).

The interest burden declined slightly to 2.3% of income in 2025 Q4, but it would increase moderately were monetary policy to be tightened. The interest payment burden ratio is 0.1 pp lower than in the euro area and 1.2 pp below its historical average (3.5%). The interest burden is expected to increase to a range of 2.9% of income under the baseline scenario of the

4 The latest data published in the [Spanish Survey of Household Finances](#) show that, in 2024, 18% of households had a debt-to-gross wealth ratio of more than 75%. This measure of financial vulnerability was higher among low-income households of young adults whose reference person is economically inactive or unemployed and households in the bottom wealth quartile (zero for the upper half of the distribution).

5 See footnote 3.

Table 2.1

The deleveraging initiated after the global financial crisis has been more pronounced in lower net wealth households**2.1.a Household leverage ratio, by net wealth quintile. Spain and euro area (a)**

% debt (d)/gross wealth	Spain (b)		Euro area (c)	
	2014	2025	2014	2025
Total households	13.2	7.1	12.8	10.4
Distribution, by net wealth quintiles				
Q1 (least wealth)	112.8	69.8	128.7	110.8
Q2	40.3	23.1	49.8	36.9
Q3	22.4	13.6	28.8	22.5
Q4	10.2	8.5	12.3	12.7
Q5 (most wealth)	8.5	3.7	6.5	6.1

SOURCES: ECB and Banco de España. Latest observation: 2025 Q3.

a, b, c, d Note A2.2.1.6 in Annex 2.

Table 2.2

The share of households with high debt-burdens relative to income is higher among indebted households (a)**2.2.a Households with an essential expenditure-to-gross income ratio above 70%. Breakdown by debt status and income quintile. 2024 (a)**

As a % of households in their group

Households	Total	Distribution of gross household income in 2024				
		First quintile Lowest income	Second quintile	Third quintile	Fourth quintile	Fifth quintile Highest income
Indebted	18.9	65.5	34.2	13.4	3.3	1.2
Debt-free	10.3	32.3	4.6	1.7	0.2	0.4

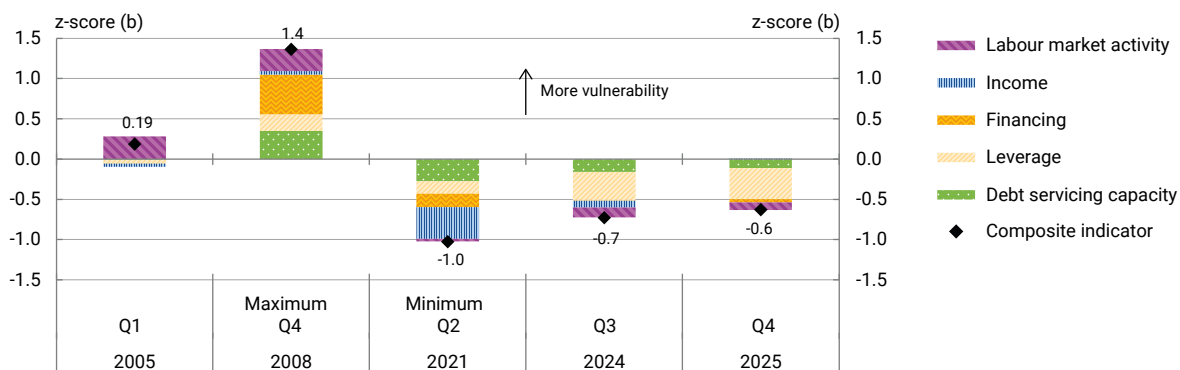
SOURCE: Banco de España (Spanish Survey of Household Finances). Latest observation: 2024.

a Essential expenses include debt servicing, food and utility bills and rental of the main residence. According to this survey, 54% of households are indebted. By income bracket, this proportion was 36% for the lowest-income quintile (first quintile), 49% for the second lowest, 58% for the third, 63% for the fourth and 64% for the highest-income quintile (fifth quintile).

projection exercise and 3.3% under the severe scenario at end-2028 (Chart 2.2), in the latter case mainly attributable to the rise in borrowing costs.

The percentage of households facing difficulties to cover essential expenses is higher among indebted households, while debt-free households make a greater contribution to the sector's resilience. One in five indebted households had trouble paying essential expenses in 2024. On data for that year, the latest available with the granularity required, this proportion falls to one in ten among debt-free households. These differences are particularly pronounced among low-income households (Table 2.2). Compared with the average for 2014-24, the share of households facing difficulties to cover essential expenses in 2024 fell more among debt-free households (2.9 pp) than among their indebted counterparts (1.4 pp) (Chart A2.2.1.4 in Annex 2). These findings point to certain limits to low-income households' ability to support a higher cost of leverage than at present.

Chart 2.3

Aggregate household financial vulnerability is at a historically low level**2.3.a Composite indicator of household vulnerability (a)**

SOURCES: European Commission, INE and Banco de España.

- a Positive (negative) values indicate higher (lower) financial vulnerability than the average for the reference period (2005-2025 Q4). The sub-components of the index are: i) labour market activity: calculated based on the labour force participation rate and unemployment expectations; ii) income: calculated based on households' real income growth and the income-to-GDP ratio; iii) financing: calculated based on the interest rate on households' outstanding stock of bank loans and the credit impulse, measured as the annual change in net credit flows as a share of GDP. The credit impulse captures the positive impact that financing flows to the non-financial private sector have on economic activity, meaning a positive value helps to reduce vulnerability; iv) leverage: calculated based on households' gross debt-to-income and gross debt-to-total assets ratios; and v) debt servicing capacity: calculated based on the gross interest payments-to-income ratio, the saving rate and households' expectations regarding their personal financial situation over the next 12 months. For more details on the composition of the indicator, see Box 2 of the Report on the financial situation of households and firms. Second half of 2024.
- b At each date, the z-score shows the number of standard deviations (above or below) between the indicator and the mean for the period 2005-2025 Q4 in full.



In addition, a composite indicator constructed using aggregate data suggests a relatively low level of financial vulnerability. According to this composite vulnerability indicator (Chart 2.3) (available since 2005 and constructed as the arithmetic mean of debt servicing capability, leverage, financing, income and labour market activity (Chart A2.2.1.5 in Annex 2), households were most vulnerable in 2008, against the backdrop of the global financial crisis. Vulnerability then decreased steadily until it reached an all-time low in 2021, when the indicator stood one standard deviation below the average, as a result of the widespread improvement in all its components, particularly leverage and debt service capability. In 2025 Q4 this indicator stood 0.6 standard deviations below its historical average, a very similar level to that observed one year earlier.

2.2 Non-financial corporations

Corporate earnings grew in 2025 H2, with uneven growth rates across sectors. The nominal gross operating profit (GOP)⁶ of firms⁷ increased by 3.8% year-on-year. This growth was broad-

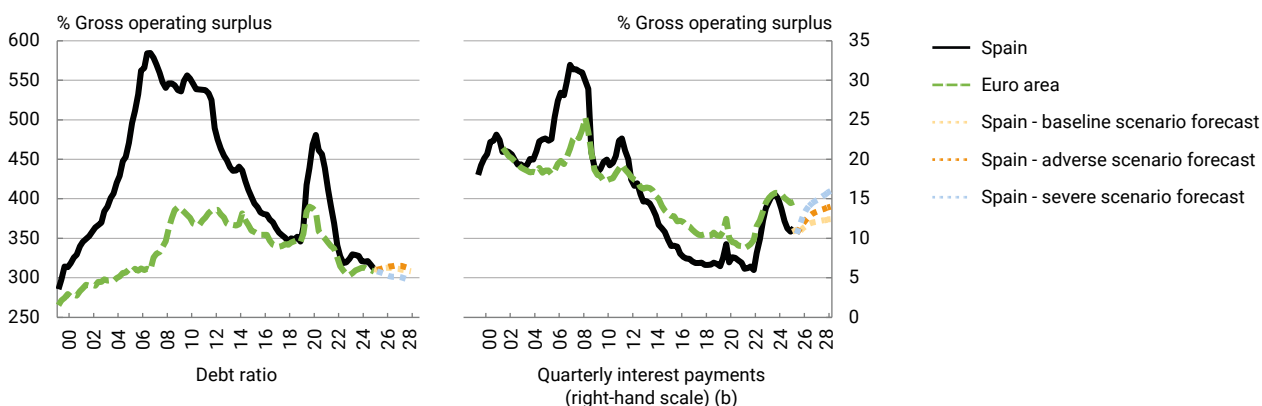
⁶ GOP (which is similar to gross operating surplus (GOS), used in the national accounts) is profit obtained from firms' ordinary business activity, after payments to suppliers and other operating expenses and remuneration of labour. If positive, it can be used to pay tax, fund investments or remunerate shareholders and financial creditors. GOP data are obtained from combined data of the Spanish tax authorities (AEAT) and the Central Balance Sheet Data Office Quarterly Survey (CBQ).

⁷ According to combined AEAT and CBQ data.

Chart 2.4

Firms' debt ratio is expected to remain stable in the coming years, while the interest burden ratio is expected to rise somewhat

2.4.a Debt ratio and interest burden of firms as a percentage of gross operating surplus (a)



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

- a Seasonally adjusted data. The future paths of the ratios for Spain are estimated based on the projected gross operating surplus, interest rates and lending volumes included in the [Banco de España's 2026 Q1 macroeconomic projections](#). This exercise included two alternative scenarios (adverse and severe) that are characterised by (relative to the baseline scenario) more persistent higher energy prices and more severe disruptions to global value chains.
- b Quarterly flow of interest effectively paid by firms (i.e. the value of financial services implicitly received by firms when they take out loans is not excluded) as a percentage of quarterly gross operating surplus.



based across sectors, but was particularly strong in construction and real estate activities (19.8%), compared with more moderate growth in wholesale and retail trade and hospitality (0.3%). For the rest of services⁸ GOP rose by 3.7%. Within this sector, consultancy and programming firms stood out with growth of nearly 15%, driven by the expansion of technology and artificial intelligence-related activities.

Against the backdrop of the war in the Middle East, business sentiment in Spain's manufacturing sector indicates a greater degree of pessimism, contrasting with greater resilience in the services sector. In particular, the manufacturing Purchasing Managers' Indices declined considerably in March, especially in the production and export orders components, to stand in contractionary territory. This is consistent with deteriorating business expectations for economic activity. By contrast, sentiment in the services sector improved in March.

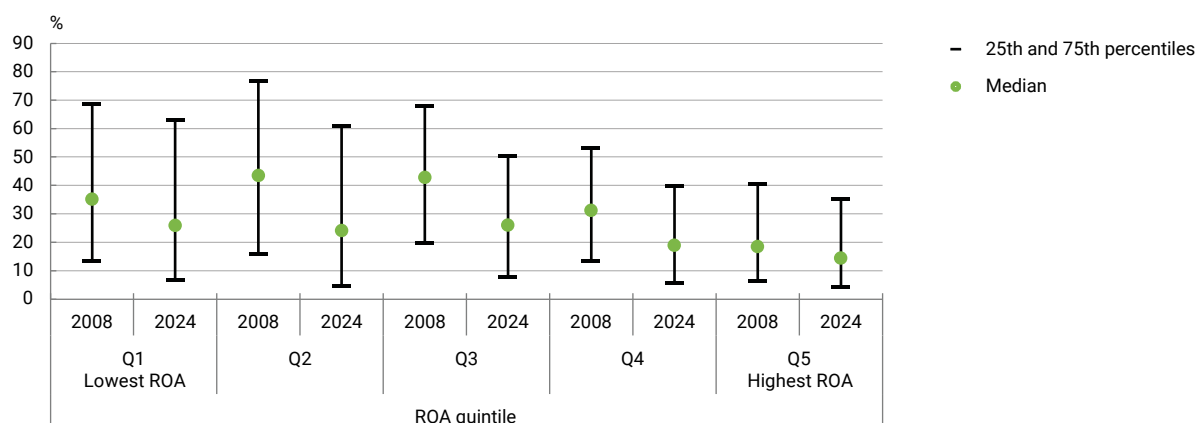
The stock of firms' debt declined in 2025 Q4, which, coupled with stronger profits, drove a further moderate reduction in the debt ratio. The debt-to-GOS⁹ ratio was down by 5.1 pp in 2025 Q4, to stand at 311% (Chart 2.4). This is similar to the euro area level (308%) and remains low for Spain by historical standards, below the average since 2000 (428%). Meanwhile, Spanish

- 8 Includes transportation and storage, information and communication, professional, scientific and technical activities and administrative and support service activities.
- 9 In the national accounts, GOS (similar to GOP) is a corporate profit measure defined as value added (the difference between the value of the goods and services produced and the value of the goods and services consumed) at factor cost, less personnel costs. It is the balance available to firms to reward their shareholders and financial creditors, to pay taxes and, potentially, to finance all or part of their investment. GOS is used to construct the ratios in this section owing to its greater historical depth.

Chart 2.5

Since the global financial crisis, deleveraging has been strongest among firms with medium or low profitability

2.5.a Leverage ratio distribution by ROA quintile (a) (b)



SOURCE: Banco de España.

- a ROA is defined as the ratio of GOP less net amortisation to net operating assets, calculated as total assets excluding financial investments and short-term interest-bearing debt. Leverage is defined as the ratio of total interest-bearing borrowing to total assets.
- b The ROA quintiles are constructed from the 20th, 40th, 60th and 80th percentiles of the ROA distribution in each year. In 2008 the values for the cut-off points for these percentiles were -6.51%, 2.41%, 7.83% and 19.52%, respectively. In 2024 the values were -2.13%, 3.26%, 10.47% and 27.37%, respectively.



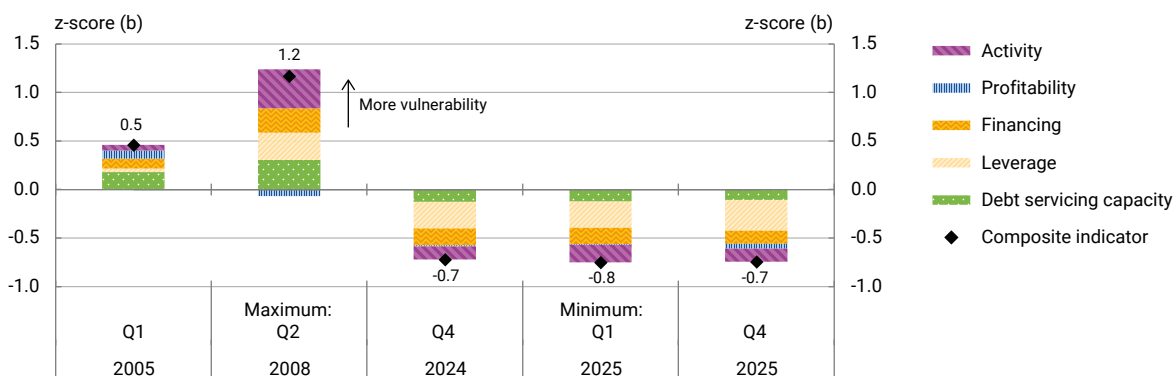
firms' debt-to-GDP ratio amounted to 62.6% in December 2025, below the level for the euro area (65.8%). According to the latest projections, this ratio could continue to decline over the coming years, ending 2028 in a range of between 296% of GOS (in the severe scenario) and 308% (in the baseline scenario). This range partially reflects the uncertainty associated with the scale and persistence of the effects stemming from the crisis in the Middle East, as captured in the Banco de España's latest projections. Under the severe scenario, the lower projected level of indebtedness would largely reflect a marked slowdown in the flow of new lending.¹⁰

Since the 2008 peak, deleveraging has been most pronounced among firms with low or medium levels of profitability. There has been broad-based corporate deleveraging since the highs of 2008, with reductions across the distribution of firms by leverage level and profitability. The deleveraging has been particularly pronounced among firms with low or medium profitability levels (in the second and third quintiles), with return on assets (ROA) of between -6.5% and 7.8% in 2008, and between -2.1% and 10.5% in 2024 (Chart 2.5). This pattern is relatively favourable from a financial stability perspective, given that those firms with limited profit-generation capacity have reduced their debt more significantly.

The ratio of interest payments to GOS, which stands at low levels, rose slightly in 2025 Q4, and could continue to rise moderately in the coming years. Interest payments grew slightly,

¹⁰ The future path of the ratios for Spain is estimated based on the forecasts for GOS, interest rates and credit volumes included in the [Banco de España's 2026 Q1 macroeconomic projections](#).

Chart 2.6

Firms' aggregate financial vulnerability has held stable and at low levels recently**2.6.a Composite indicator of firms' financial vulnerability (a)**

SOURCES: European Commission, INE and Banco de España.

- a Positive (negative) values indicate higher (lower) financial vulnerability than the average for the reference period (2005-2025 Q4). The sub-components of the index are: i) business activity: calculated based on sales growth, the trade creditors ratio and change in accounts receivable turnover; ii) profitability: calculated based on ROA, profit margin and the market-to-book value ratio; iii) financing: calculated based on the short-term debt to long-term debt ratio, the quick ratio, overall cost of debt financing and credit impulse, calculated as the annual change in the ratio of net credit flow to GDP. The credit impulse captures the positive effect of financing flows to the non-financial private sector on economic activity, with a positive value contributing to lower vulnerability; iv) leverage: calculated based on the debt-to-equity ratio, the net debt-to-earnings before interest, taxes and depreciation ratio, and the gross debt-to-income ratio; and v) debt service capacity: calculated based on the interest coverage ratio, corporate savings and revenue generation. For more details on the composition of the indicator, see Sándor Gardó, Benjamin Klaus, Mika Tujula and Jonas Wendelborned. (2020). "Box 1. Assessing corporate vulnerabilities in the euro area". In European Central Bank. *Financial Stability Review*.
- b The z-score shows at each date the number of standard deviations (up or down) between the indicator and the mean for the period 2005-2025 Q4 in full.



after five consecutive quarters in decline. In 2025 Q4 the ratio of interest payments to GOS stood at 11.4%, an increase of 0.4 pp on Q3, but still clearly below the peak of the last decade recorded in June 2024 (15.5%) (Chart 2.4). The interest burden remained below that of both the euro area (14.6%) and the historical average since 2000 (16.4%), albeit still above its 2021 level of around 6%, prior to the monetary tightening cycle. Under the scenarios envisaged in the macroeconomic projections, the interest burden will rise slightly in the coming years. Specifically, at end-2026 the ratio of interest payments to GOS will stand in a range between 11.6% in the baseline scenario and 13.6% in the severe scenario, before gradually rising to between 12.5% and 16% at end-2028. This slight increase in the debt burden is mainly attributable to higher interest expenses.

At the aggregate level, corporate financial vulnerability remained stable at low levels in 2025 Q4. At end-2025 this indicator – calculated as the arithmetic mean of five sub-indicators relating to activity, profitability, financing, leverage and debt servicing capacity – stood 0.7 standard deviations below its average since 2005. This is very similar to the levels recorded in previous quarters, meaning it remains at historically low levels (Chart 2.6). All components of the indicator appear to have contributed to the lower level of vulnerability relative to the 2008 peak, although the decline in leverage was the main factor (Chart A2.2.2.1 in Annex 2). To gain

deeper insight into business vulnerability from a more granular perspective, and in light of the considerable sectoral heterogeneity (which implies significant differences in firms' ability to absorb adverse shocks), a sensitivity analysis has been conducted considering a combined shock of weaker earnings and higher borrowing costs.¹¹ This corporate vulnerability analysis indicates marked sensitivity to such shocks, particularly in terms of profitability. Moreover, the shocks are particularly significant for sectors such as construction and real estate activities (Box 2.1).

2.3 General government

In 2025 Spain's general government deficit performed more favourably than that of the euro area as a whole. The Spanish general government deficit fell by 0.8 pp of GDP (to 2.4%), with the primary balance reaching equilibrium for the first time since 2008.¹² This compares with a drop of just 0.1 pp in the euro area, to 2.9%. Spain's better performance is partly explained by the lower volume of extraordinary expenditure in 2025 compared with the previous year. The marked increase in government revenue also played a role, against a backdrop of strong economic activity, with Spanish GDP growth of 2.8% in 2025, twice that of the euro area (1.4%).

The government deficit improved despite higher net expenditure¹³ growth than expected. According to Government estimates,¹⁴ in 2025 net expenditure grew by 4.8%, exceeding both the April 2025 forecast of 4.1% and the growth ceiling of 3.7% established in Spain's medium-term fiscal structural plan (MTP). Meanwhile, the Government has confirmed that it has requested that Brussels activate the national escape clause, which would allow net expenditure to increase beyond that envisaged in the MTP during the period 2025-28.¹⁵

Overall, in recent years public finances have returned to a position broadly comparable to that before the COVID-19 pandemic. In 2025 the budget deficit stood at 2.4%, down by 0.7 pp on 2019 (Chart 2.7.a). However, relative to 2018 (a year with a similar cyclical position to 2025) the improvement has been marginal (just 0.2 pp).

11 Based on 2024 data from the Integrated Central Balance Sheet Database, the exercise involves applying to each sector a decline in GOP equivalent to one standard deviation of its historical average (2000-24, excluding 2020), followed by 100 simulations in which each firm is subject to an idiosyncratic shock consistent with the distribution of GOP above the sectoral average and by size, in a year with a fall similar to the common sectoral shock. The figures for firms under high financial pressure correspond to the average of these simulations.

12 The deficit would be 2.2% excluding the measures implemented to mitigate the impact of the deadly flooding of October 2024 and 2.0% also excluding other one-offs.

13 Net expenditure is the variable used to establish requirements under the new European fiscal rules and excludes interest payments, cyclical unemployment expenditure, one-off expenditure and expenditure financed or co-financed by the European Union. In addition, the rate of change is calculated net of additional revenues from discretionary measures.

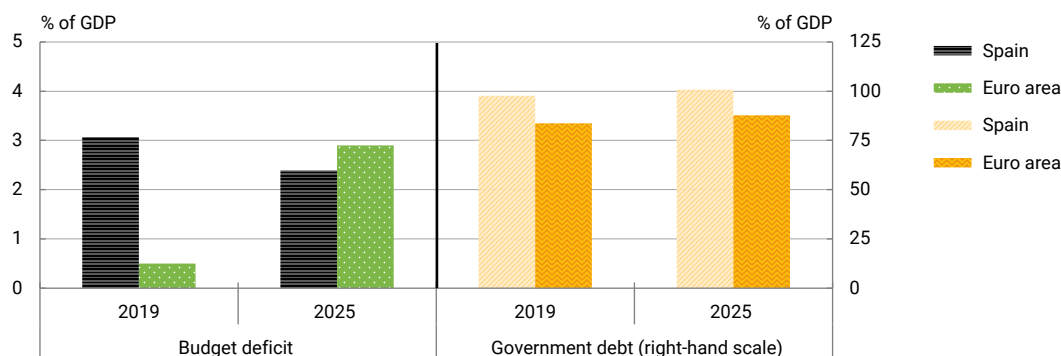
14 *Annual Progress Report 2026* (in Spanish only).

15 The escape clause allows net expenditure to grow above the level envisaged in the MTP by an amount equivalent to the increase in defence spending relative to 2024, up to a maximum of 1.5% of GDP. Thus, in 2025, excluding the increase in Spain's defence spending, net expenditure would have grown by 4.5%, within the margin of flexibility allowed by the European fiscal rules.

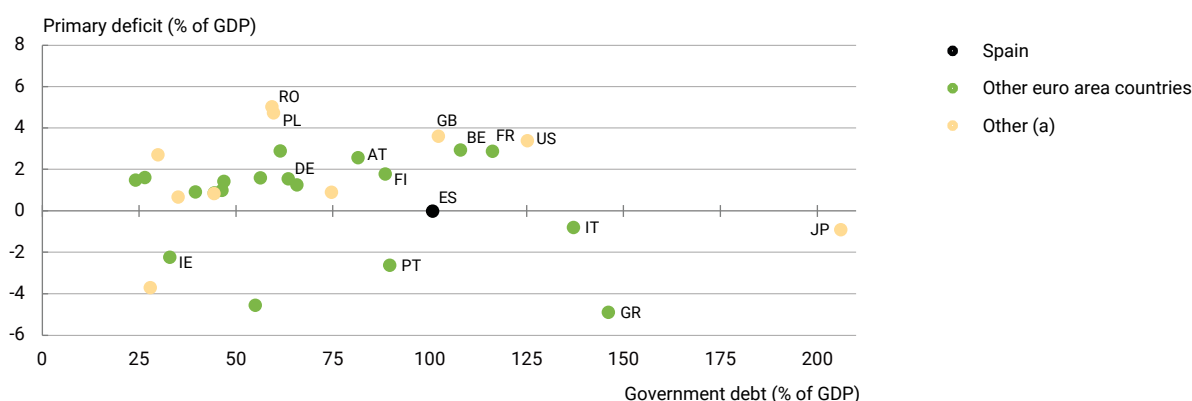
Chart 2.7

Spain's public finances have improved recently thanks to the favourable economic cycle, but the high level of public debt remains a significant vulnerability

2.7.a General government. Financial position



2.7.b International comparison (2025)



SOURCES: Datastream, Eurostat, IMF and Banco de España.

a Includes the United Kingdom, the United States, Japan and the EU countries outside the euro area (Bulgaria, Czech Republic, Denmark, Hungary, Poland, Romania and Sweden).



However, high government debt remains a vulnerability for the Spanish economy, exacerbated by the lack of detail regarding the measures envisaged to correct it.¹⁶ In 2025 government debt stood at 100.7% of GDP, more than 10 pp higher than the euro area debt-to-GDP ratio and facing upward pressure. First, the general government deficit remains relatively high, particularly given the current phase of the Spanish economic cycle. Second, expenditure demands are expected to increase in the coming years as a result of defence commitments, population ageing and investment requirements related to the green and digital transitions. This risk is exacerbated by the lack of detail regarding the measures envisaged to meet the MTP targets, as well as by the absence of political consensus on fiscal matters.

¹⁶ See, for example, the Independent Authority for Fiscal Responsibility's (AIReF) *Second Opinion on the Long-term Sustainability of the General Government*.

This vulnerability is all the more significant in a context of fiscal fragility in several countries of systemic importance for the global economy (Chart 2.7.b). The United States,¹⁷ Japan¹⁸ and France stand out among the countries with less favourable fiscal positions, not only because of their high deficits and public debt, but also because of their importance for trade and economic activity in the euro area and globally. Potential adverse shocks could trigger a shift in financial market sentiment and force fiscal adjustments in some of these countries, with negative implications for global economic activity. This could have significant adverse repercussions for Spain through trade and financial channels.

Government borrowing costs have remained contained amid relatively favourable financial conditions, but could face pressure were public spending to increase going forward. In 2025 Spain's public debt burden amounted to 2.4% of GDP, unchanged from 2024 and in line with the average since 2007. The Banco de España's March projections envisaged only a moderate increase to 2.5% in 2027. These projections reflected a context in which the average cost of Treasury financing had fallen to 2.7% in 2025, down by 0.5 pp on 2024, together with expectations of only modest increases in market interest rates in the coming years. Nevertheless, even under these benign financial market assumptions, debt costs could not remain low were the general government deficit – and therefore debt – to increase as a result of higher expenditure without compensatory measures.

The conflict in the Middle East has added a further source of risk. Since the beginning of the US and Israeli attack on Iran, Spanish 10-year bond yields have risen moderately (by around 40 bp), against a broader backdrop of moderate financial market adjustment (Chapter 4). Moreover, the Spanish economy starts from a more favourable position than it did going into the 2022 energy shock triggered by the war in Ukraine. However, depending on the duration and intensity of the conflict, the impact on both the global and Spanish economy could be significant,¹⁹ exerting pressure on fiscal vulnerabilities through both weaker economic activity and financial market corrections. The latter could be larger in scale in Europe, given the increase in recent years in the share of investors with more elastic demand and greater sensitivity to sovereign yields (see Box 4.2).

17 Estimates by the Congressional Budget Office (CBO), factoring in the 2025 fiscal and tariff reforms, point to a federal deficit of 5.8% of GDP in 2026 (broadly unchanged from 2025), rising to 6.7% in 2036. Federal government debt is projected to increase from 99% of GDP in 2025 to 120% in 2036. Moreover, the CBO estimates that the repeal of International Emergency Economic Powers Act tariffs could increase the deficit by approximately 0.5 pp of GDP, due to the reimbursement of the amounts paid in the approximately one year the measures were in force and of the same amount in each future year in loss of income. However, the future impact is subject to considerable uncertainty since the US Administration could adopt offsetting measures. In addition, the war in the Middle East represents another potential source of upward deviation in the deficit. However, its final impact on public finances remains highly uncertain, as it will depend on the duration and intensity of the conflict, as well as on any compensatory fiscal and spending measures that may be adopted. The Federal Government's proposal for fiscal year 2027, still under discussion, points to an increase in defence spending of around 1.9% of GDP relative to the CBO's February 2026 estimate.

18 The IMF projects a government deficit for Japan of 2% in 2026 and public debt of 204% of GDP, the highest among advanced economies. While Japan has sustained elevated levels of public debt for years, the current environment of higher inflation, higher interest rates, uncertainty over global trade (on which the economy is highly reliant) and uncertain geopolitical relations, together with ongoing population ageing, is raising the cost of maintaining this fiscal stance.

19 See Box 4 on the alternative scenarios for the Spanish economy based on the intensity and duration of the energy shock from the war in the Middle East, in the Banco de España's latest [Macroeconomic projections and quarterly report on the Spanish economy](#).

SENSITIVITY ANALYSIS: HOW FINANCIAL PRESSURE ON FIRMS RESPONDS TO ADVERSE SHIFTS IN THEIR PROFITABILITY AND BORROWING COSTS

This box examines Spanish firms' capacity to continue to cover borrowing costs out of profits in the event of hypothetical declines in profitability and/or increases in borrowing costs.

This issue is particularly relevant in the current context. Heightened geopolitical uncertainty, which has further intensified since the outbreak of the conflict in the Middle East in late February, could affect firms through various channels, including higher prices of certain inputs (especially energy), a slowdown in economic activity or tighter financial conditions. These developments could potentially lead to a combination of downward pressures on corporate profits and more restrictive financing conditions.

When assessing the financial stability implications of hypothetical deteriorations in firms' economic and financial conditions, the sectors that account for a larger share of overall corporate debt are particularly relevant.¹

As Table 1 shows, in 2007 industry and the construction and real estate activities sector accounted for the largest shares of corporate debt (19.8% and 30.8%, respectively).

Since then, both sectors have gradually lost share, largely to trade, transportation and storage. Consequently, in 2024 this sector ranked second in terms of corporate debt in the sample (20.1%), surpassed only by the construction and real estate activities sector (21.7%).²

In order to evaluate the corporate sector's financial resilience, a series of simulations has been conducted. These include simulating the extent to which different adverse shocks would increase the share of corporate assets and debt accounted for by firms under high financial pressure (i.e. firms whose profits are insufficient to cover their borrowing costs).

In particular, three types of hypothetical impact are considered: (1) a decline in corporate profits, differentiated by sector and by firms within each sector; (2) a broad-based and uniform increase in borrowing costs; and (3) a combined scenario in which both shocks occur simultaneously.³ These exercises should not be interpreted as forecasts, but as a sensitivity analysis to identify which sectors would be most affected under different adverse assumptions. The results are assessed by comparing the estimated vulnerability

Table 1
Sectoral distribution of debt

%	2007	2012	2024
Energy (a)	16.3	17.8	14.2
Industry	19.8	17.6	17.5
Trade, transportation and storage (b)	14.6	16.2	20.1
Construction and real estate activities	30.8	30.0	21.7
Tourism (c)	3.8	4.5	5.8
Knowledge-intensive services (d)	10.3	8.3	11.4
Other (e)	4.4	5.6	9.3

SOURCE: Banco de España.

a Includes mining and quarrying and electricity, gas and water supply.

b Excludes air transport.

c Includes air transport, hospitality, travel agency activities and amusement and recreation activities.

d Includes information and communication, and professional, scientific and technical activities.

e Includes agriculture; education activities; administrative and support service activities, excluding travel agency activities; human health and social work activities; and other service activities.

¹ The level of debt is a measure of the sector's propensity to incur defaults, which can affect its financial stability.

² An analysis of asset shares by sector reveals a similar distribution.

³ The frequency of profit declines of the magnitude considered is close to 50% (number of firm-year observations where a similar decline has been recorded in the last 17 years), while the combined shock (both a fall in profit and increase in borrowing costs) would only have been observed in 10% of firm-year observations. In any event, given the current environment of mounting uncertainty, analysis of this combined scenario of falling gross operating profit and rising borrowing costs is essential.

SENSITIVITY ANALYSIS: HOW FINANCIAL PRESSURE ON FIRMS RESPONDS TO ADVERSE SHIFTS IN THEIR PROFITABILITY AND BORROWING COSTS (cont'd)

levels with those observed in previous episodes of heightened stress, such as the European debt crisis that followed the global financial crisis.

Under scenario 1, which envisages differentiated profit declines for each sector of activity and for each firm within each sector,⁴ the share of each sector's total debt held by financially vulnerable firms would increase markedly. Nevertheless, this share would still be below the 2012 peak following the global financial crisis (Chart 1). All sectors would be affected, although the increase would be particularly pronounced in the energy sector (rising to 20.8%, double its level in 2024, the latest year for which the indicator is available), the tourism sector (where the percentage of vulnerable debt would also virtually double to around 30%) and in construction and real estate activities, which would record the highest share of vulnerable debt (38%). In any event, historical evidence

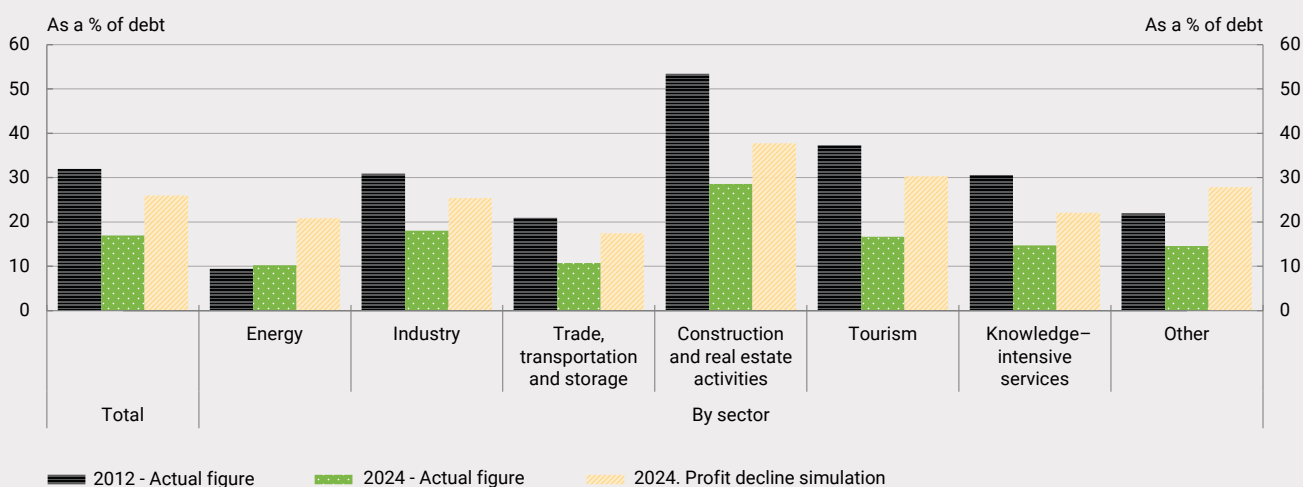
indicates that rising energy input prices tend to be associated with higher profitability in the energy sector. Consequently, the probability of this adverse shock materialising for this aggregate would be low, mitigating its contribution to overall corporate sector vulnerability.

Under scenario 2, which simulates a 1 percentage point (pp) increase in the ratio of borrowing costs to average debt, debt held by firms under high financial pressure would also increase (Chart 2). However, it would do so less than under scenario 1. This moderate impact is largely explained by the Spanish corporate sector's deleveraging since the global financial crisis. Thus, increases in the average interest rates at which firms borrow are applied to a smaller stock of debt.

Third, when combining the two shocks, debt held by firms under high financial pressure would rise to 32.9%,

Chart 1

Debt of firms under high financial pressure: impact of a decline in corporate profits (a) (b)



SOURCE: Banco de España.

- a Firms under high financial pressure are proxied as those whose profits are insufficient to cover borrowing costs. The decline in profit is equivalent to a standard deviation of average annual gross operating profit for each sector (at NACE Rev. 2 division level) between 2000 and 2024, excluding 2020, plus the average of 100 alternative simulations consistent with the distribution of gross operating profit at firm level in excess of the sectoral average and by size, in a year in which sectoral gross operating profit performed similarly to that imputed to the sector. Debt-free firms are excluded.
- b See the notes to Table 1 for sector definitions.

4 The exercise is calibrated using information from the Banco de España's Integrated Central Balance Sheet Database, with 2024 being the last year available. First, the profit of each sector (at NACE Rev. 2 division level) is subject to an average reduction equivalent to a standard deviation of average annual gross operating profit between 2000 and 2024, excluding 2020. Second, 100 alternative simulations are conducted consistent with the distribution of gross operating profit at firm level in excess of the sectoral average and by size, in a year in which sectoral gross operating profit performed similarly to the outcome of applying the profit reduction in the first step to the average sectoral profit of 2024. In each simulation, each firm within a given sector thus receives an individual idiosyncratic shock to its profits, in addition to a common shock at the sectoral level. The results presented in terms of the share of firms under high financial pressure correspond to the average of these 100 simulations.

SENSITIVITY ANALYSIS: HOW FINANCIAL PRESSURE ON FIRMS RESPONDS TO ADVERSE SHIFTS IN THEIR PROFITABILITY AND BORROWING COSTS (cont'd)

a level slightly above the 2012 peak (Chart 2). However, these results should be interpreted with caution, since, as mentioned above, the corporate sector has considerably less debt than in 2012.⁵ Therefore, the same percentage of debt held by firms under high financial pressure would, in 2024, entail a lower absolute volume, which partially mitigates the financial stability implications.

Additionally, firms are either classified as being under high financial pressure or they are not. However, while the percentage of debt held by firms under high financial pressure under the combined scenario, when applied to the actual 2024 figure, is similar to that observed in 2012, it is necessary to assess whether the gap between earnings and borrowing costs is also similar. To do so, the aggregate difference between borrowing costs and earnings relative to total assets is compared for the firms under financial pressure. The results show that the combined shock simulated for 2024 would be comparable

in size to the situation in 2012, when such ratio stood at 4.78%, versus the 4.68% estimated for 2024.⁶

At this stage, it is also useful to examine the impact in terms of assets, by measuring the assets of firms under high financial pressure as a percentage of total corporate assets, and rule out the possibility of indebted firms accounting for a low share of assets detracting from the results discussed. The results using this approach also confirm the severity of the shock (Chart 3), as these firms' share of total assets in 2024 would be comparable to the 2012 figure.

A more granular breakdown reveals that the increase in vulnerability under the combined scenario would be widespread across sectors. However, as is the case under scenario 1, energy, tourism and construction and real estate activities would once again be hardest hit (Chart 4). In the energy sector, debt held by firms under high financial pressure would amount to 23.6%, well above the 2012 figure (9.5%), while in tourism it would be close to

Chart 2
Debt of firms under high financial pressure. Impact of adverse shocks. Total indebted firms

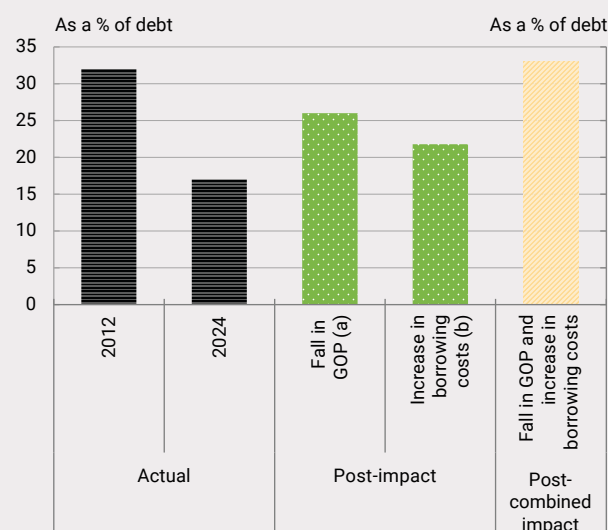
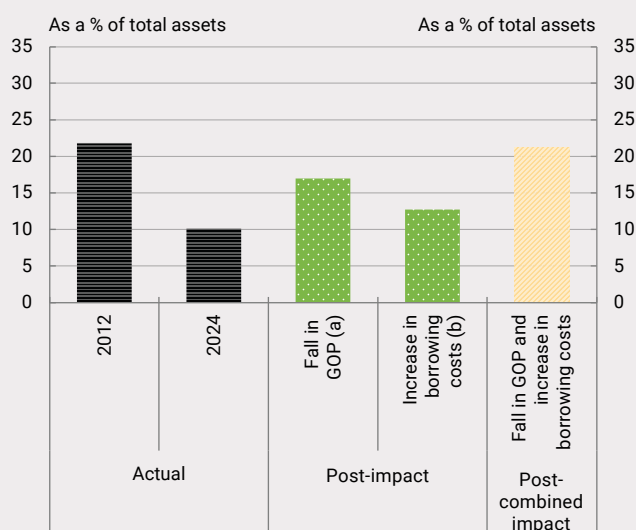


Chart 3
Assets of firms under high financial pressure. Impact of adverse shocks. Total indebted firms



SOURCE: Banco de España.

a See note (a) to Chart 1.

b A 1 pp increase in firms' borrowing costs is assumed. Borrowing costs are defined as the ratio of borrowing costs to average debt.

⁵ Indeed, under the combined scenario the debt ratio (total debt/assets) in 2024 of firms under high financial pressure is 12 pp lower than recorded in 2012.

⁶ This is due to both a decline in earnings and an increase in borrowing costs for firms under high financial pressure, as the higher borrowing costs under this scenario would offset the positive effect of deleveraging.

SENSITIVITY ANALYSIS: HOW FINANCIAL PRESSURE ON FIRMS RESPONDS TO ADVERSE SHIFTS IN THEIR PROFITABILITY AND BORROWING COSTS (cont'd)

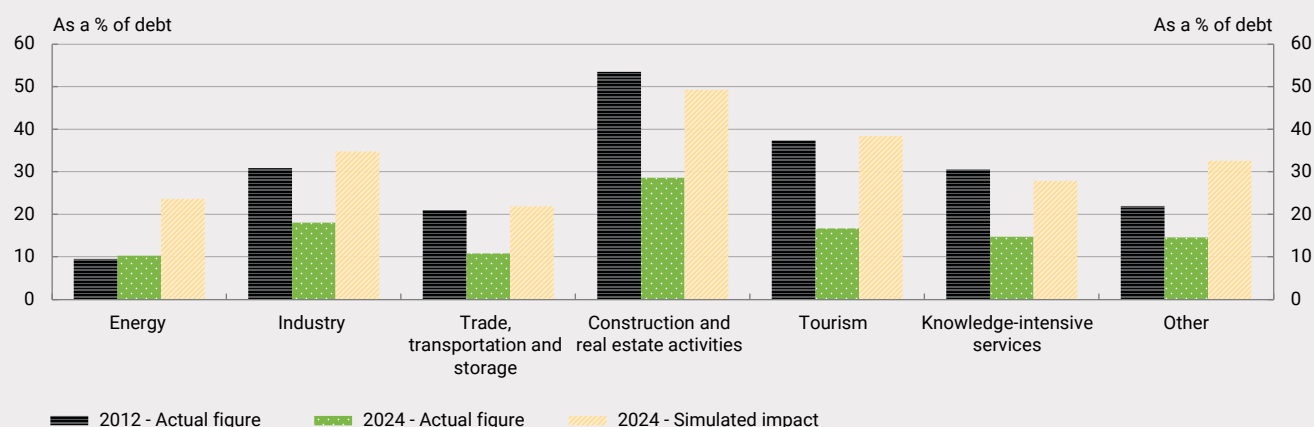
40% and in construction and real estate activities firms under financial pressure would account for almost half the debt (49%).

Ultimately, it should be borne in mind that in these sensitivity exercises shocks are applied to firms assuming all other factors remain constant. This makes them somewhat detached from what would actually happen, as firms would likely respond to these adverse shocks by adopting decisions to mitigate the impact on their earnings (cutting costs, postponing investments or restructuring their financing, etc.). However, it is also true that these mitigating measures typically yield results at a lag.

Overall, the simulations conducted highlight that the Spanish corporate sector's financial vulnerability is highly sensitive to adverse shocks to earnings and financing conditions and that such sensitivity varies significantly across sectors. Under the baseline scenario of the macroeconomic projections,⁷ corporate profitability in Spain is forecast to remain at favourable levels. However, the uncertainty prompted by the war in the Middle East makes the materialisation of these types of impacts more likely than in the recent past. The results therefore highlight the importance of considering the heterogeneity of the business sector when monitoring the risks to economic activity and financial stability in the current setting.

Chart 4

Debt of firms under high financial pressure (a). Impact of the fall in GOP and the increase in borrowing costs. Sectoral breakdown (b) (c)



SOURCE: Banco de España.

a See note (a) to Chart 1.

b A 1 pp increase in firms' borrowing costs is assumed. Borrowing costs are defined as the ratio of borrowing costs to average debt.

c Weight within each sector. See notes to Table 1 for sector definitions.

⁷ "Macroeconomic projections and quarterly report on the Spanish economy. March 2026".

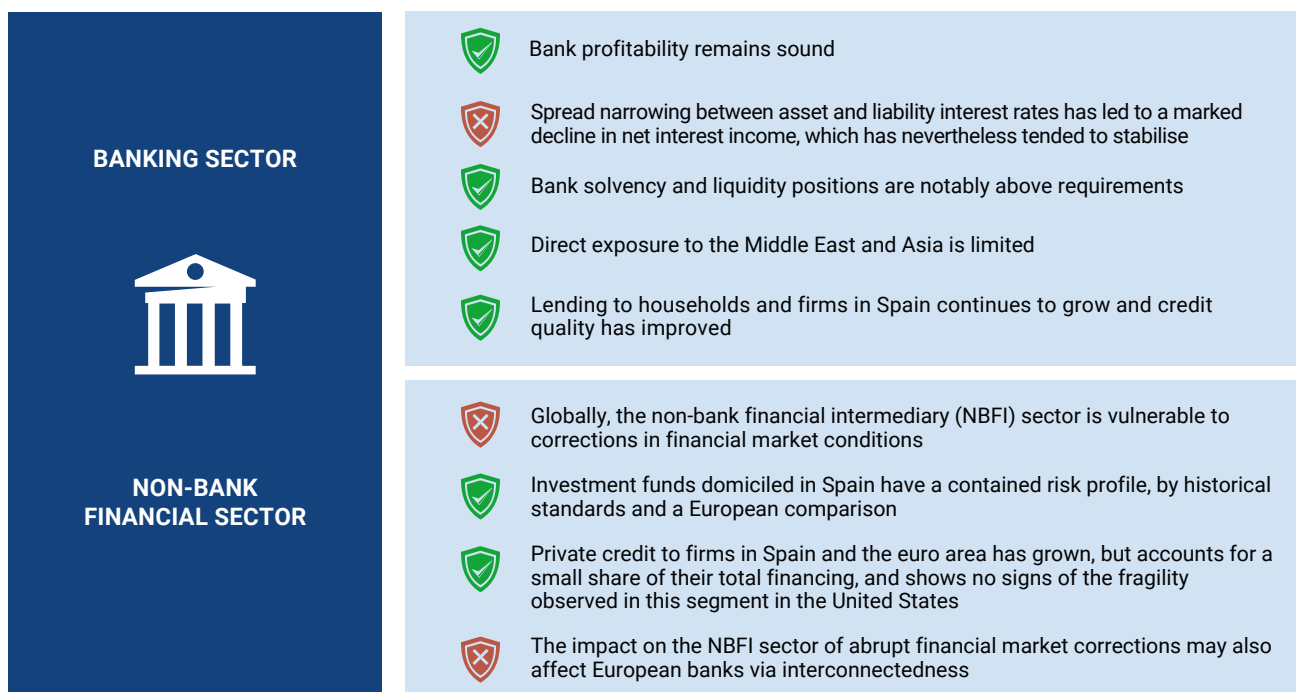
3

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

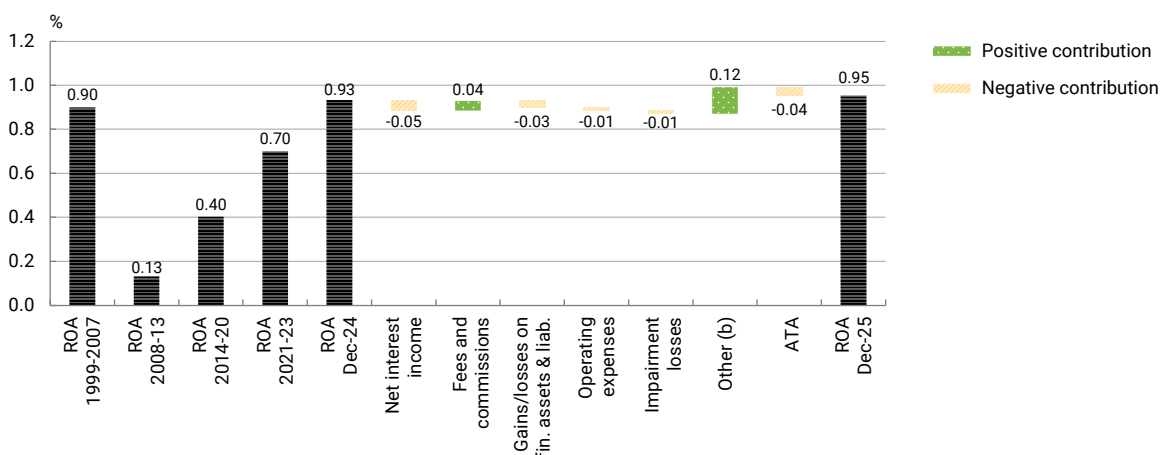
The profitability of the Spanish banking sector improved in 2025, but less so than in recent years. The sector's consolidated profit grew by 6% in 2025 (see Annex 1),¹ with a year-on-year increase of 2 basis points (bp) in the return on assets (ROA) to 0.95% in December 2025 (Chart 3.1). The return on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

1 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,² 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.

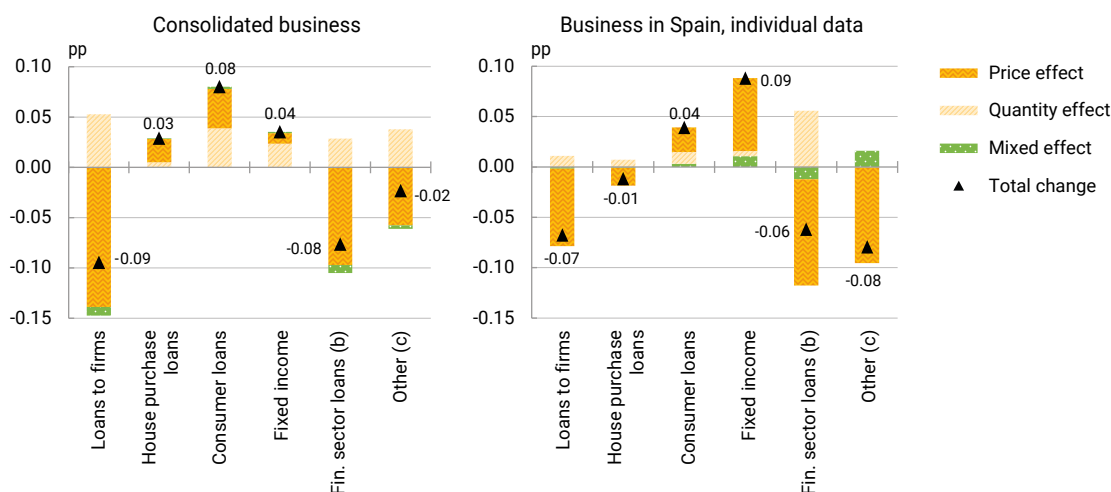
Net interest income performed unevenly across portfolios, at both consolidated level and in business in Spain. A fall was recorded due to the contraction in unit margins for business and financial sector (credit institutions and other financial corporations) credit portfolios, at both consolidated level 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

² 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.³ 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.

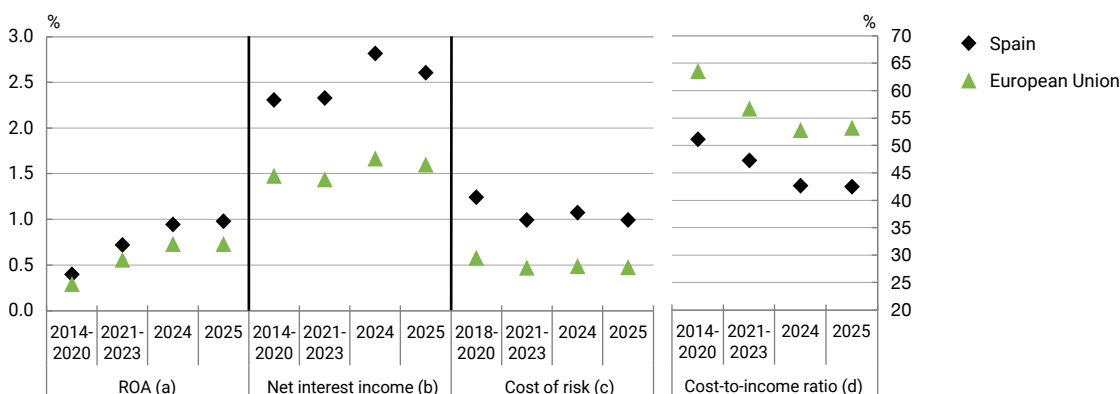
Although other income statement headings have performed unevenly, overall, they have offset the decline in net interest income. Notable among the components that contributed to

³ 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,⁴ 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),⁵ and higher than in other major European

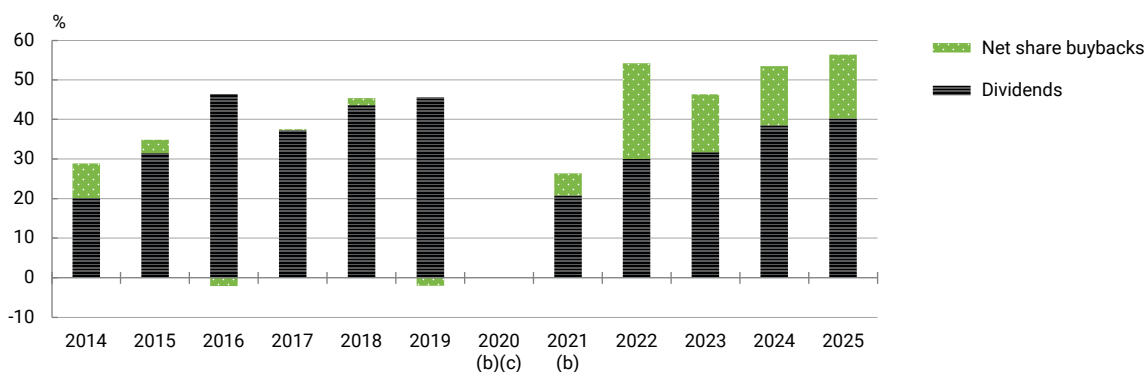
4 The hyperinflation adjustment affects the business abroad of the sector's two main banks. The international accounting standards applicable to Spanish banks effectively penalise the measurement of businesses whose functional currency is the currency of a hyperinflationary economy (see [International 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 ratio⁶ than that of European banks, amply offsetting Spanish banks' higher cost of risk.

The distribution of profit, through dividends and net share buybacks,⁷ rose in 2025, continuing the trend of recent years. The improvement in profits was accompanied by an increase in the percentage allocated to shareholder remuneration⁸ (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.

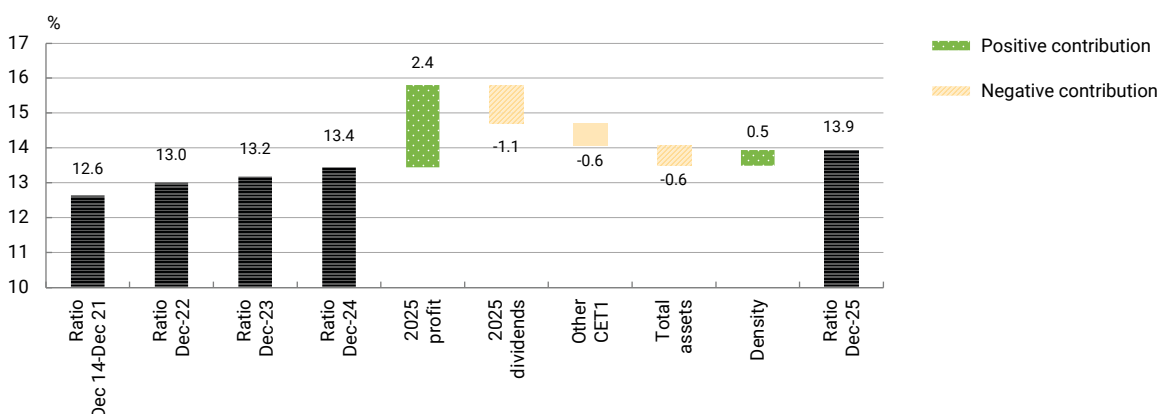
⁷ When an entity buys back its own shares in the market in order to redeem them, the number of outstanding shares decreases, thus increasing earnings per share, which is a form of shareholder remuneration.

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.

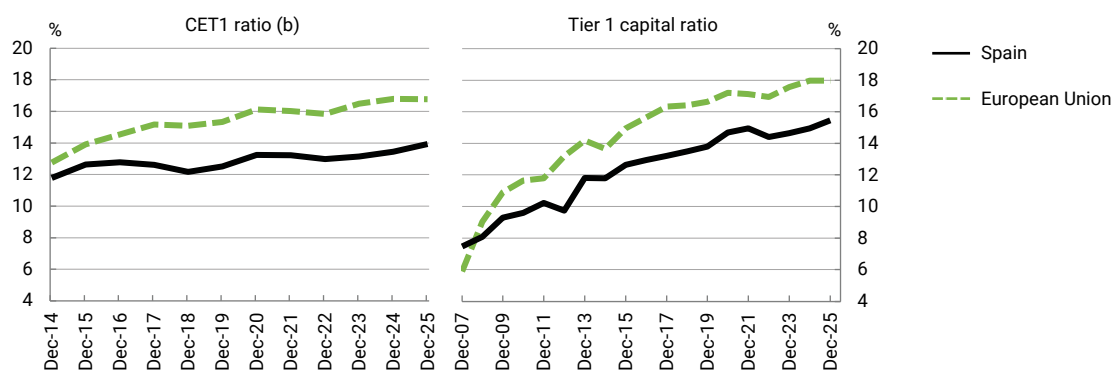
Chart 3.5

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).⁹ 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

⁹ 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.¹⁰

The Spanish banking system's capital ratios remain below the European average, although the gap is smaller in terms of voluntary capital. In September 2025¹¹ 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,¹² 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%¹³ 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 liabilities¹⁴ 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)

¹⁰ 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*.

¹¹ 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).

¹² 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.

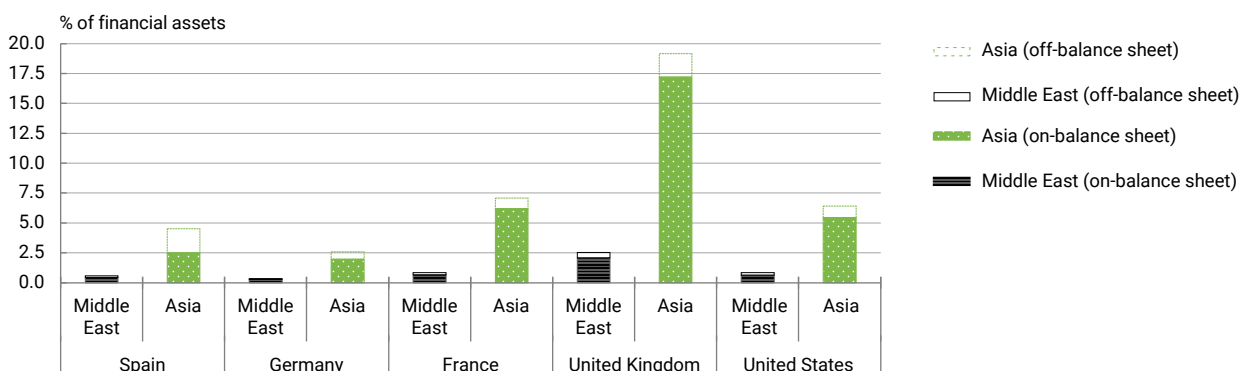
¹³ Both consolidated assets and liabilities, and the changes therein, based on the residence of the counterparty, incorporate exposures to two subsidiaries abroad currently being sold by two significant institutions.

¹⁴ 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 assets¹⁵ (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 exposures¹⁶ 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).

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

¹⁶ 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,¹⁷ rose by 3.7% in 2025, following growth of 0.5% in 2024. Other lending to households also gained notable momentum,¹⁸ 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

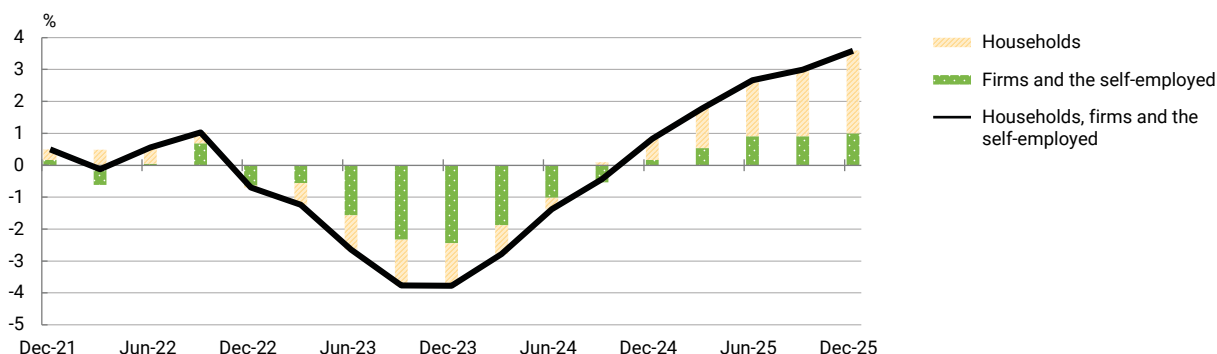
¹⁷ Loans for house purchase accounted for 79.7% of total lending to households in December 2025, while consumer credit and other lending represented 14.5% and 5.8%, respectively.

¹⁸ 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%).

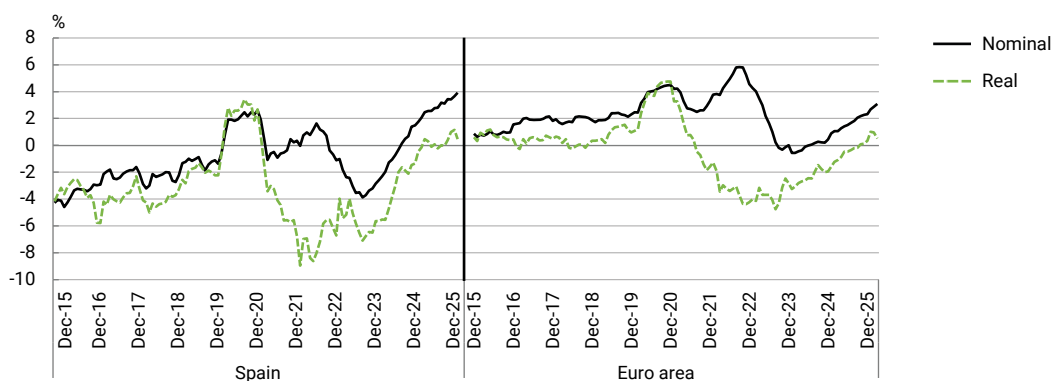
Chart 3.7

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).

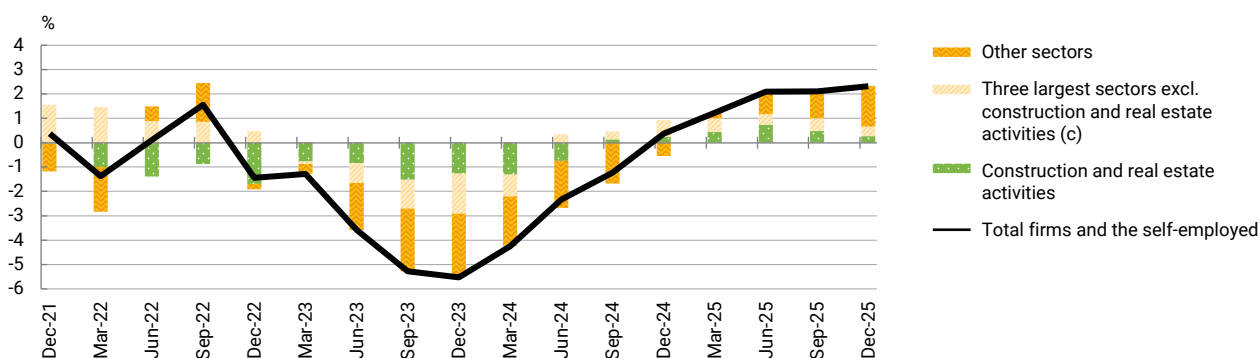
In recent years, the sectoral concentration of lending to firms has remained relatively stable. Most banks have low sectoral concentration, indicating highly diversified portfolios across sectors, while only a limited number – mostly smaller banks – show higher concentration, owing to greater specialisation 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)



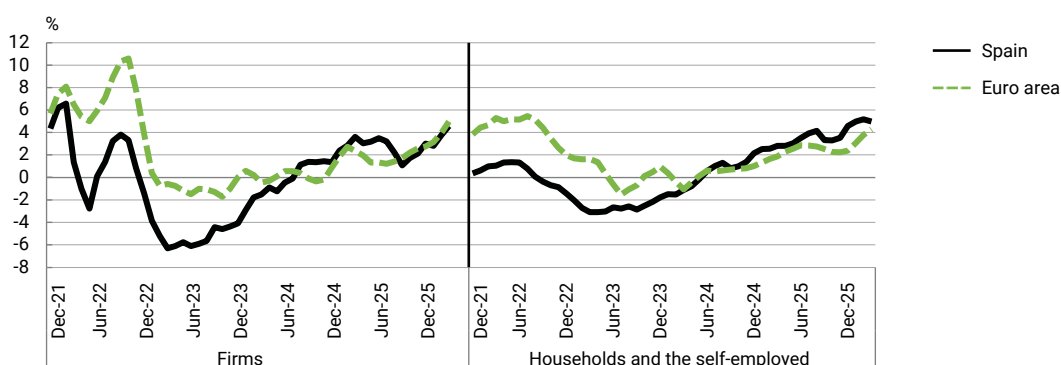
SOURCE: Banco de España. Latest observation: December 2025.

- 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,¹⁹ 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 loans²⁰ 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.

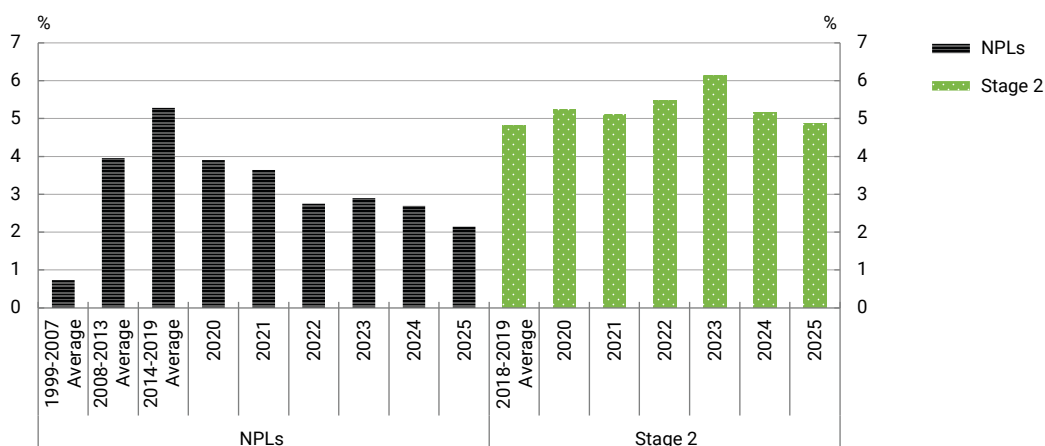
¹⁹ The credit growth momentum indicator shows the annualised quarter-on-quarter rate of change in the three-month moving average of the seasonally adjusted credit stock

²⁰ 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.

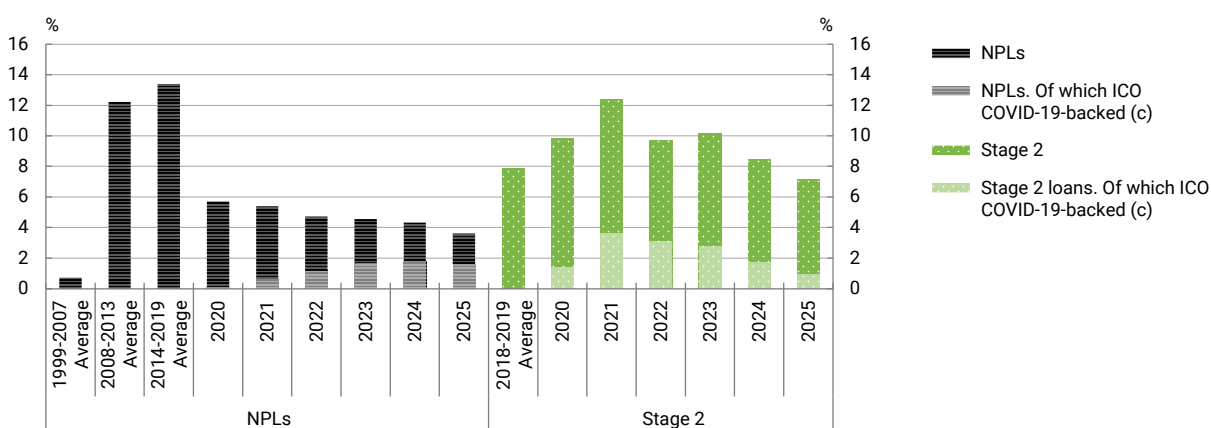
Chart 3.10

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^{21,22} 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.²³ 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%.²⁴

The decline in refinanced and restructured transactions persisted in 2025, continuing the downward pattern observed in recent years.²⁵ 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.²⁶ 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

²³ 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.

²⁴ 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%.

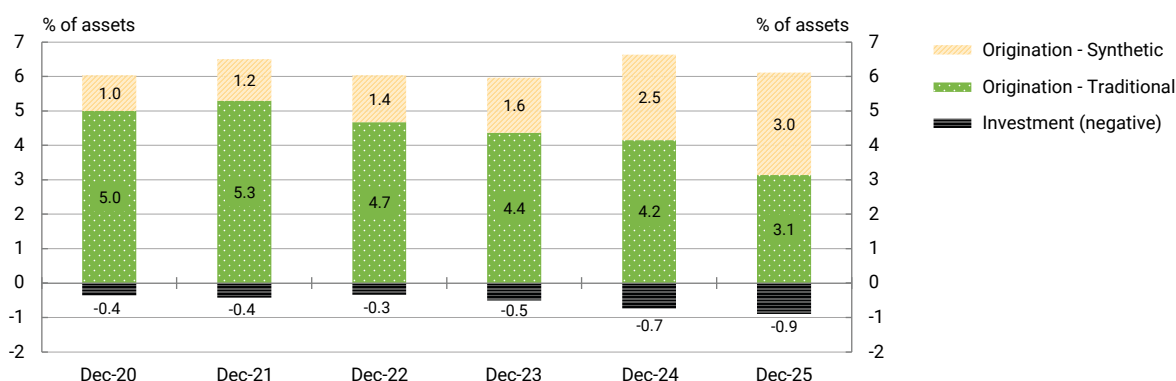
²⁵ Refinancing is granted to facilitate the compliance of borrowers in financial difficulties with one or more (refinanced) transactions; restructuring is where the contractual terms are amended to facilitate payment of the debt due to the borrower's difficulty to pay. By contrast, renegotiation is where 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.

²⁶ 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

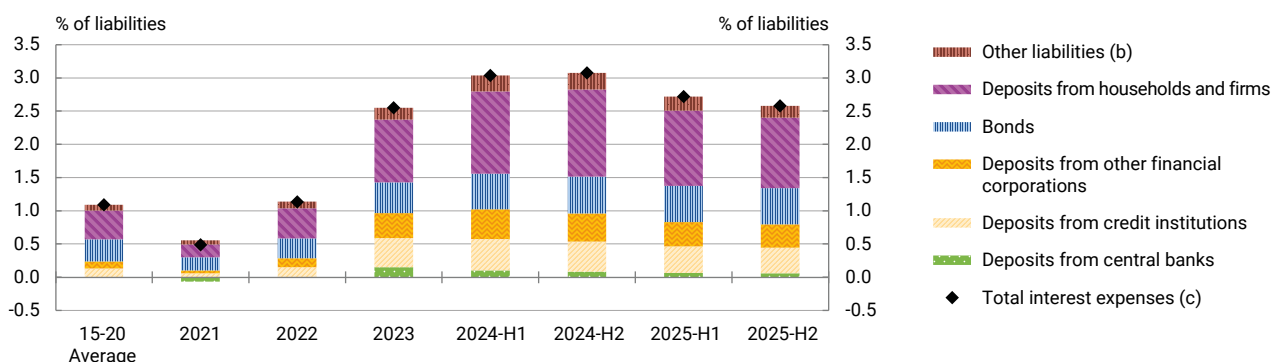
Financing costs

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.²⁷ 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)²⁸ and to replace central bank funding due to monetary

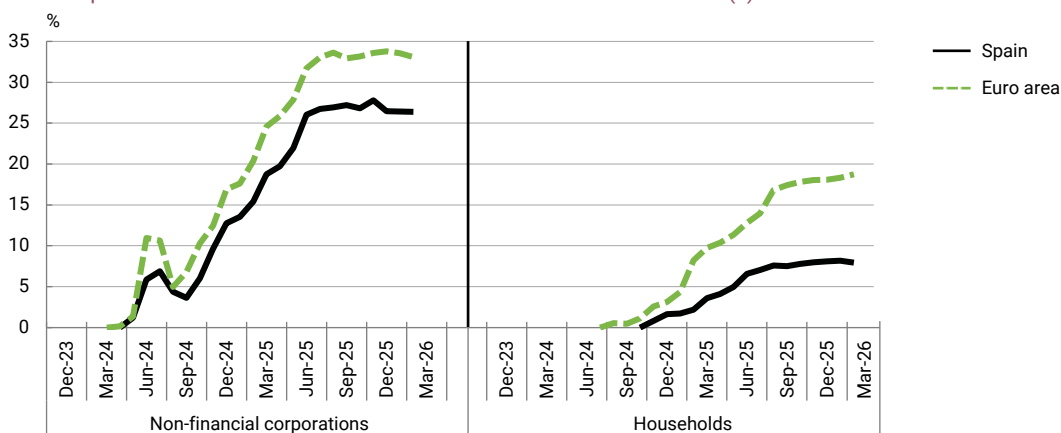
²⁷ For more information about the limited sensitivity of interest rates on deposits in Spain during the latest monetary tightening cycle, see Banco de España (2023). *Financial Stability Report. Autumn 2023*, pp. 87-88. Also, Alejandro Ferrer, Gergely Ganics, Ana Molina and José María Serena (2023). "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.

²⁸ 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)²⁹ (Chart A2.3.1.5.2 in Annex 2). Since banks, particularly those in Spain, had built up enough instruments to cover resolution requirements³⁰ 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 return³¹ 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,³² 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).

²⁹ 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.

³⁰ 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.

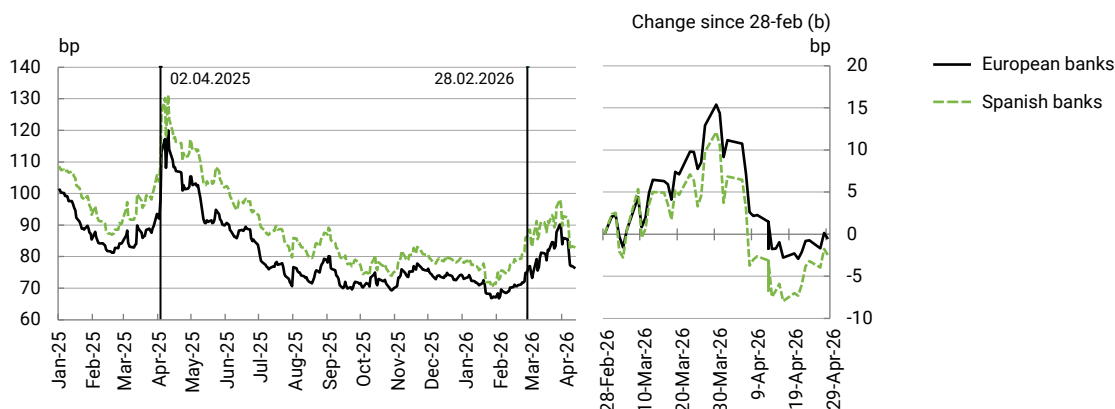
³¹ The OAS is a measure of credit risk which is calculated as the difference between the rate of return of a debt instrument (in this case banks' senior debt issues) and the risk-free rate, discounting the premium associated with the repurchase option for option instruments.

³² 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)



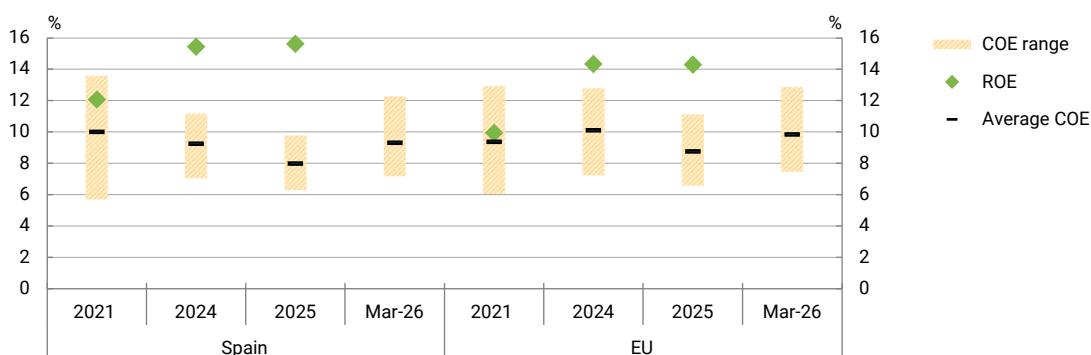
SOURCE: Bloomberg Latest observation: 29 April 2026.

- 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 equity³³ (COE) of the

33 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),³⁴ 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.³⁵

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.

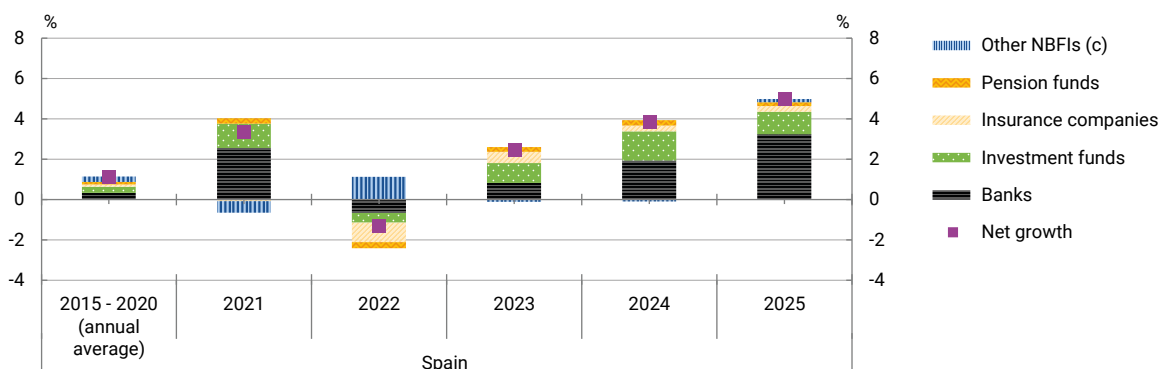
³⁴ A bank with a lower COE than ROE indicates that it is currently generating a higher return than the long-term return required by investors to buy its shares, which may spur short-term demand for them.

³⁵ 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.

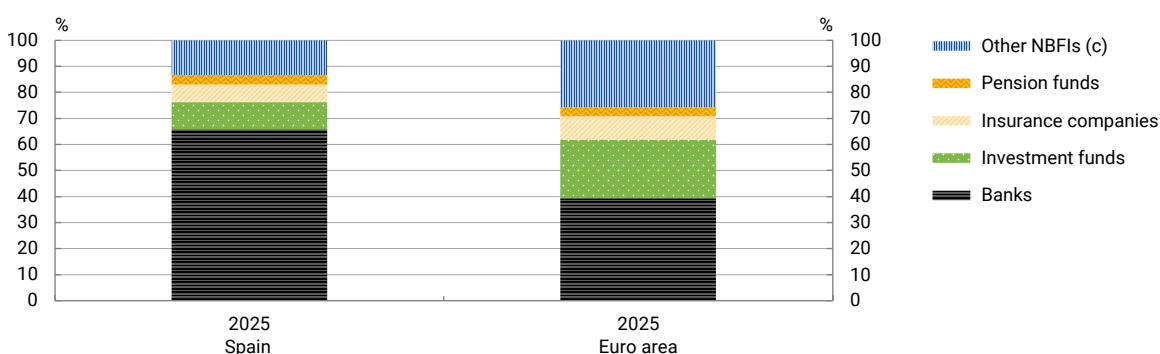
Chart 3.16

The NBFIs 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 NBFIs sectors to financial asset growth in Spain. Non-consolidated data (a) (b)



3.16.b Weight of the banking and NBFIs 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.³⁶ No significant use of derivatives to synthetically increase this leverage was observed either.³⁷ 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

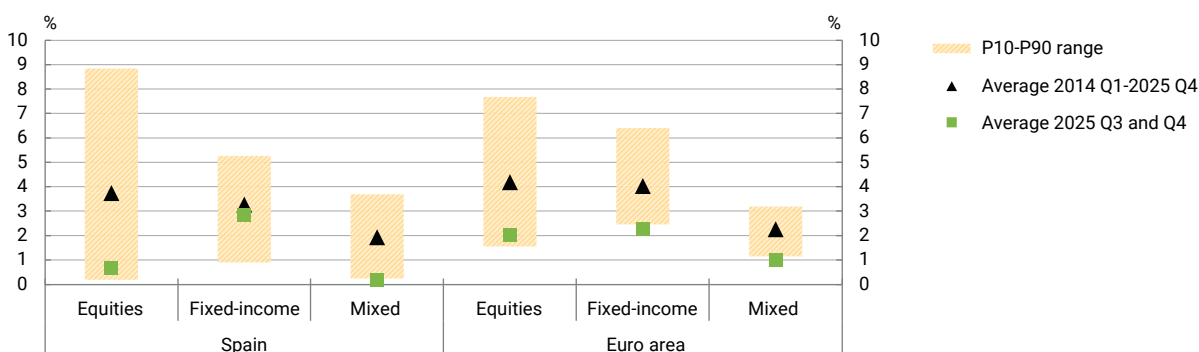
36 See *Financial Stability Report. Autumn 2025*, Banco de España; and *Financial Stability Report. November 2025*, Board of Governors of the Federal Reserve System. In the euro area, hedge funds and real estate funds were the most leveraged, with ratios of 149% and 124%, respectively, in December 2025.

37 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).³⁸ 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).³⁹ Although these liquidity levels are low by historical standards, they are in line with a level of liquidation risk that is also contained.⁴⁰

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

³⁸ 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.

³⁹ 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.

⁴⁰ 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.⁴¹

Private credit

Recently, tensions have surfaced in the US private credit sector.⁴² 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.⁴³

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.

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

⁴² 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.

⁴³ 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

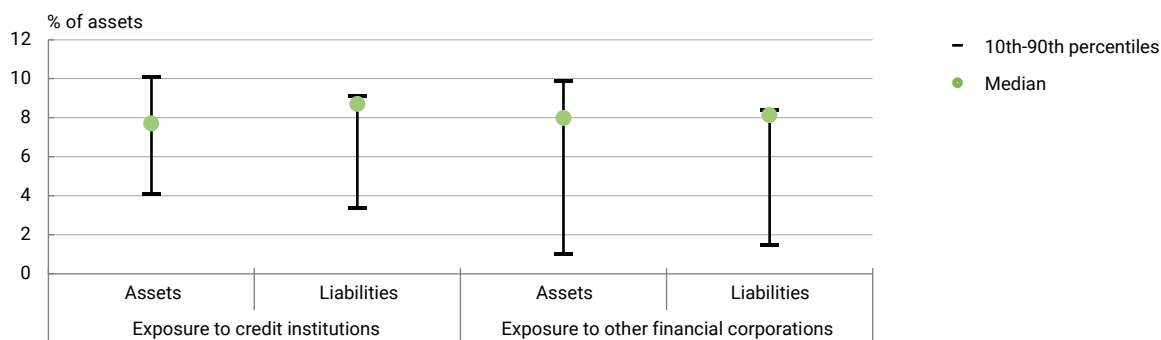
Direct interconnections among financial intermediaries

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.⁴⁴

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.

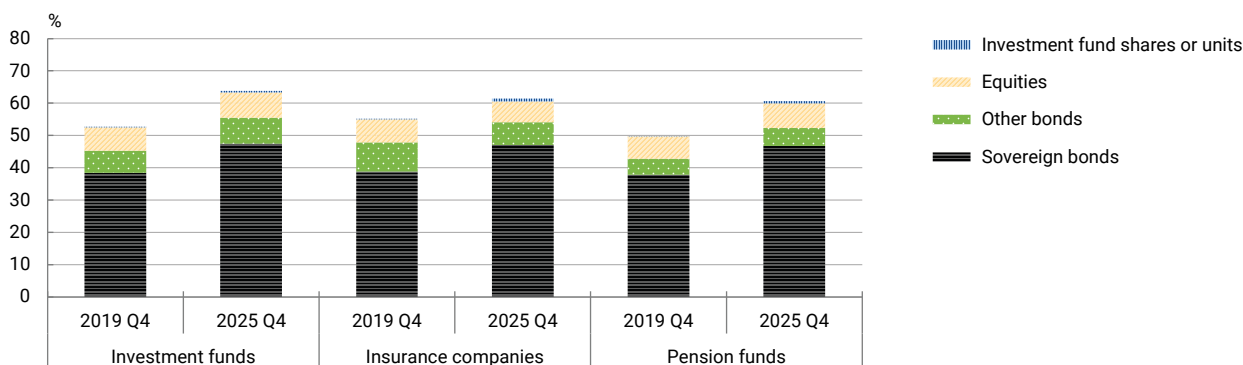
Sector-specific common holdings also grew for euro area banks. In comparison with Spanish banks, they did so more moderately for investment funds and pension funds (up by 4.5 pp and

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

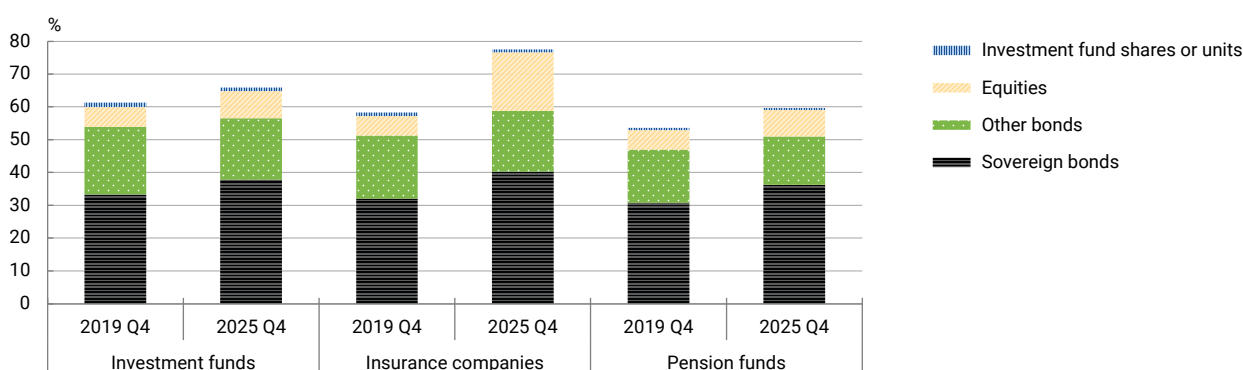
Chart 3.19

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.

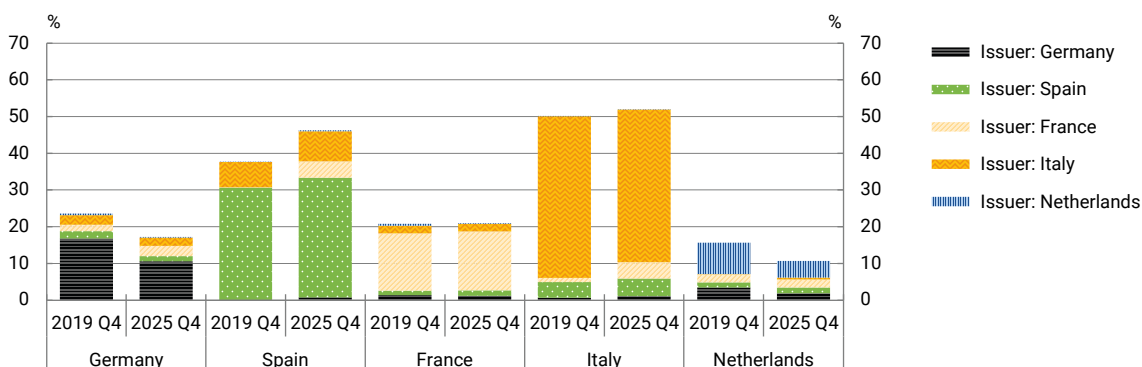
6.0 pp, respectively), while the increase was much larger with respect to insurance companies (up by 19.2 pp) (Chart 3.19.b). This reflects an increase in the share of sovereign debt and equity holdings, with equities contributing relatively more in the case of insurers.

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.

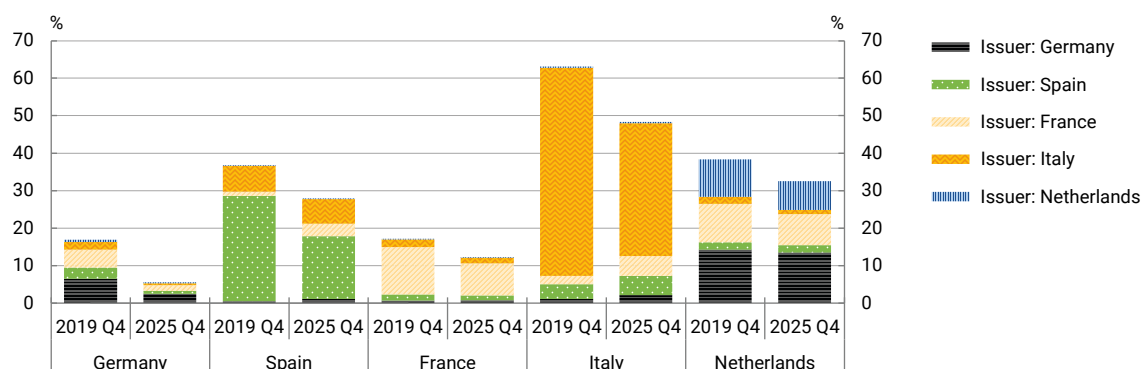
Chart 3.20

European sovereign debt plays a smaller role in the NBFIs' 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' securities portfolio, by country (a) (b)



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

- a Aggregate percentage of the banking and NBFIs' 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).⁴⁵ As at

⁴⁵ 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,⁴⁶ 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 sector⁴⁷ and the NBFIs sector⁴⁸ 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.

⁴⁶ 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.

⁴⁷ 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.

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

BANK LENDING AND OTHER FINANCING TO THE MOST ENERGY-INTENSIVE SECTORS OF THE SPANISH ECONOMY

The outbreak of the Iran war in February prompted a surge in hydrocarbon and electricity prices across Europe. In an environment in which this energy shock could persist for some time (see Chapter 5), this box analyses the characteristics of financing provided to the productive sectors most affected by the energy price hike in Spain, with a particular focus on bank lending. The aim is to identify the pre-existing financial strengths and vulnerabilities of these sectors, to learn how well they will be able to address the current crisis, and to quantify their importance for the financial system as a whole.

Specifically, this analysis focuses on three groups of productive sectors: energy-intensive manufacturing,¹ transportation and the non-extractive primary sector (agriculture and fisheries). These groups have been identified in previous Banco de España publications as being most sensitive to a protracted increase in energy prices, whether directly owing to the higher proportion of

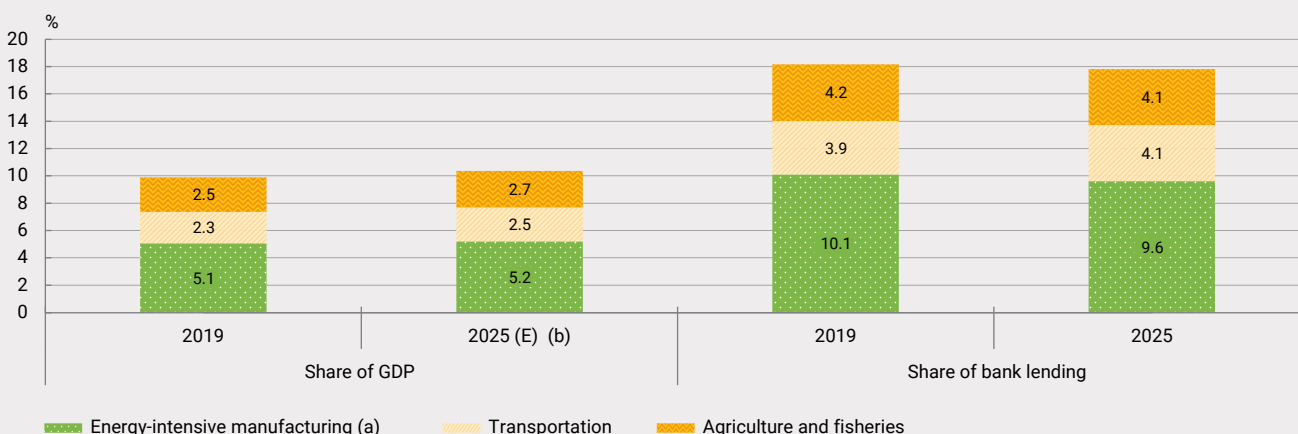
energy products in their production costs, or indirectly on account of potential price rises in their other inputs.²

Together these sectors account for around 10% of GDP, some 12% of employment and approximately 18% of bank lending to firms and the self-employed in Spain (Chart 1). Individually, energy-intensive manufacturing accounts for around 10% of bank lending (compared with 5% of GDP), while transportation and the non-extractive primary sector each account for some 4% of bank lending (between 2.3% and 2.7% of GDP). Accordingly, these energy-intensive sectors have a larger share of bank lending than of overall economic activity.

Sources of financing for energy-intensive sectors

The composition of financing to all firms and of financing to the sectors analysed (Table 1) was constructed drawing on the Banco de España's Integrated Central Balance Sheet Database (CBI).³ Energy-intensive manufacturing

Chart 1
Sectors as a proportion of GDP and bank lending



SOURCES: INE and Banco de España.

- a Includes the following industries: food, wood and cork, paper and printing, manufacture of coke and refined petroleum products, rubber and plastic products, non-metallic mineral products and basic metals.
b Estimate based on changes in GVA by industry, drawing on the Banco de España's March 2026 projections and the sectoral distribution based on each sector's respective share in 2023.

- 1 Includes the following industries: food, wood and cork, paper and printing, manufacture of coke and refined petroleum products, rubber and plastic products, non-metallic mineral products and basic metals.
2 Alejandro Fernández Cerezo, Iván Kataryniuk and Francisco José Rodríguez. (2023). "The Spanish economy's greater resilience vis-à-vis the euro area in 2023: the role of sectoral composition". *Economic Bulletin - Banco de España*, 2023/Q4, 03. <https://doi.org/10.53479/34552>. And also Pablo Aguilar, Rubén Domínguez-Díaz, José-Eliás Gallegos and Javier Quintana. (2026). "The Transmission of Foreign Shocks in a Networked Economy". Documentos de Trabajo, 2607, Banco de España. <https://doi.org/10.53479/42526>.
3 The CBI contains accounting information on around 800,000 non-financial corporations (600,000 for 2024). Coverage stood at 45% of gross value added (GVA) of the total non-financial corporations sector (according to National Accounts) in 2024.

Table 1
Firms' financing structure

%	Year	Equity	Bank debt	Intra-group debt	Other interest-bearing funding (b)	Non-interest-bearing funding (c)
Total	2019	48.6	13.0	11.4	5.3	21.7
	2024	49.1	11.9	9.8	6.3	22.9
Energy-intensive manufacturing (a)	2019	49.6	13.8	9.6	4.0	23.0
	2024	50.3	12.1	10.9	4.5	22.2
Transportation	2019	41.0	18.9	9.8	4.6	25.7
	2024	34.4	18.7	15.2	6.3	25.5
Agriculture and fisheries	2019	56.8	16.6	3.2	6.6	16.9
	2024	59.0	14.3	3.9	6.9	15.8

SOURCE: Banco de España.

- a Includes the following industries: food, wood and cork, paper and printing, manufacture of coke and refined petroleum products, rubber and plastic products, non-metallic mineral products and basic metals.
b Includes debt securities and other interest-bearing debt (loans granted by other sectors, finance lease payables, derivatives).
c Non-interest-bearing funding, such as that arising from commercial transactions (suppliers, customer advances, etc.) and other non-cost-bearing obligations, such as remuneration and dividends payable.

has a very similar financing structure to that of total firms, with equity as its main source of funding, followed by non-interest-bearing debt⁴ and bank debt with a share comparable to that of intra-group funding. The transportation sector is more heavily reliant on bank debt (around 19% compared with figures close to 10% for other sectors) and on intra-group financing, combined with a lower share of equity funding. Lastly, for the non-extractive primary sector, equity accounts for an even larger share with a similar, albeit somewhat higher, use of bank debt than for firms overall. This financial structure is consistent with the larger presence in this sector sample of small firms that tend to be more reliant on these two forms of financing.

Between 2019 and 2024 the financing structure of both energy-intensive manufacturing and the non-extractive primary sector remained relatively stable, while that of the transportation sector saw some more significant changes.

Specifically, its share of equity funding fell notably, by 6.6 pp, to 34%, and its share of intra-group debt rose, by 5.4 pp, to 15%. By contrast, in 2024 its share of bank debt remained at pre-pandemic levels.

Overall, before the energy shock, moderate trends towards deleveraging and less reliance on bank debt were observed in all three sectors.⁵ Of the three, transportation is the most highly leveraged and has the most interconnectedness with the banking sector, although it accounts for only a small share of total bank lending to firms.

Concentration, specialisation and number of banking relationships

Drawing on granular information from the Banco de España's Central Credit Register (CCR),⁶ it is possible to analyse the degree of concentration and specialisation of the Spanish banking sector in lending to these three sectors.

4 Non-interest bearing funding, such as that arising from commercial transactions (suppliers, customer advances, etc.) and other non-cost-bearing obligations, such as remuneration and dividends payable.

5 On CBI data, the total debt-to-assets ratio fell from 50.6% in 2021 to 48.5% in 2024 in manufacturing, from 64.4% to 61.7% in transportation and from 43% to 41% in agriculture. Bank debt also fell in all three sectors.

6 The CCR contains monthly information on loans over €1,000 granted in Spain.

BANK LENDING AND OTHER FINANCING TO THE MOST ENERGY-INTENSIVE SECTORS OF THE SPANISH ECONOMY (cont'd)

Chart 2
Herfindahl-Hirschman concentration index, by sector (a)

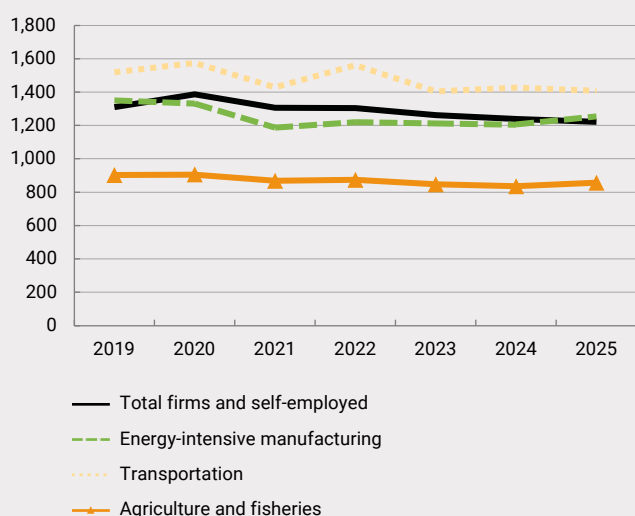
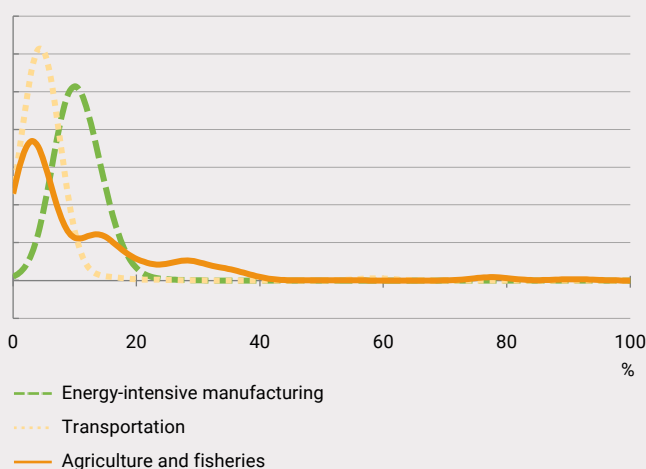


Chart 3
Distribution of share of sectors in bank loan portfolios.
December 2025 (b)



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

- a The Herfindahl-Hirschman index is the sum of market shares (expressed as a percentage) squared. The higher the index value, the higher the concentration.
- b The chart depicts the density function of the weight of each sector in Spanish banks' lending to firms and the self-employed (weighted by total lending to firms and the self-employed). The density function is estimated using a kernel estimator which enables a non-parametric estimate and a continuous and smoothed graphical representation of that function.

Credit concentration in each sector, or in other words, the distribution of credit volume across different banks, is measured using Herfindahl-Hirschman indices.⁷ These show some significant differences across sectors (Chart 2). In the non-extractive primary sector credit concentration is considerably lower than in the other two sectors analysed and than in overall lending to firms. The presence in the Spanish banking system of local banks, such as credit cooperatives, with an extensive relationship banking model in rural areas, helps explain this higher fragmentation.⁸

Analysis of banking specialisation examines how lending to these sectors is distributed by bank (as a share of the total corporate loan portfolio). In general, the proportion of banks with above-average specialisation in either energy-intensive manufacturing or transportation is not significant (Chart 3). This relatively homogeneous distribution helps

limit the possibility of shocks to these sectors having a significant impact on an individual bank's solvency.

By contrast, there is more heterogeneity in the non-extractive primary sector, which accounts for a substantial part of the portfolio of some banks (greater specialisation), none of which are significant institutions. Combining these results shows that, in the primary sector, lending is spread across a high number of banks, although for some (for instance, more local ones) it constitutes a large part of their loan portfolio.

Following on from this point, the number of banking relationships, defined as the average number of different banks with which each firm operates, is another key factor for assessing the risks associated with the structure of bank financing. The higher the number of banking relationships, the lower reliance on each individual bank

7 The Herfindahl-Hirschman index is the sum of market shares (expressed as a percentage) squared. In this case, it is constructed for each sector, adding together the market shares of each bank in each sector.

8 For more information, see Box 3.2 of *Supervision Report 2025*.

BANK LENDING AND OTHER FINANCING TO THE MOST ENERGY-INTENSIVE SECTORS OF THE SPANISH ECONOMY (cont'd)

Chart 4
Number of borrowers' banking relationships, by sector.
December 2025 (a)

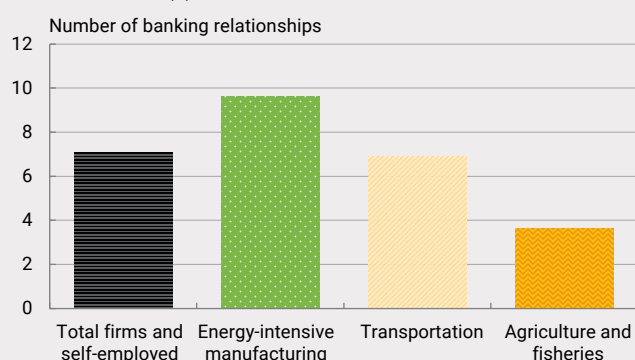
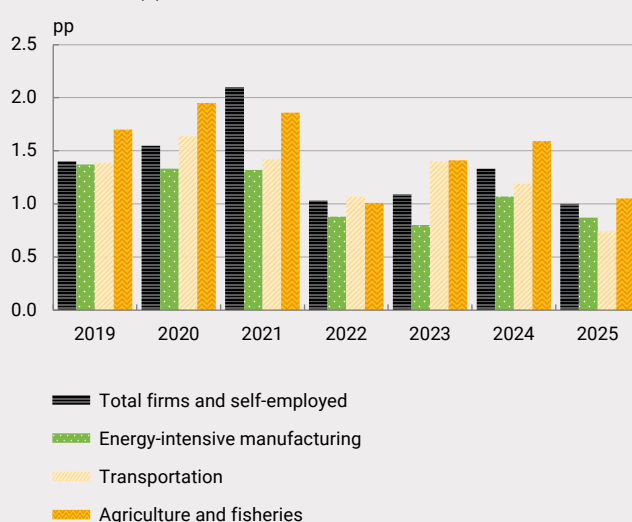


Chart 5
Interest rate spreads on new loans in each sector over the risk-free rate (b)



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

- a** The chart depicts the average number of different banks with which a firm or self-employed person in each sector operates. In the weighted figures, the number of banking relationships of each firm or self-employed person is weighted by their loan volume in the relevant sector.
- b** The spread between the interest rate applied to each loan and the risk-free rate at a similar maturity is calculated.

and, therefore, the greater the ability to access credit. On average, energy-intensive manufacturing firms have a higher number of banking relationships than the business sectors overall (Chart 4). This is related to the fact that these firms are generally larger, which per se facilitates greater diversification of their banking relationships.

Overall, these data show that, at system-wide level, the structure of bank lending to the sectors most sensitive to the energy shock poses no major concentration or specialisation risks to significant institutions.

Terms and conditions of loans to firms in energy-intensive sectors

The specific terms and conditions of loans are another element that can influence firms' ability to meet their credit obligations. In particular, interest rate and spreads

over risk-free rates, maturity, average loan size, percentage of collateralised loans and loan amount to value of collateral (LTV ratio) are considered.⁹

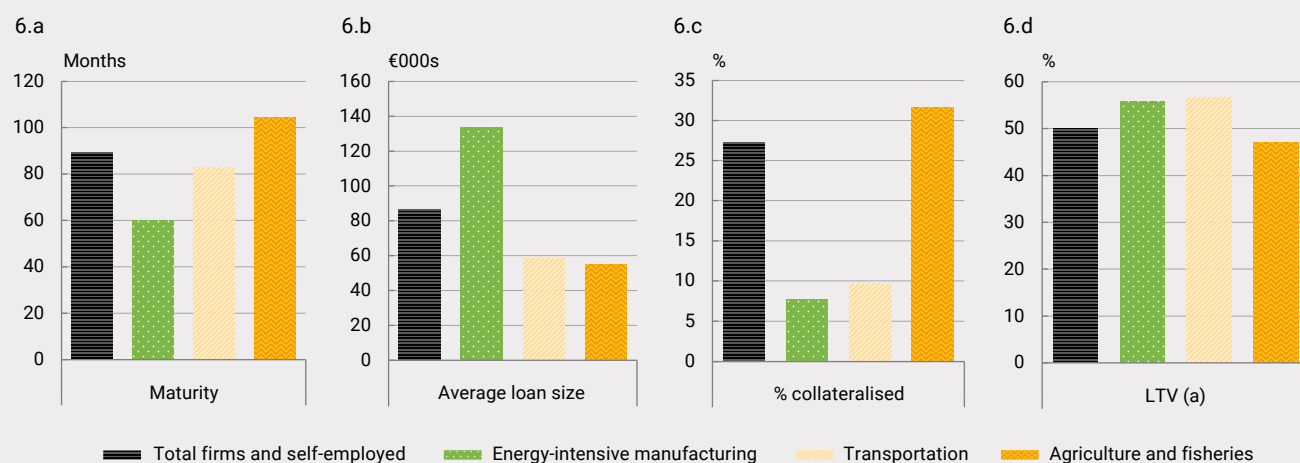
For this analysis, it is important to note that the business structure and demographics of these sectors, as well as their average profitability and the volatility of their profitability, exert some influence on the terms and conditions of the bank loans they receive. Specifically, in terms of firm size, the non-extractive primary sector has a large proportion of smaller firms, transportation has a larger share of medium-sized firms and, on average, energy-intensive manufacturing firms are larger and the sector has a higher share of large firms.

Interest rate spreads on new loans are aligned with each sector's credit risk profile, discussed in the next section.¹⁰ The spreads in the non-extractive primary sector are

⁹ Interest rates determine the debt service burden and thus firms' ability to bear higher costs related to rising energy prices. Maturity influences vulnerability, as shorter maturities may force refinancing under worse conditions. Average loan size defines total exposure, such that the most capital-intensive sectors, with higher debts, will face greater pressure in the event of an economic downturn. Lastly, the existence of collateral or a high LTV ratio reflects risk perception and collateral quality, factors that could affect obtaining additional funding in adverse environments.

¹⁰ The spread between the interest rate applied to each loan and the risk-free rate at a similar maturity is calculated.

Chart 6
Loan characteristics by sector



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

a LTV is only calculated for collateralised loans.

slightly wider than average, partly on account of the smaller size of the sector firms (Chart 5). In energy-intensive manufacturing and transportation, spreads are somewhat narrower than average, consistent with larger corporate structures that may have lower risk or greater bargaining power in financing.

The average maturity of loans in energy-intensive manufacturing and transportation is shorter than that of the business sectors overall, while in the non-extractive primary sector it is longer than average (Chart 6.a). In energy-intensive manufacturing, a significant portion of bank financing is earmarked for working capital, to pay for energy and other inputs. This favours the use of short-term loans that are regularly reset. By contrast, in the primary sector, credit is more closely linked to investment in fixed assets with long useful lives, such as land, machinery or infrastructure. This warrants longer maturities even at smaller firms. In the transportation sector, financing is mainly used to purchase the vehicles and equipment needed to pursue the business activity. Shorter maturities require more frequent rollovers, which increases vulnerability in an environment of tight financial conditions.

Average loan size in the different sectors also seems to be associated with their business demographics (Chart 6.b). The higher average loan size in energy-intensive

manufacturing reflects the scale of production and the production model predominant in the sector which comprises mainly large firms. Conversely, in transportation and the non-extractive primary sector, small and medium-sized enterprises (SMEs) and the self-employed are predominant and, therefore, average loans are smaller.

As regards the use of collateral in financing, the percentage of collateralised loans is well below the business sector average in energy-intensive manufacturing and transportation. By contrast, in the non-extractive primary sector it is above the average (Chart 6.c), owing to the nature of its assets and its financing model, marked by the use of land, among other assets, as typical collateral.

Related to the previous point, LTV at origination for collateralised loans also varies across sectors (Chart 6.d) and is lowest in the non-extractive primary sector where collateral is used more intensively to mitigate risks.

Overall, the credit terms and conditions of the energy-intensive manufacturing sector have a somewhat higher risk profile, with larger average loan size and lower collateralisation. Moreover, its reliance on shorter maturities could make it more sensitive to a worsening economic environment. Although these terms and conditions partly reflect its larger scale and financial clout,

BANK LENDING AND OTHER FINANCING TO THE MOST ENERGY-INTENSIVE SECTORS OF THE SPANISH ECONOMY (cont'd)

Chart 7.a
PD at one year, by sector (a)

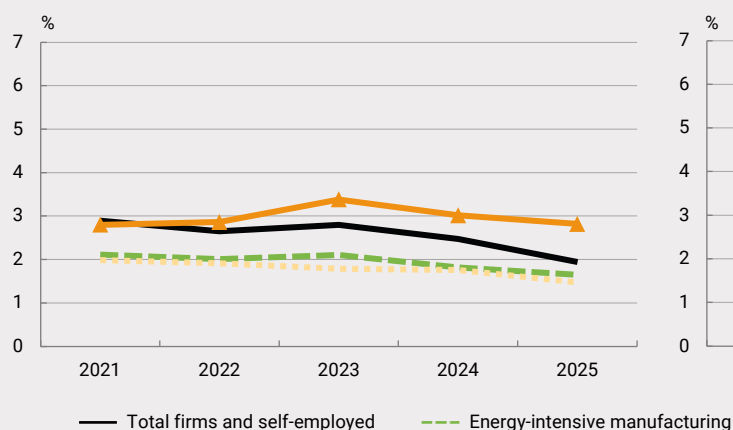
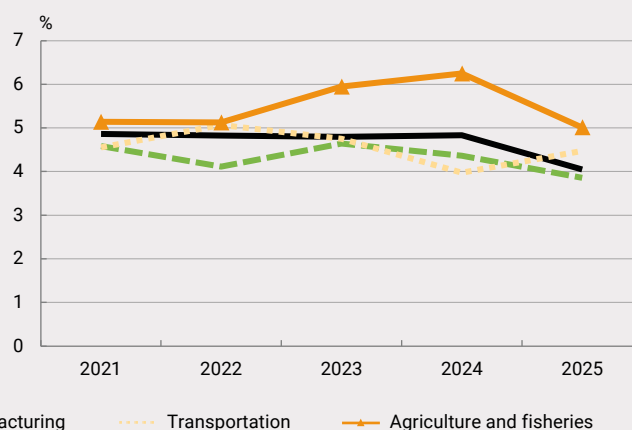


Chart 7.b
NPL ratio, by sector (a)



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

a Probability of default (PD) over a one-year time horizon assigned by banks that use internal credit risk assessment models. A firm's weighted average PD is assigned to all its loans, even if they are granted by other banks.

they also represent a certain degree of vulnerability to a severe and protracted energy crisis.

Credit quality

Credit risk indicators – both the probability of default¹¹ (ex ante credit quality metric) and the non-performing loan (NPL) ratio (ex post metric) – show that the non-extractive primary sector poses a higher credit risk than the other two sectors analysed (Charts 7.a and 7.b).

In any event, in recent years credit risk has performed favourably in all these sectors. It is also noteworthy that, of the three, the non-extractive primary sector has felt the brunt of the increase observed in energy prices since mid-2021 and the subsequent monetary policy tightening,

while energy-intensive manufacturing and transportation have been notably resilient.

Even so, should energy prices remain high for long, firms' credit risk indicators could gradually deteriorate, especially for those less able to adjust their financial position, such as SMEs or the self-employed, both more prevalent in the primary sector, or for those which, despite their larger scale, are also more reliant on short-term and unsecured financing, more prevalent in transportation and energy-intensive manufacturing.

Accordingly, in an environment in which geopolitical tensions could continue to exert persistent pressure on energy prices, it is essential that these sectors and, in particular, their financing conditions and risk indicators, are closely monitored.

¹¹ Banks that use internal models to assess credit risk assign a probability of default (PD) over a one-year time horizon to each loan. This PD is reported quarterly to the Banco de España's CCR. PDs are analysed using the loans granted by the banks that use these models, although the average PD of each firm is assigned to all its loans, even if they are granted by other banks. Thus, at December 2025, the percentage of credit in loans with an assigned PD is over 80%.

ANALYSIS OF THE PRIVATE CREDIT MARKET IN SPAIN

The private credit market – comprising loans to firms provided via investment funds specialising in such products – has grown notably in recent years, in both Spain and the euro area as a whole. The possible expansion of the private credit market and its deepening links to the banking sector underscore the need to study its structure in order to identify potential financial stability implications.

This box updates previous analyses¹ of the size of the private credit market in Spain and the euro area, and studies some characteristics of private credit supply and demand. To this end, it uses granular data on private credit operations from PitchBook, which is supplemented by information on the recipient firms from Orbis and the Banco de España's Integrated Central Balance Sheet Database (CBI).

The profile of lenders is characterised based on this information, with an emphasis on their nationality and degree of concentration. The box analyses the sectoral distribution of firms receiving private credit and describes different measures of their financial position, comparing it

with that of firms that finance themselves through bank credit. Lastly, moving beyond the domestic and European realms, some recent episodes of stress in the United States are analysed and the possible risks to financial stability associated with this form of funding are assessed.

Size of the sector in Spain and the euro area and interconnectedness with the banking sector

The provision of private credit has followed a rising trend in Spain and the euro area over 2021-25. Private credit is broadly defined as that involving non-bank intermediaries specialising in this activity.² Based on this definition, the amount of private credit granted to firms domiciled in Spain increased from €4.4 billion in 2021 (0.36% of Spanish GDP) to €33.1 billion in 2025 (1.96% of Spanish GDP).³ In the euro area, private credit origination rose from 0.64% of GDP to 1.11% of GDP in the same period (Chart 1).

Chart 2 compares, for Spain, the broad measure of private credit defined above with a second measure limited to

Chart 1
Volume of new private credit transactions in Spain and the euro area. Broad measure (a)

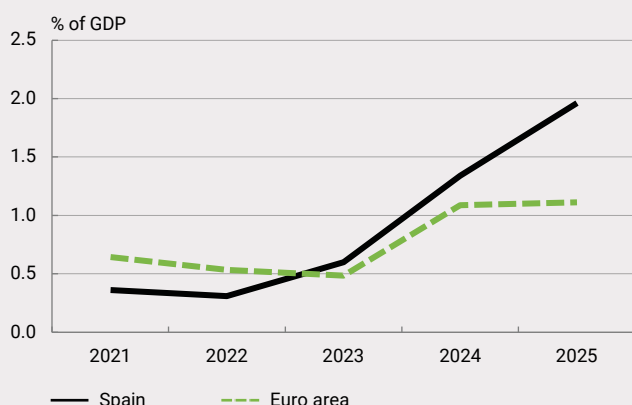
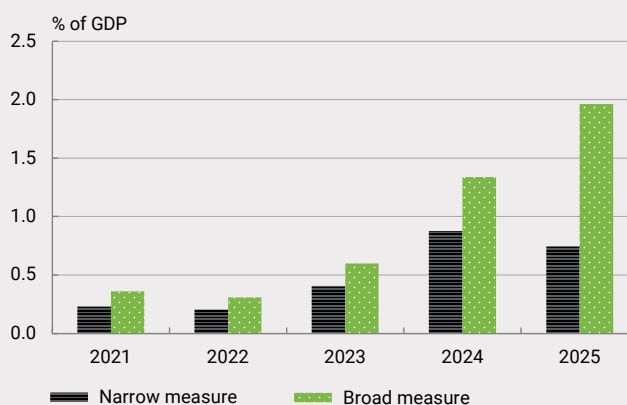


Chart 2
Private credit in Spain: comparison between the broad and narrow measure (b)



SOURCES: PitchBook, Dealogic and Eurostat.

- The chart shows the volume of new private credit transactions by recipient firm domicile over the period 2021-25, based on the broad measure of private credit (defined as financing involving non-bank intermediaries specialising in this activity).
- The chart depicts the volume of new private credit transactions extended to firms domiciled in Spain over the period 2021-25. It uses the broad measure of private credit (financing involving non-bank intermediaries specialising in this activity) and the narrow measure of private credit (transactions where financing is only extended by non-bank private lenders).

1 Esther Cáceres, Martín Fariás, Gianmarco Ruzzier and Clara (Chi) Xu. (2025). "Analysis of the private credit market in Spain". *Financial Stability Review - Banco de España*, 49, Autumn. https://www.bde.es/f/webbde/GAP/Secciones/Publicaciones/InformesBoletinesRevistas/RevistaEstabilidadFinanciera/25/1_FSR49_Credito.pdf.

2 In this box, private credit is defined broadly as any loan to non-financial corporations involving at least one private non-bank lender. The classification is based on loan origination.

3 By way of comparison, in 2025 the ratio of new bank lending to GDP was 26% in Spain and 21% in the euro area.

ANALYSIS OF THE PRIVATE CREDIT MARKET IN SPAIN (cont'd)

Chart 3
Geographical origin of lenders in the private credit market (a)

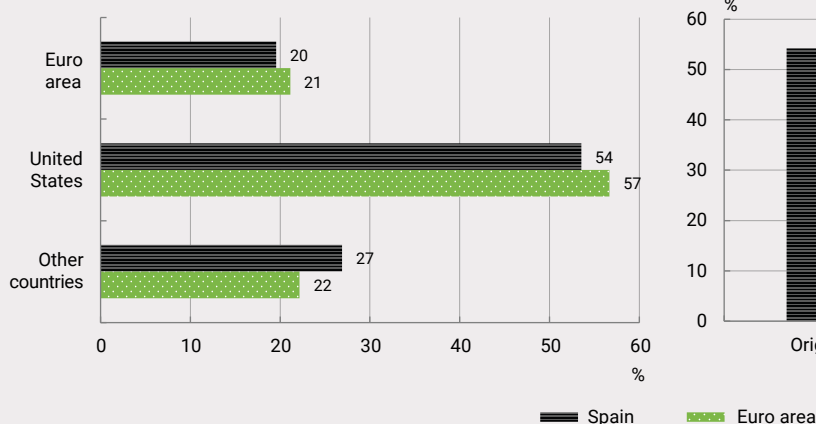
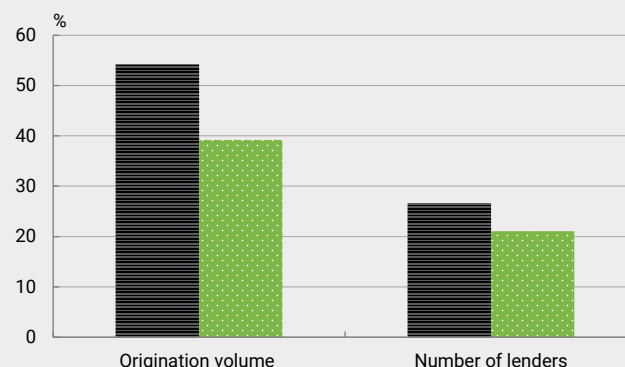


Chart 4
Origination volume and number of borrowers of the 5 largest lenders (b)



SOURCE: PitchBook.

- a The chart shows the share of the volume and number of private credit transactions by lender domicile for the period 2021-25. It includes all transactions classified as private credit under the narrow measure.
- b The chart shows the share of the volume and number of private credit transactions originated by the five main lenders in 2025. It includes all transactions classified as private credit under the narrow measure.

transactions in which all financing comes from private non-bank lenders, called the “narrow measure”. Taking the latter, the annual volume of transactions increased from 0.23% of GDP in 2021 (64% of the broad measure) to 0.75% of GDP in 2025 (38% of the broad measure). The difference between these two metrics evidences the growing involvement of banks in private credit operations, giving rise to interconnections that have so far remained limited.

In this regard, the exposure to private credit-related investments reported by Spanish banks is very low, accounting for around 0.2% of the credit portfolio and 0.1% of total assets of the largest banking groups at consolidated level. Financing granted to firms (for example, syndicated loans) that have also received private credit funding accounts for around half of this exposure and financing granted to investors in this type of funding accounts for just over a quarter. Direct financing to private credit funds for investment in their portfolios is minimal.

From the standpoint of firms’ borrowing, private credit is playing an increasingly important role. Table 1 shows different metrics comparing private and bank credit flows and stocks. Column 1 indicates that private credit flows as a percentage of bank credit flows tripled between 2021 and 2025 (increasing from 0.95% to 2.86%). Columns 2 and 3 compare bank and private credit stocks and show that, by the end of 2025, growth in the latter had driven up the stock of credit to firms by 7 pp.⁴

Characteristics of lenders

A salient feature of the private credit market is the importance of lenders domiciled outside the euro area⁵ (Chart 3). In both Spain and the euro area, around 80% of the volume of private credit originates from funds domiciled in other jurisdictions, particularly the United States, while euro area lenders account for approximately 20%.

The strong presence of lenders from other jurisdictions means that financing conditions in this segment may be

4 Private credit stocks are proxied as the cumulative flow of new transactions since 2021, based on the narrow definition. As repayments are not deducted, this measure should be interpreted as an upper bound of the actual stock. However, the approximation error is mitigated by the long maturities typical of private credit operations.

5 Although most private credit funds are domiciled outside Spain, the National Securities Market Commission (CNMV) identifies eight Spanish hedge funds that carry out this activity. Certain venture capital funds domiciled in Spain also channel private credit to Spanish non-financial corporations. For further details, see “Securities markets and their agents: situation and outlook” in the CNMV’s first half-yearly bulletin for 2026 (forthcoming).

ANALYSIS OF THE PRIVATE CREDIT MARKET IN SPAIN (cont'd)

significantly influenced by external factors (for example, changes in US monetary policy). At the same time, the presence of international lenders helps to diversify firms' sources of funding, reducing their exposure to domestic shocks to the Spanish financial system.

Moreover, private credit supply is concentrated among a small number of lenders (Chart 4). In Spain, the five main lenders originated 54% of private credit and provided financing to 27% of borrowers in 2025. In the euro area, these figures are 39% and 21%, respectively.

Characteristics of recipient firms

Firms receiving private credit in Spain are mainly concentrated in the information and communication technology (ICT), professional services, manufacturing and extractive, and construction sectors (Table 2). Compared with their share in gross value added, these sectors tend to account for a larger share of private credit volumes. The distribution in the euro area is similar, but construction, hospitality, professional services and the extractive industry have a lower relative share, while manufacturing has a larger share.

Table 3 shows, for Spain and the euro area, various economic and financial characteristics of firms, distinguishing between those that receive private credit and those that are financed exclusively through bank credit, for the period 2021-24.⁶ In the sample for Spain, approximately 480 firms accessed private credit during this period, compared with 3,874 in the euro area. It should be highlighted that 78% of the firms domiciled in Spain or the rest of the euro area that received private credit also resorted to bank borrowing.

On average, firms financed through private credit, both in Spain and the euro area, are larger (in terms of assets) and younger and have a higher investment rate than firms financed only through bank credit. However, they also tend to be less profitable. In terms of indebtedness and liquidity, there are differences across jurisdictions. In Spain, firms financed through private credit have lower debt and

greater liquidity than those financed through bank credit, unlike in the euro area as a whole.

Overall, the evidence suggests that private credit is used by firms at relatively early stages of their life cycle and with a stronger growth profile, where private credit can play a complementary role to bank credit.⁷

Conclusions of the analysis of private credit in Spain and the euro area from a global standpoint

Overall, the results indicate that the private credit market in Spain, although still small in size and with limited systemic importance relative to other sources of financing, has experienced accelerated growth in the recent period. Private credit supply is concentrated among a limited number of lenders, most of which are domiciled outside the euro area. This market structure means that external shocks (or idiosyncratic events affecting a subset of lenders) could be transmitted to a large number of firms receiving private credit.

However, the analysis does not suggest that firms using private credit have higher risk profiles on average than firms financed exclusively through bank credit. Moreover, the fact that most firms financed through private credit also resort to bank credit suggests that these two sources of funding are somewhat complementary.

These analyses of the size and structure of the private credit sector in Spain and the euro area did not identify any immediate vulnerabilities that could give rise to concerns. However, recent developments in other jurisdictions, such as the United States, together with certain characteristics of the global private credit market call for continued monitoring of possible risk build-ups.⁸

Case studies at the global level: First Brands and other similar episodes

In recent months the private funding market has experienced bouts of stress, exposing some global

⁶ 2025 is excluded because CBI data are not available at the time of writing this box.

⁷ Some of the differences observed may be due precisely to the fact that firms accessing private credit are, on average, younger. To test this hypothesis, a linear regression model is estimated in which the dependent variable indicates whether the firm receives private credit or not, including as explanatory variables all the characteristics of Table 3, together with country, year and age-quintile fixed effects. The model uses data for Spain and the rest of the euro area. The results suggest that, when firms' age is taken into account, the ability of other characteristics (size, profitability, debt, investment and liquidity) to predict access to private credit is reduced. This does not imply that these characteristics are irrelevant, but that, given their correlation with age, this variable summarises the information related to the financial profile of private credit recipient firms.

⁸ Financial Stability Board. (2026). *Report on Vulnerabilities in Private Credit*.

ANALYSIS OF THE PRIVATE CREDIT MARKET IN SPAIN (cont'd)**Table 1****Volume of private credit transactions and stock relative to bank credit transactions**

Year	Private credit flow / Bank credit flow	Bank credit stock (2021 = 100)	Bank + private credit stock (2021 = 100)
2021	0.95%	100	100
2022	0.78%	100	100
2023	1.76%	95	97
2024	3.48%	95	100
2025	2.86%	98	105

Chart 2**Sectoral distribution of private credit in Spain and the euro area, and of added value in Spain (a)**

Sector	Spain	Euro area	GVA Spain
ICT	24.55	24.07	4.05
Professional services	21.68	13.52	5.15
Manufacturing	15.08	22.26	11.90
Extractive industries	10.32	5.01	0.26
Construction	8.46	0.21	5.70
Hospitality	7.11	2.18	6.73
Health	5.77	4.16	6.37
Other	3.28	25.40	59.83

Table 3**Characteristics of firms by jurisdiction and source of financing (b)**

Characteristics	Spain		Euro area	
	Private credit	Bank credit	Private credit	Bank credit
Assets (€m)	8.50	1.78	36.59	4.91
Age (years)	10.77	16.72	17.15	18.65
Net profit / total assets	-0.16	0.01	-0.05	0.03
Debt / total assets	0.66	0.74	0.79	0.74
Investment / total assets	0.05	0.04	0.15	0.09
Liquid assets / total assets	0.23	0.17	0.19	0.20

SOURCES: PitchBook, CBI, ORBIS and EUROSTAT.

a The table shows the distribution of the volume of private credit by recipient firm industry for the period 2021-25. It includes all the private credit transactions classified as such based on the narrow measure.

b The table shows the average of each firm characteristic, by jurisdiction and source of funding used. Firms receiving private credit are those that appear as recipients of private credit in PitchBook, while firms receiving bank credit are those that report strictly positive bank debt. Information on firms domiciled in Spain comes from the Banco de España's Integrated Central Balance Sheet Database (CBI), while the information on firms domiciled in the euro area comes from ORBIS. The sample is limited to 2021-24 as accounting information for 2025 is not yet available.

vulnerabilities. One of the most notorious cases was that of First Brands – an unlisted US company in the automotive component sector, larger than the Spanish firms that typically access this type of financing – whose default underscored the complexity and opacity of financing

structures involving multiple financial intermediation segments.

First Brands' business model, based on aggressive growth through leveraged buy-outs of other competing firms in

ANALYSIS OF THE PRIVATE CREDIT MARKET IN SPAIN (cont'd)

the sector, was underpinned by a combination of financial instruments which, despite providing liquidity in the short term, introduced structural fragilities:

1. Factoring agreements,⁹ under which First Brands sold its invoices to special-purpose vehicles for subsequent securitisation, with the involvement of specialised fintech companies acting as intermediaries.

Although this practice allowed it to remove the assets from its balance sheet, First Brands remained the invoice servicer (in charge of managing and collecting them), enabling it to retain control over cash flows and to present a distorted picture of its actual liquidity position.

2. Syndicated loans,¹⁰ involving specialised funds, banks and insurers. Some of these loans were packaged into structured products such as collateralised loan obligations (CLOs),¹¹ allowing credit risk to be distributed among multiple investors but making it more difficult to assess First Brands' overall debt.
3. Individual loans, sometimes backed by First Brands' physical inventory of automotive components. Subsequent investigations identified irregular practices, such as using the same inventory as collateral in multiple transactions (multiple pledging), and shortcomings in its traceability.

This all came to a head in August 2025, when a key refinancing operation led by the investment bank Jefferies failed, placing First Brands' liquidity under strain and ultimately leading it to default on its payment obligations.

This triggered a widespread loss of confidence in the firm that ultimately precipitated its insolvency in September 2025.

In addition to the First Brands case, the private credit market has recently seen other cases of defaults and insolvency, as well as limits on fund redemptions. These include:

- The bankruptcy of Tricolor Auto Group – a US company specialising in subprime vehicle financing – in September 2025.
- The bankruptcy of the UK mortgage firm Market Financial Solutions in February 2026, after instances of multiple asset pledging were detected, affecting institutions such as HSBC, Barclays, Jefferies and Atlas (an Apollo vehicle).
- Redemption restrictions and suspensions in large semi-liquid private credit funds, including Blue Owl, Cliffwater, Morgan Stanley, JPMorgan, Blackrock and Blackstone.

Overall, the Federal Reserve Bank of New York estimates that a large proportion of the volume of private credit in the United States goes to firms with higher risk profiles (with ratings below investment grade).¹² Moreover, this market has grown to a notable size in the United States and globally, although it remains smaller than other financial system segments that have triggered systemic crises in the past, such as sub-prime mortgages.¹³

The scale of the bankruptcies observed so far should be put into perspective. For example, First Brands' debt of over \$10 billion accounted for less than 1% of the total volume of the US private credit market. Moreover, the

9 Factoring agreements are contracts whereby a company sells its receivables to a third party in exchange for immediate liquidity. From then onwards, the third party is responsible for the management and collection of these invoices, thus shortening the time frames for recovery and, in some cases, partly reducing the risk to the company.

10 Syndicated loans are financing operations where a group of financial institutions jointly lend to a company, sharing the amount, risk and terms and conditions. Although the borrower enters into a single agreement, the credit is provided by several lenders, usually coordinated by one or more entities acting as agent or structuring banks.

11 CLOs are financial instruments which pool loans (usually leveraged loans to firms) and transform them into securities that are sold to investors. These securities are structured into different tranches with varying levels of risk and return, and payments to investors depend on the flows generated by the underlying loans.

12 Federal Reserve Bank of New York. (2025). *NBFIs in Focus: The Basics of Private Credit*.

13 Edward Pinto. (2008). "Sizing Total Exposure to Subprime and Alt-A Loans in U.S. First Mortgage Market", shows that the size of the US subprime mortgage market in 2008, under a strict definition, amounted to \$1.9 trillion (at current prices), which is somewhat larger than the current size of the US private credit market, estimated at around \$1.3 trillion (Jose Berrospide, Fang Cai, Siddhartha Lewis-Hayre and Filip Zikes. (2025). "Bank Lending to Private Credit: Size, Characteristics, and Financial Stability Implications". FEDS Notes 2025-05-23), with the global market amounting to \$1.5-2 trillion, according to Financial Stability Board (2026). However, broader definitions of sub-prime mortgages and loans not meeting usual credit standards could increase this amount to \$7.2 trillion (in current prices) in 2008.

ANALYSIS OF THE PRIVATE CREDIT MARKET IN SPAIN (cont'd)

events affecting the largest and most systemically important US funds have been related to liquidity frictions, with no widespread deterioration in the credit quality of their investments.

The case of First Brands and other similar ones have highlighted the need to: (i) improve the available information and transparency regarding private credit operations; (ii) strengthen the supervision of linkages between banks and non-banks as well as risk concentration; and (iii) assess whether additional regulatory tools are warranted to limit risk generation and transmission in the private financing sector.

In any event, private credit entails other risks related to liquidity and valuation that may be relevant from a financial stability perspective. Liquidity risk stems from the growing use of semi-liquid vehicles to channel investments into assets that are inherently illiquid. Valuation risk, in turn, arises from the lack of observable market prices, the use of heterogeneous internal valuation methodologies and potential incentives to delay the recognition of losses. In the event of an abrupt deterioration in global financial market conditions (see Chapter 4), vulnerabilities in the private credit sector could lead to the materialisation of these risk classes and generate second-round effects, amplifying the corrections.

4

MARKETS AND ASSET PRICES

4 MARKETS AND ASSET PRICES

Figure 4.1

Markets and asset prices (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 market 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.

4.1 The real estate market

4.1.1 Prices and activity

House purchases reached high levels in 2025, exceeding those of the previous year, but showed signs of levelling off. In 2025 house purchases totalled around 750,000 units, equivalent to 3.8 transactions for every 1,000 households, still well below the ratios of close to six transactions for every 1,000 households reached in 2006 (Chart 4.1.a). Growth in house purchases eased from 12.1% in 2024 to 5.1% in 2025, with the slowdown proving particularly sharp in the second half of the year. Second-hand housing continued to dominate, accounting for 90% of all house purchases.¹

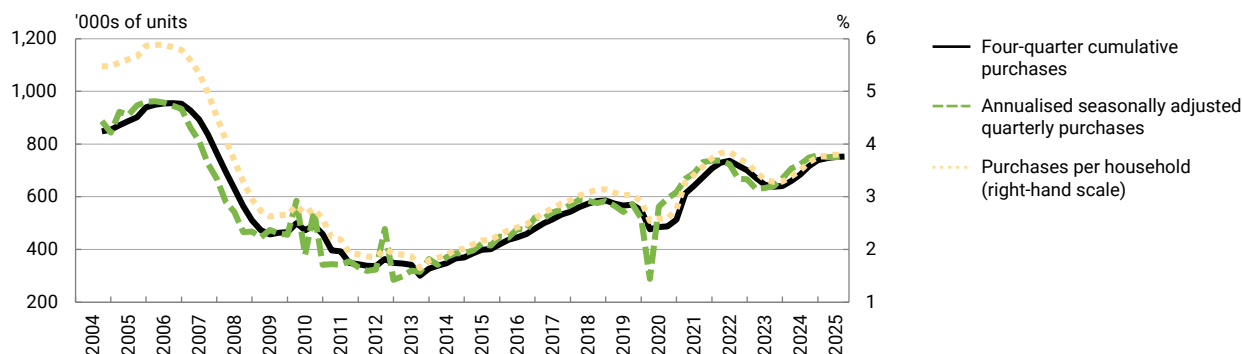
The pace of house price growth quickened compared with 2024. In nominal terms, they rose at an annual average rate of 12.7% in 2025, compared with 8.4% in 2024. In real terms, they grew 9.7% year-on-year in 2025, up from 5.5% in 2024. Consequently, at end-2025 real house

¹ In contrast to the higher share of new-house purchases in previous expansions, with average ratios of 40% in the period 2004-07.

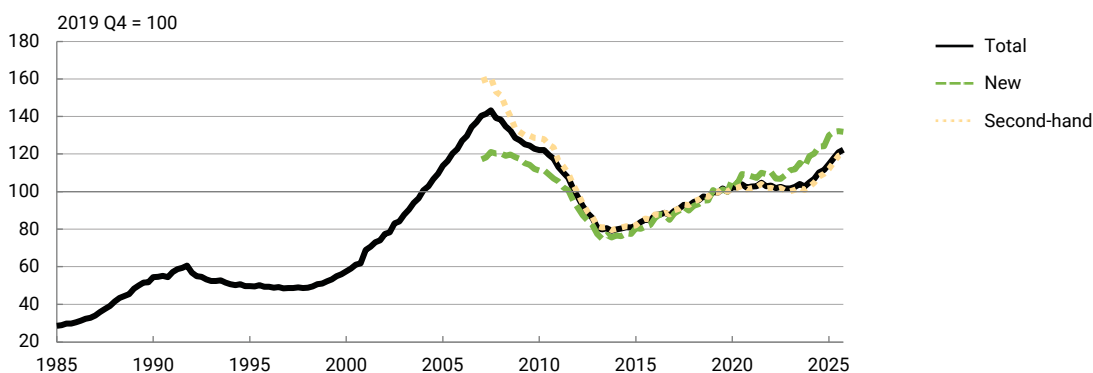
Chart 4.1

House purchases levelled off at high levels in 2025, while real prices continued to see robust growth, driven by strong demand and relatively rigid supply

4.1.a House purchases (a)



4.1.b Real house prices. Deflated by the consumer price index (CPI)



SOURCES: Banco de España, INE and Ministerio de Transportes y Movilidad Sostenible. Latest observation: 2025 Q4.

a Purchases signed before a notary.

prices were 14.7% below the peak reached at the outset of the global financial crisis in 2007 Q3 (Chart 4.1.b). In 2025 Q4, the annualised quarter-on-quarter growth rate of real house prices stood at 10.2%, suggesting that prices are continuing to climb in the most recent period (Chart A2.4.1.1 in Annex 2).

In the rental market, there are some signs that price growth is moderating. For instance, on indicators drawing on the main real estate portals,² average asking price growth accelerated strongly in 2024, to around 10% in real terms, and slowed to 5% in 2025.

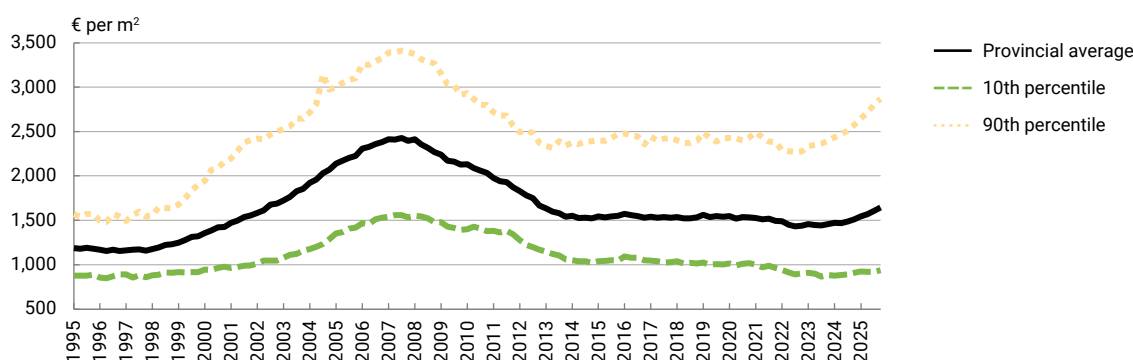
Meanwhile, real commercial property prices continue to trend upward at a moderate pace. Despite this, these prices are still broadly below their real pre-pandemic levels, except for

² Asking prices should be interpreted with caution, due to the absence of any statistical treatment equivalent to that given to the house prices released by the National Statistics Institute (INE). However, they provide useful complementary information for assessing and anticipating price dynamics.

Chart 4.2

The geographical dispersion in real house prices widened in 2025 as prices saw sharper relative growth in higher-priced provinces

4.2.a Provincial heterogeneity in real house prices (a)



SOURCES: Banco de España, drawing on data from the Ministerio de Transportes y Movilidad Sostenible and INE. Latest observation: 2025 Q4.

a House prices reflect the appraisal values of open-market housing. Nominal values are CPI-deflated, based on the 2025 average. Provinces are ordered on an annual basis, according to their real price distribution.



properties in large city centres and industrial premises, whose real prices are close to 2019 levels (Chart A2.4.1.2 in Annex 2).

The rise in house prices comes at a time when growth in the supply of new housing continues to be outpaced by demand. Housing demand in 2025 was driven by both residents (net creation of 225,000 households) and non-residents (55,000 units purchased in the year).³ This increase in demand⁴ outstripped the roughly 92,000 new units completed in 2025. As mentioned above, demand continued to be met through second-hand house purchases. In the near term, based on housing starts and residential building permits data for 2024 and 2025, the number of new dwellings is expected to gradually rise in 2026, albeit by a very moderate amount relative to the cumulative household growth of recent years.⁵

Heterogeneity in real house prices across provinces continued to increase in 2025. Growth was once again strongest in the highest-priced provinces (90th percentile of the distribution), but it was more modest in those where prices were at intermediate levels, and very moderate in the lowest-priced ones (10th percentile) (Chart 4.2). This geographical heterogeneity still appears to be driven by differences in both demand-side factors (such as income growth, non-resident demand) and supply-side ones (for instance, land availability).⁶ Nevertheless,

³ According to the estimates available, these gross purchases will result in a net increase of around 30,000 units in the housing stock held by non-residents.

⁴ Other components that also appear to be driving demand include those linked to alternative uses of housing (such as seasonal or holiday rentals) and unmet demand from young people who have delayed leaving the family home.

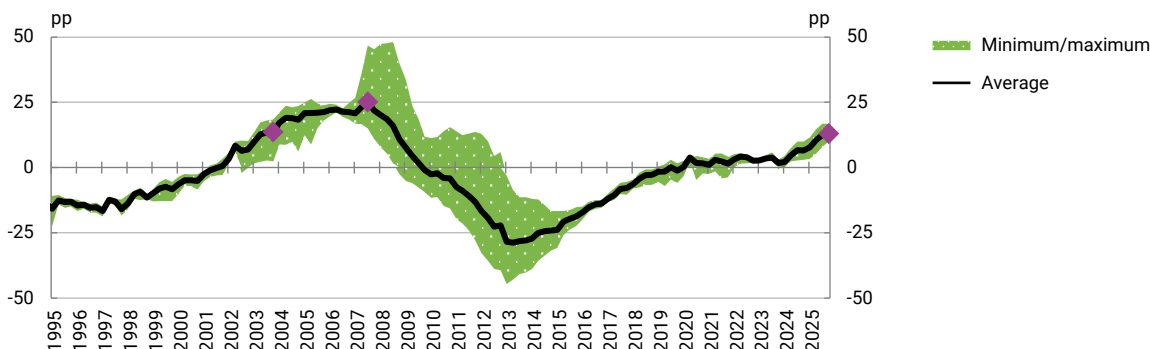
⁵ Housing starts and residential building permits stood between around 135,000 and 140,000 units in 2025.

⁶ See [Box 4.1 of the Autumn 2025 Financial Stability Report](#) for a more detailed analysis of the geographical heterogeneity in house price growth over the recent period.

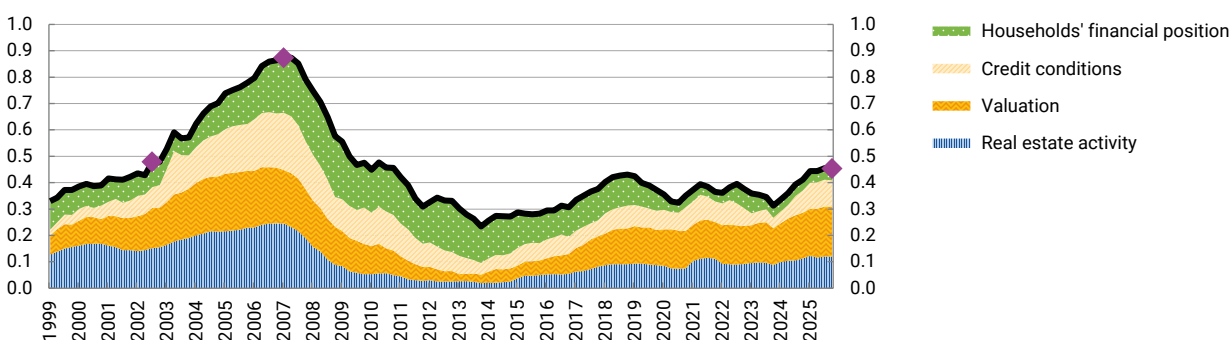
Chart 4.3

Sharp house price growth continues to feed into real estate market risk indicators, although these remain at moderate levels overall

4.3.a Indicators relating house prices to long-term trends, household income and interest rates (a) (b)



4.3.b Synthetic indicator of risks in the real estate market (c)



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

a The purple diamonds depict the maximum value, the latest value available and its equivalent at previous dates with upward trends. A positive value in the indicator average means that real house prices are high relative to income and interest rates.

b, c Note A2.4.1.3 in Annex 2.



current developments differ from the dynamics observed in the years running up to the global financial crisis, when house price growth in Spain was a more widespread phenomenon across provinces.

Spanish house prices continued to increase relative to household income and interest rates. These indicators, which yield higher positive values when prices are high relative to income or interest rates, continued to climb in 2025⁷ (Chart 4.3.a). Nevertheless, the estimated range at December 2025 (10%-15%) is similar to that observed in 2004 and far

⁷ These indicators yield more positive values when changes in house prices are high relative to what might be expected based on their long-term relationship with income or interest rates. These indicators are subject to considerable uncertainty and should be interpreted with caution. See, for example, Box 3 of the European Central Bank's [June 2011](#) Financial Stability Review and Box 3 of its [May 2015](#) edition. The use of a battery of indicators (drawing on different methods and various combinations of prices, income and interest rates), rather than just one, contributes robustness, but it should be noted that not all factors relevant to the housing market (such as supply conditions) are included.

below the average peak of 24% reached in late 2007. As indicated in the previous edition of this report, the main factor in this respect has been the decoupling of house prices from household income since 2024.

However, the synthetic indicator of real estate market risks has held at moderate levels (Chart 4.3.b). This indicator incorporates a broader set of information, including both supply and demand-side factors.⁸ In line with the price decoupling indicator mentioned in the previous paragraph, the valuation component continues to make a growing contribution to the synthetic indicator, driven by rising house prices. By contrast, real activity saw a slight slowdown in the first three quarters of 2025, consistent with purchases levelling off and weak construction activity. Credit standards (discussed in greater detail in the following section) made a slightly larger contribution to risks, although this is still low by historical standards. Households' financial position remains steady and at historically favourable levels (see also Chapter 2). Overall, at end-2025 the synthetic indicator was at levels similar to those observed in 2002 Q3, and well below those in the run-up to the 2000s real estate boom.

4.1.2 Financing

New mortgage loans to households for house purchase grew strongly in 2025, but they remain at low levels both in absolute terms and relative to GDP and total credit. Growth in these loans eased in relative terms over the year, from 26.2% year-on-year in Q2 to 22.4% in Q4, with their expansion underpinned by increases in both the average amount and, to a greater extent, the number of transactions (Chart A2.4.1.4 in Annex 2). As a result, in real terms new loans to households for house purchase are still at their highest level in a decade, but are significantly below those observed in 2000-08 (Chart A2.4.1.5 in Annex 2). Moreover, the ratios of new mortgage loans to GDP and to total bank lending remain close to their historical averages and are well below their peak before the global financial crisis (Chart 4.4).

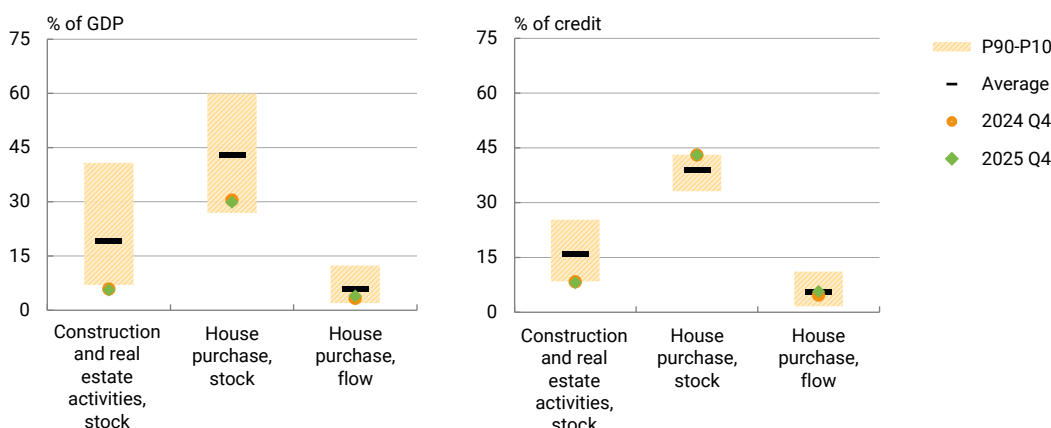
The stock of mortgage loans to households for house purchase has held on a path of moderate growth, but it remains at contained levels by historical standards. As indicated in Section 3.1.4 of Chapter 3, the stock of such loans rose by 3.7% year-on-year in 2025 Q4, marking five consecutive quarters of growth, although in real terms it is still far from the levels observed in 2000-08 (Chart A2.4.1.5 in Annex 2). In December 2025 these loans accounted for 43% of lending to households and firms. This high share (close to the 90th percentile of the time series) is attributable to the larger relative decline in other loan types since 2008, particularly in lending for construction and real estate activities (Chart 4.4). After a protracted decrease in 2009-21, the stock of mortgages relative to GDP remains low (29.9%, close to the 10th percentile of the time series).

⁸ For more information about how the synthetic indicator for the housing market is calculated, see note A2.4.1.3 (c) in Annex 2 and Pana Alves, Carmen Broto, María Gil and Matías Lamas. (2023). "Risk and vulnerability indicators for the Spanish housing market", Documentos Ocasionales, 2314, Banco de España.

Chart 4.4

Lending to the real estate sector remains low relative to GDP, and continues to account for a small share of total bank credit to households and firms

4.4.a Bank credit to the real estate sector. Share of GDP and total credit to households and firms resident in Spain (a)



SOURCES: Colegio de Registradores and Banco de España. Latest observation: December 2025.

a The 90th and 10th percentiles and average of the series are calculated for the period 1998 Q1-2025 Q4.



Lending to the construction and real estate sector also continued on the recovery observed in recent quarters, but it is still near record-low levels. The volume of such loans rose by 1.3% year-on-year in 2025 Q4, the sixth consecutive quarter of growth. However, in real terms (Chart A2.4.1.5 in Annex 2) and as a share of GDP and total credit to households and firms, this lending is still close to all-time lows (Chart 4.4). The real flow of new mortgage loans secured by commercial property remains steady (Chart A2.4.1.6 in Annex 2).

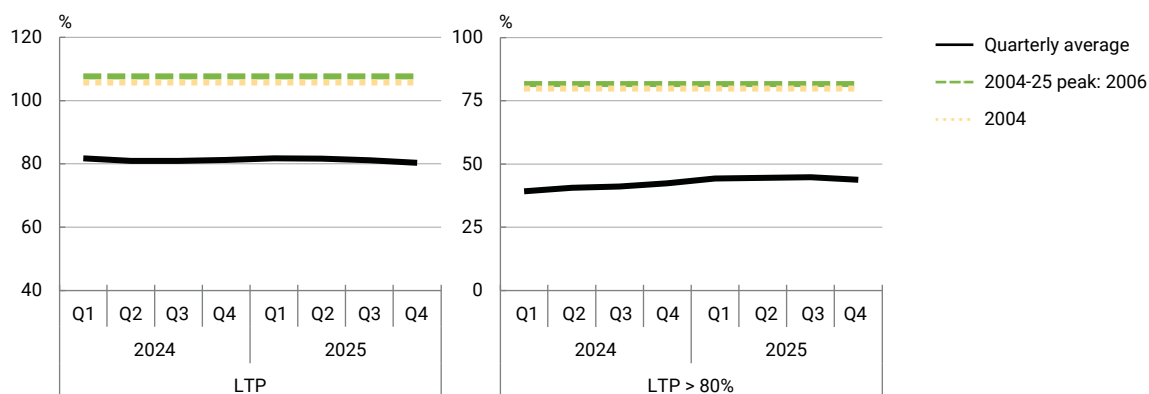
The amount of new mortgage loans relative to the price of the collateral (loan-to-price) remains at a moderate level. The loan-to-price (LTP) ratio stood at an average of 80.4% at end-2025, having held steady since 2024. The share of new lending with LTP ratios above 80% has increased slightly, from 39.2% in early 2024 to 43.8% in late 2025, but it continues to be at levels far below its all-time highs. These figures show that lending standards are still tighter than they were in the 2000s boom. Indeed, the current LTP averages are clearly below those observed around the midpoint of that cycle, such as in 2004 (Chart 4.5.a).

The amount of new mortgage loans relative to the appraisal value (loan-to-value) has also held steady. Following a small increase in 2024, the loan-to-value (LTV) ratio stood at an average of 69.7% at end-2025. The share of new mortgage loans with LTV ratios above 80% has risen from 10.8% in early 2024 to 15.6% in late 2025 (Chart 4.5.b). The average LTV ratio of new mortgages remains below the maximums reached in the 2000s boom and the following years, and around its 2004 level. For its part, the share of loans with a high LTV ratio is also still far from the peaks of that period, again reflecting restraint in mortgage lending conditions.

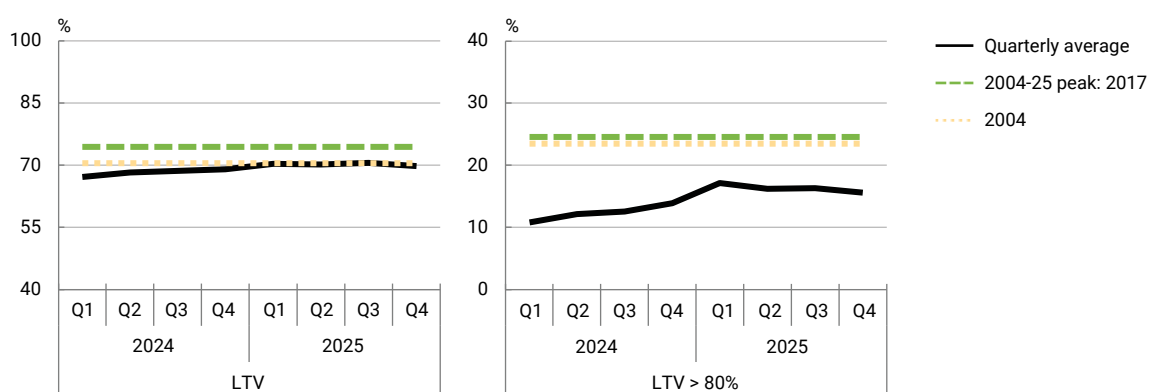
Chart 4.5

Lending standards relative to house prices and to collateral value have eased slightly, but are still well below their all-time highs

4.5.a LTP ratio (a)



4.5.b LTV ratio (b)



SOURCES: Banco de España and Colegio de Registradores. Latest observation: December 2025.

a, b Note A2.4.1.7 in Annex 2.



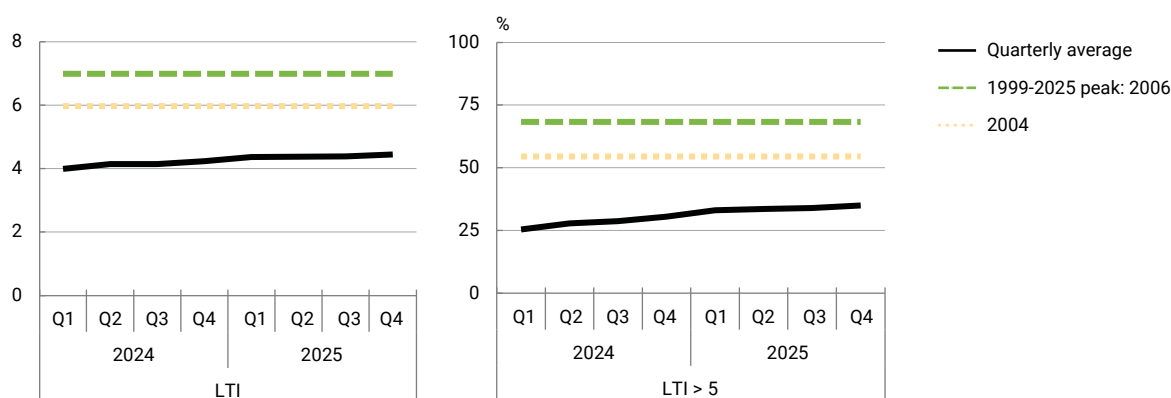
Lending standards for new mortgage loans relative to household income also held at moderate levels, well below their all-time highs. In 2024 and 2025 the quarterly average loan-to-income (LTI) ratio grew slightly, suggesting a minor degree of easing. However, it remains clearly below the all-time highs reached in the 2000s expansion and below the levels observed in the intermediate years of that cycle, such as 2004. Meanwhile, the share of mortgages with a higher LTI ratio increased slightly in 2025, but it is still moderate by historical standards (Chart 4.6.a).

The debt burden associated with new mortgages also held steady throughout 2024 and 2025. The loan service-to-income (LSTI) ratio for main-residence mortgages saw a slight decline in 2024 and 2025, standing at 23.5% in late 2025, well below its all-time highs. The share of mortgages with LSTI ratios over 30% also remains at relatively moderate levels (Chart 4.6.b). Both metrics are still at contained levels by historical standards.

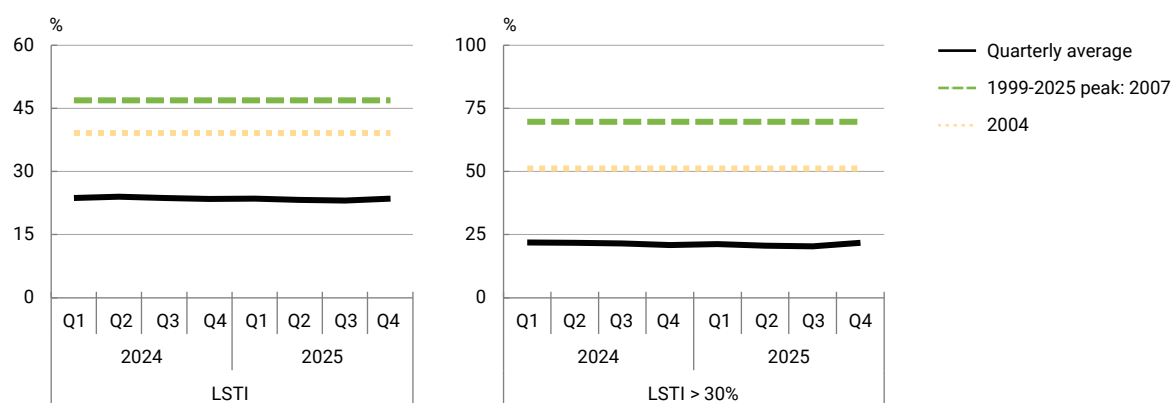
Chart 4.6

Lending standards relative to income have eased slightly, but remain well below their all-time highs

4.6.a LTI ratio (a)



4.6.b LSTI ratio (b)



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

a, b Note A2.4.1.8 in Annex 2.



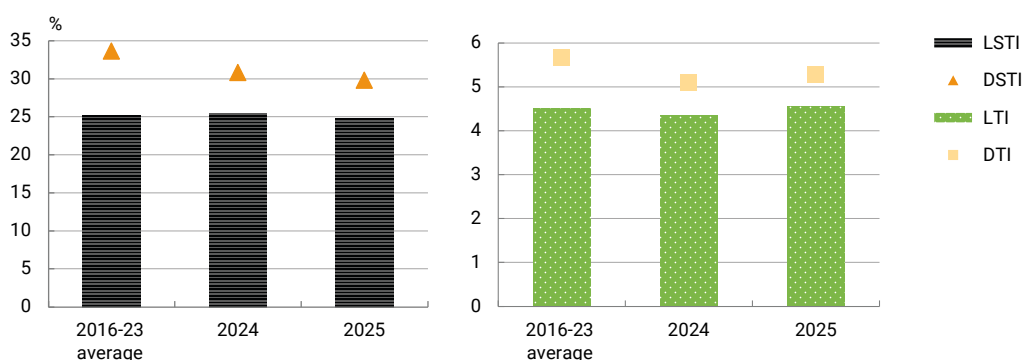
The total leverage relative to income and overall debt burden assumed by households arranging new mortgages have been relatively steady in the recent period. Unlike the LTI and LSTI ratios, which consider only the new mortgage principal or instalments, the debt-to-income and debt service-to-income (DTI and DSTI, respectively) ratios incorporate the total amount of a household's outstanding debt and instalments, vis-à-vis any bank, when the new loan is originated. On average, developments in the DTI and DSTI ratios have been qualitatively similar to those of the LTI and LSTI ratios, respectively, and their levels are still in line with those observed since the global financial crisis (Chart 4.7.a). Moreover, the share of loans exceeding certain leverage thresholds (LTI or DTI above 5) has also increased, but this has not happened in the case of debt-service thresholds (LSTI or DSTI above 30%) (Chart 4.7.b).

Borrowers who obtain mortgages that are more leveraged or that entail a greater interest burden present certain distinct characteristics to those of other borrowers. For example, drawing on data from the Banco de España's Central Credit Register (CCR), levels of borrowing

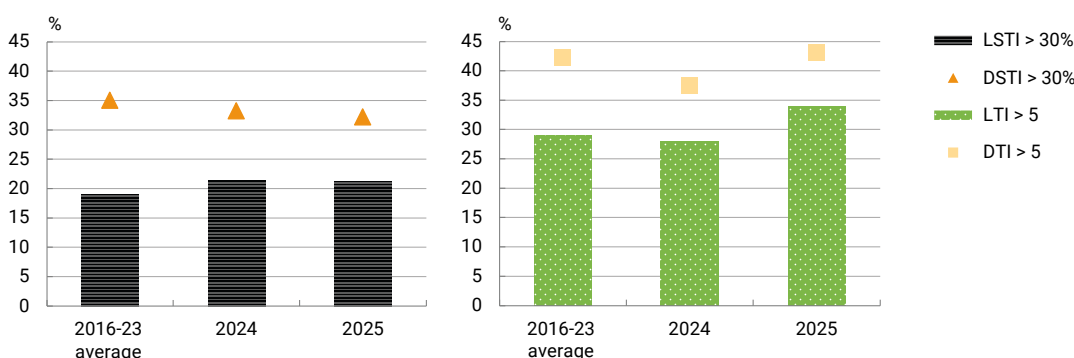
Chart 4.7

The total leverage relative to income and the overall debt burden assumed on average by new mortgagors have remained relatively steady, although the share of mortgages with high total debt-to-income ratios has increased somewhat (a)

4.7.a Households' leverage and debt burden relative to income. Weighted average. Debt burden (LSTI and DSTI) (l-h panel). Leverage (LTI and DTI) (r-h panel) (b)



4.7.b Percentage of new mortgages with higher leverage or debt burden relative to income. Debt burden (LSTI and DSTI) (l-h panel). Leverage (LTI and DTI) (r-h panel) (c)



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

a, b, c Note A2.4.1.9 in Annex 2.



relative to collateral values and income appear to be somewhat higher among young, lower-income borrowers, and there is a positive relationship between higher levels of these ratios and a longer mortgage maturity (Chart 4.8).

The ability of renting households to buy their first home with a mortgage loan is limited. Box 4.1 analyses this issue in greater detail, drawing on information from the Banco de España's CCR and from the Spanish Institute of Fiscal Studies' *Panel de Hogares* for the period 2016-23.

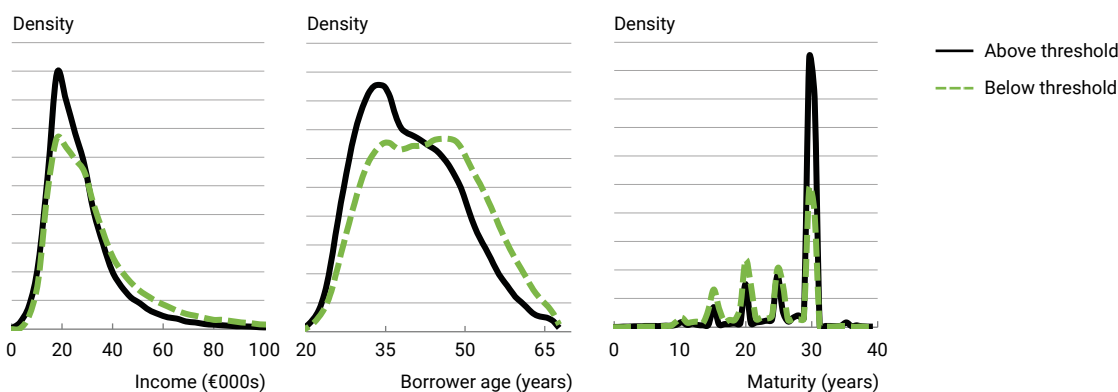
Interest rate spreads on both fixed and variable-rate mortgages have narrowed in Spain. In 2025, the median interest rate spread over the interest-rate swap (IRS) curve risk-free rates⁹ for

⁹ An interest rate swap is a financial transaction where two parties commit to exchange periodic interest payments, one based on a fixed rate of interest and the other on a variable rate indexed to a benchmark rate.

Chart 4.8

New mortgages that are more leveraged or entail a greater interest burden are more concentrated among younger, lower-income borrowers and in somewhat longer maturities

4.8.a Distribution of borrower income and age and loan maturities, by mortgage arrangement relative to certain lending thresholds (a)



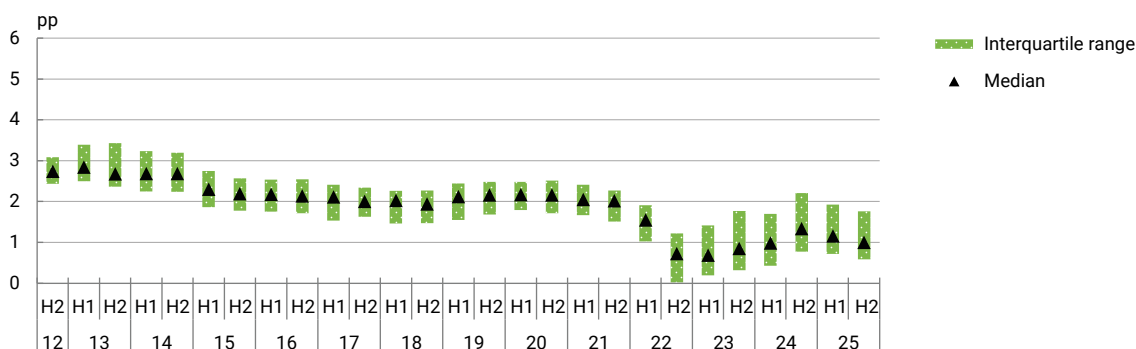
SOURCES: Colegio de Registradores and Banco de España. Latest observation: December 2025.

a The chart depicts the density function of borrowers' average income and age and loan maturity, according to whether the mortgage loan was above or below any of the debt or interest burden thresholds at the origination date. The lending thresholds are as follows: 80% for the LTV and LTP ratios, 5 for the LTI and DTI ratios and 30% for the LSTI or DSTI ratios. Income refers to borrowers' average disposable income. The density function is estimated using a kernel estimator which enables a non-parametric estimate and a continuous and smoothed graphical representation of that function.

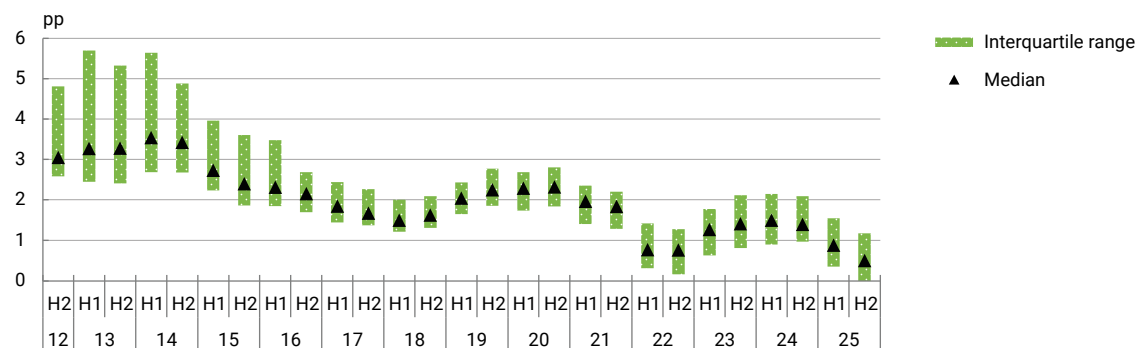
Chart 4.9

The spreads on mortgage rates over their benchmark indices are at all-time lows

4.9.a Spread over the risk-free rate. Variable-rate mortgages (a)



4.9.b Spread over the risk-free rate. Fixed-rate mortgages (a)



SOURCE: Banco de España. Latest observation: 2025 H2.

a Note A2.4.1.10 in Annex 2.

variable-rate mortgages was around 1%, down from nearly 3% a decade ago, but nevertheless at levels somewhat higher than in more recent years (Chart 4.9.a). For fixed-rate mortgages, the spread stood below 1% in 2025, considerably lower than it has been in the past (Chart 4.9.b). These dynamics have been spurred on by competition in this segment, the improvements in credit quality since the global financial crisis (reducing expected impairment costs) and the low cost of financing borne by banks in Spain (see Section 3.1.5). However, a reversal to less favourable funding conditions for banks would squeeze their tight margin on these operations.

4.2 Financial markets

Monetary policy, money markets and government debt

Monetary policy stances in the euro area and the United States have diverged since the last Financial Stability Report (FSR). Since the 25 basis point (bp) cut in June 2025, the European Central Bank (ECB) has kept the deposit facility rate unchanged at 2%. The Federal Reserve reduced its federal funds rate three times between September and December 2025 (by 75 bp in total), to a range between 3.50% and 3.75%.

The outbreak of war in the Middle East in February prompted an upward revision to policy rate expectations in both areas, which reversed only very partially after a ceasefire was announced in early April (Chart 4.10.a). Prior to the conflict, the markets had priced in the ECB keeping rates at around 2%, and the Federal Reserve making two cuts of 25 bp in 2026, to around 3.25%. When the hostilities started, policy rate expectations for end-2026 saw a sharp upward shift, which was more pronounced in the euro area (maximum of 96 bp on 24 March) than in the United States (maximum of 76 bp on 26 March). At the cut-off date for this report, the markets expect the Federal Reserve to make no federal funds rate changes this year, and the ECB to implement three 25 bp rate hikes.

Sovereign debt yields and risk premia in Europe moved in divergent directions in the run-up to the conflict. In Germany, 2-year sovereign yields climbed by 9 bp while 30-year yields saw a larger rise (+15 bp), on account of a slight uptick in global concerns about fiscal sustainability. In the case of Spain and Italy, long-term debt yields decreased, underpinned by an improvement in the market's risk perception.¹⁰ This also contributed to a steady narrowing of the Spanish and Italian 10-year sovereign spreads over the OIS rate¹¹ between October 2025 and February 2026. Turning to France, although its risk premium has held at levels higher than in previous years, it declined after Prime Minister Lecornu overcame the votes of no confidence and secured approval for the 2026 budget. These yield developments

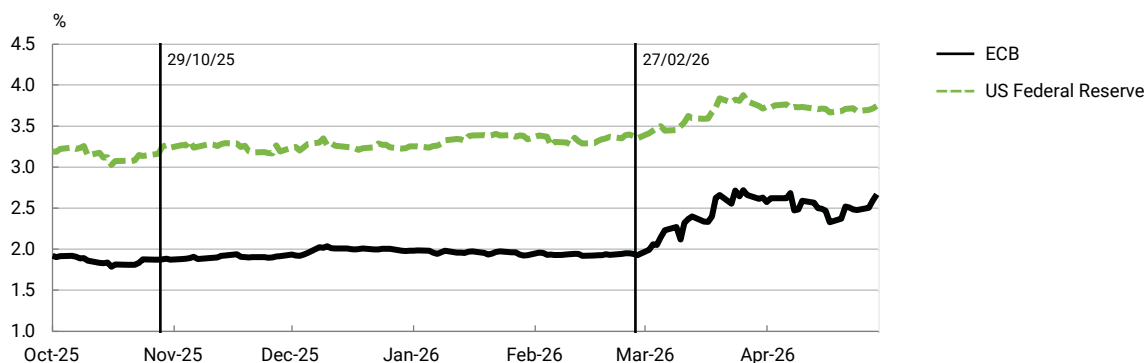
¹⁰ This is consistent with the successive sovereign rating upgrades: S&P, Moody's and Fitch upgraded their ratings for Spain to A in September 2025 and Moody's raised its rating for Italy to BBB in November.

¹¹ The Overnight Index Swap (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 4.10

Since the war in the Middle East began, policy rate expectations for the euro area and the United States have been revised up

4.10.a Expectations about policy rate decisions at the September 2026 monetary policy meetings for the euro area and the United States (a)



SOURCES: Banco de España and Bloomberg Data License. Latest observation: 29 April 2026. 29 October 2025 is the cut-off date for the last FSR; 27 February 2026 is the last market close prior to the Iran war. The Federal Reserve's federal funds rate is the upper bound of the target range.

a Policy rates are calculated by adjusting Bloomberg data on OIS rates at different maturities. The OIS rate is considered the benchmark rate for short-term risk-free interest rates. It is the fixed leg of an interest rate swap contract where the floating leg is the 1-day euro short-term rate (€STR) (euro area) or the effective federal funds rate (United States) that will be applicable in the future. The adjustment entails adding the current spread between the deposit facility rate and the €STR (euro area) or that between the upper bound of the federal funds rate target range and the effective rate (United States).

have come amid a shift in investor structures on the main euro area sovereign debt markets in recent years, where there has been no shortage of capacity to absorb the new supply of debt (see Box 4.2).

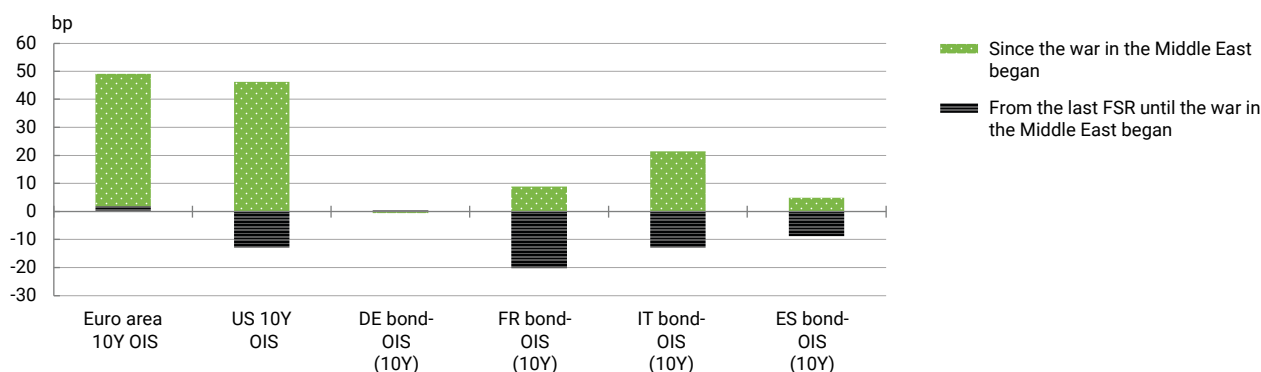
The start of the war in the Middle East in February triggered strong and widespread rises in sovereign yields, which partially corrected after a ceasefire was announced in April (Chart 4.11.a). In a group of benchmark advanced economies, 10-year sovereign yields rose by between 27.9 bp (the United States) and 45.4 bp (Italy). The shock also flattened the curve between short and long-term yields in those countries, with short-term rates reflecting the expected responses of central banks to higher inflation, and long-term rates also rising, albeit less sharply. Sovereign debt spreads widened in Europe, although they did so moderately and without signs of financial fragmentation. Since the April ceasefire, these developments have partially reversed: 10-year sovereign yields have pulled back, with the German Bund declining by 2 bp and Spanish, Italian and French sovereign yields doing so by 5 bp, 8 bp and 7 bp, respectively.

Compared with previous episodes of geopolitical instability and sharp supply-side shocks, the response from both the money markets and government debt markets to the Iran conflict has been muted (Chart 4.11.b). The 10-year euro area OIS rate and the German 10-year sovereign spread over the OIS rate have experienced the largest changes, close to the maximums observed previously in similar episodes. In terms of increases in euro area sovereign risk premia, the responses have been much smaller than in past episodes.

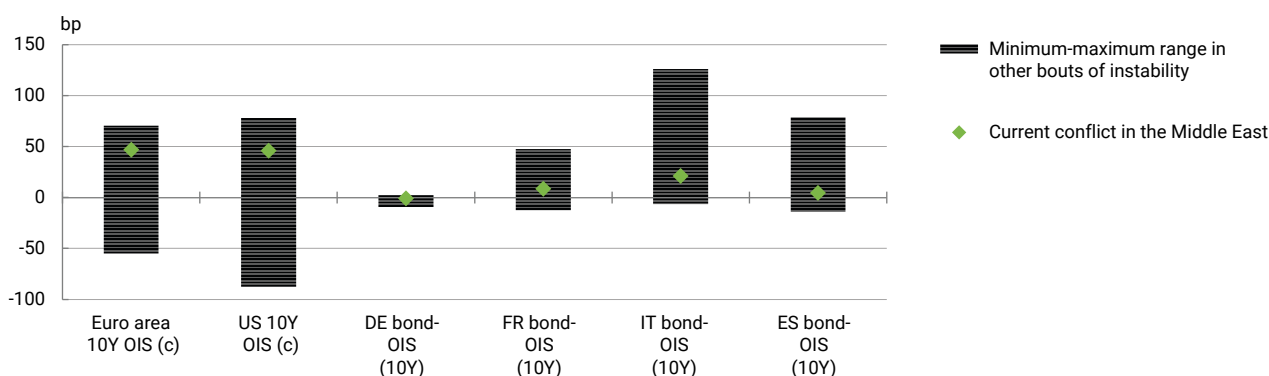
Chart 4.11

The start of the Iran war has led to a shift in government debt market dynamics, triggering moderate rises in long-term yields and risk premia

4.11.a Change in risk-free rates and in government bond spreads over the risk-free rate since the last FSR and since the war in the Middle East began (a)



4.11.b Change in risk-free rates and in government bond spreads over the risk-free rate (a). Includes changes since the outbreak of war in the Middle East and the minimum-maximum range in other bouts of instability (b)



SOURCE: Bloomberg Data License. Latest observation: 29 April 2026. 29 October 2025 is the cut-off date for the last FSR; 27 February 2026 is the last market close prior to the Iran war.

- a** The OIS rate is considered the benchmark rate for risk-free interest rates. It is the fixed leg of an interest rate swap contract where the floating leg is the 1-day €STR (euro area) or the federal funds rate (United States) that will be applicable in the future (in this case, in 10 years).
- b** Minimum-maximum range in other bouts of instability, after 43 working days: Gulf War (02/08/90); 9/11 attacks (11/09/01); war in Afghanistan (07/10/01); COVID-19 (21/02/20); invasion of Ukraine (24/02/22); Twelve-Day War with Iran (from 13/06/25 to 24/06/25).
- c** For the war in Afghanistan, 9/11 attacks and Gulf War, US and German 10-year sovereign bond.

Equities

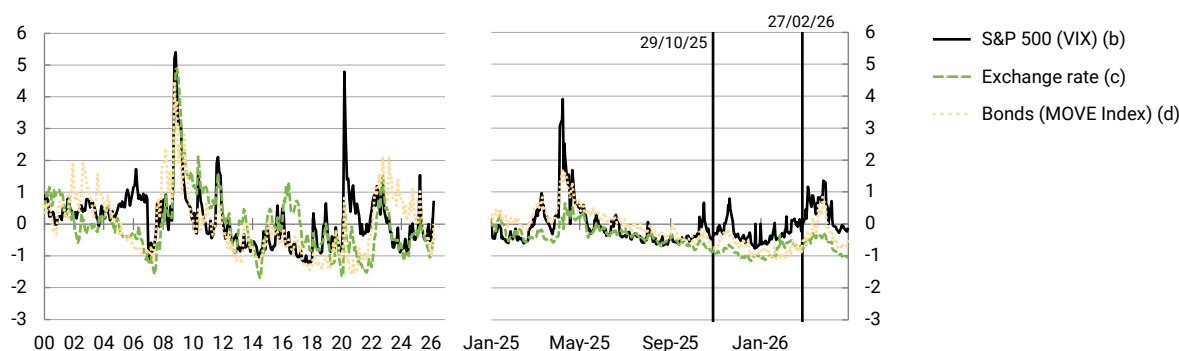
Since the last FSR, the equity markets have seen notable spikes in volatility associated with various risk factors (Chart 4.12.a). These include the war in the Middle East, uncertainty about the high valuations of tech firms, deteriorating risk in the private credit sector, territorial tensions surrounding Greenland and tariff disputes. Overall, at the cut-off date for this report, the implied volatility indices were at moderate levels by historical standards, close to the figures observed at the cut-off date for the previous FSR.

Meanwhile, the equity premia of European stock markets have risen slightly since the autumn, while in the United States they have proven more stable (Chart 4.12.b). In both cases, equity premia remain below their historical average, particularly in the United States.

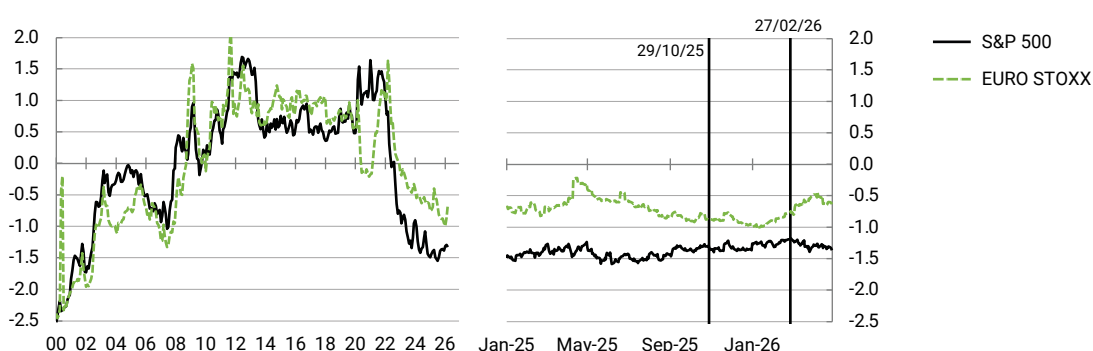
Chart 4.12

Equity market volatility and risk premia remain subdued

4.12.a Implied volatility (a)



4.12.b Equity risk premia (a) (e)



SOURCES: Bloomberg Data License, LSEG Datastream and Banco de España. Latest observation: 29 April 2026. 29 October 2025 is the cut-off date for the last FSR; 27 February 2026 is the last market close prior to the Iran war.

- a De-meaned and standardised data for the period 2000-26.
- b The VIX measures expected 30-day volatility in the US stock market. A high value points to increased market uncertainty.
- c Average three-month volatility in the dollar/euro, dollar/pound sterling and yen/dollar exchange rates.
- d The MOVE index measures implied volatility in the US Treasury bond market.
- e The equity risk premium is calculated drawing on a two-stage dividend discount model (Russell J. Fuller and Chi-Cheng Hsia. (1984). "A Simplified Common Stock Valuation Model". Financial Analysts Journal, 40(5), pp. 49-56).

The European stock markets' reaction has been somewhat more negative since the Iran war began (Chart 4.13.a). Between the cut-off date for the last FSR and 27 February 2026, the EURO STOXX index rose by 8.3% and the IBEX 35 index by 13.7%, whereas the S&P 500 held virtually unchanged (-0.2%). Dynamics have visibly changed since the war began, with the S&P 500 climbing by 3.8%, and the EURO STOXX and the IBEX 35 retreating by 2.75% and 1.9%, respectively. These differing responses are consistent with the fact that the Middle East conflict could have a greater impact on the European economy than on the US economy.

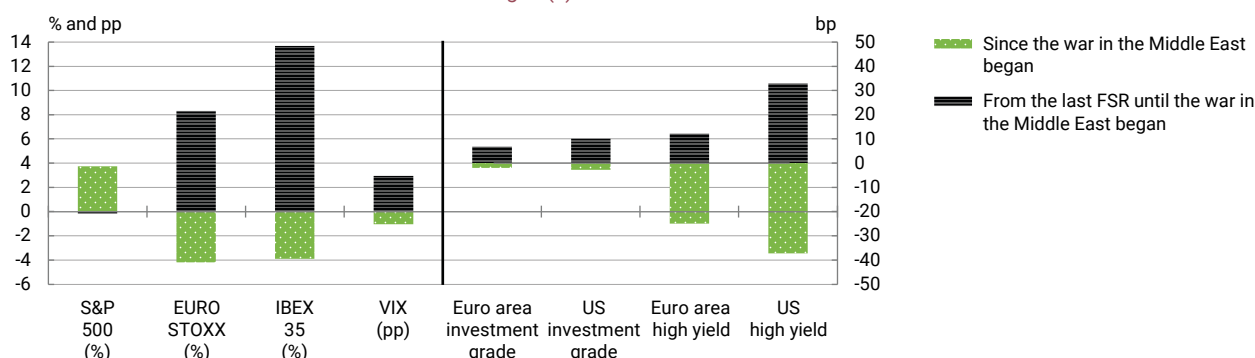
The impact of the conflict on the corporate bond markets has been very moderate. From the date of the last FSR to late February, corporate spreads saw a slight widening, which was most pronounced in the US high-yield segment (33 bp) (Chart 4.13.a).¹² Since then, despite the heightened uncertainty owing to the worsening geopolitical tensions, these spreads have

¹² Corporate spreads are usually measured relative to a risk-free asset in a comparable currency and maturity (generally top-rated sovereign bonds or, in some market contexts, the swap curve).

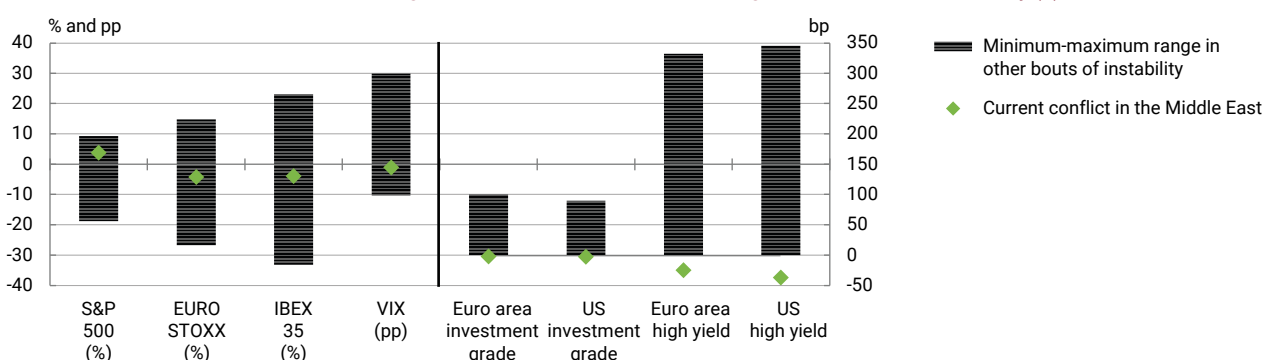
Chart 4.13

The equity and corporate bond markets' reaction to the Iran war has been very muted, both in absolute terms and compared with similar past events

4.13.a Change in equity markets (l-h panel) and corporate bond markets (r-h panel) since the last FSR, before and after the war in the Middle East began (a)



4.13.b Change in equity markets (l-h panel) and corporate bond markets (r-h panel) (a). Includes change since the war in the Middle East began and the minimum-maximum range in other bouts of instability (b)



SOURCE: Bloomberg Data License. Latest observation: 29 April 2026. 29 October 2025 is the cut-off date for the last FSR; 27 February 2026 is the last market close prior to the Iran war.

- a** Corporate spreads over the swap curve of the Bloomberg investment-grade and high-yield indices, in basis points. The swap curve represents the risk-free rates at different maturities. In an interest rate swap, the two parties agree to exchange periodic interest payments, one based on a fixed rate and the other on a variable rate.
- b** Minimum-maximum range in other bouts of instability, after 43 working days: Gulf War (02/08/90); 9/11 attacks (11/09/01); war in Afghanistan (07/10/01); COVID-19 (21/02/20); invasion of Ukraine (24/02/22); Twelve-Day War with Iran (from 13/06/25 to 24/06/25).

narrowed, particularly in the high-yield segments in both the United States (-37 bp) and Europe (-25 bp).

Overall, the equity and corporate bond markets' reaction to the Iran war has been very subdued compared with past episodes of geopolitical instability and supply-side crises (Chart 4.13.b). This muted response can be observed in the United States and Europe alike, and has been particularly noticeable among US corporate bonds and equities. The rise in the implied volatility index VIX also appears comparatively modest.

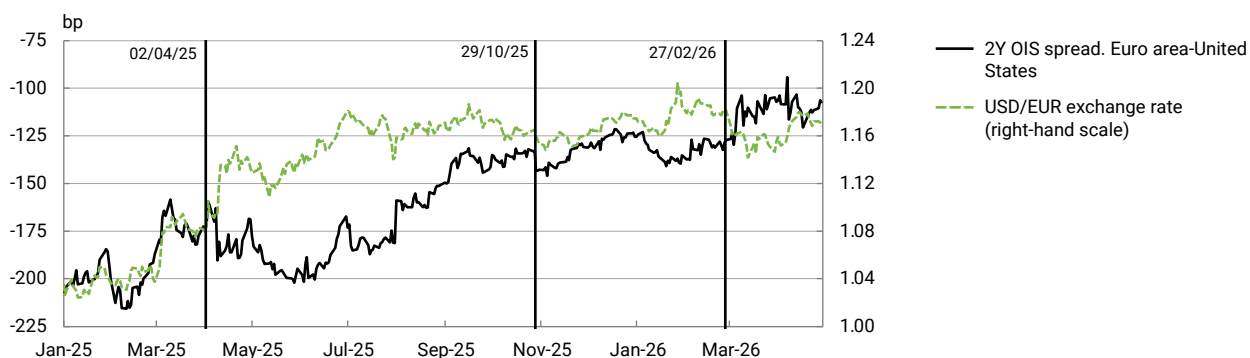
Foreign exchange markets and gold

Having shown some weakness since the autumn, the US dollar recovered somewhat after the Middle East conflict began (Chart 4.14.a). In the months running up to the conflict, the

Chart 4.14

Following a period of depreciation, the dollar appreciated after the Iran war began, although this largely reversed when a ceasefire was announced in April

4.14.a 2Y OIS spread between euro area and United States (a) and USD/EUR exchange rate



SOURCE: Bloomberg Data License. Latest observation: 29 April 2026. 2 April 2025 is the date that the US tariffs were announced; 29 October 2025 is the cut-off date for the last FSR; 27 February 2026 is the last market close prior to the Iran war.

a The 2Y OIS spread between the euro area and the United States captures the difference in 2-year risk-free rates between the two areas.

dollar continued to depreciate, surpassing \$1.2 per euro, a trend influenced, at least in part, by factors such as international investors' efforts to diversify out of dollar-denominated assets and US economic policy uncertainty. However, unlike during the April 2025 tariff crisis (when the dollar, uncharacteristically, did not act as a safe-haven asset), the start of the war saw the dollar recover its traditional role and appreciate by 1.4% in nominal effective exchange rate terms during the first week of hostilities. Among the advanced economies, the euro was one of the relatively worst-performing currencies, consistent with Europe's greater exposure to the energy shock associated with the war. The yen and Swiss franc also appreciated, in line with the pattern observed in previous bouts of turmoil. Since a ceasefire was announced in early April, the dollar has lost some of its appreciation and the euro has regained ground, although the euro/dollar exchange rate has not completely returned to its pre-conflict levels.

Meanwhile, the price of gold has mostly continued to rise since the last FSR was published, although the Iran war has brought into question its role as a safe-haven asset. Growing fears about the war's duration are exerting downward pressure on gold prices due to rising bond yields, the dollar's appreciation and investors' liquidity needs. Immediately prior to the outbreak of the conflict, gold prices had surpassed \$5,200 per ounce, having accumulated gains of 8% since the cut-off date for the previous FSR. Gold prices fell by 12% after the start of hostilities, down to \$4,500 per ounce. Although prices stabilised after a ceasefire was announced in early April, they have not returned to their previous highs.

Emerging financial markets

Financial markets in the emerging market economies have proven highly resilient to the geopolitical tensions and trade uncertainty. Broadly speaking, between October 2025 and

February 2026, exchange rates against the dollar appreciated and stock market indices performed well, influenced by a favourable global risk environment for these economies, and underpinned in some cases by higher prices of commodity exports (primarily, base metals and food) and technological developments (in the case of Asia). Moreover, these economies saw a decline in the cost of their internal and external financing, received short-term capital inflows and further increased their debt issuances.

However, their market conditions have deteriorated slightly since the outbreak of the Iran war. The ensuing change in global market sentiment (flight to quality) triggered a fall in the stock markets of these economies (excluding oil exporters) and a depreciation in their exchange rates. The ceasefire announced on 7 April marked a fresh shift, with these markets resuming their upward trend. However, some degree of regional differentiation has since been observed, with Asia performing less favourably due to its greater reliance on oil shipped through the Middle East (Chart A2.4.2.1 in Annex 2).

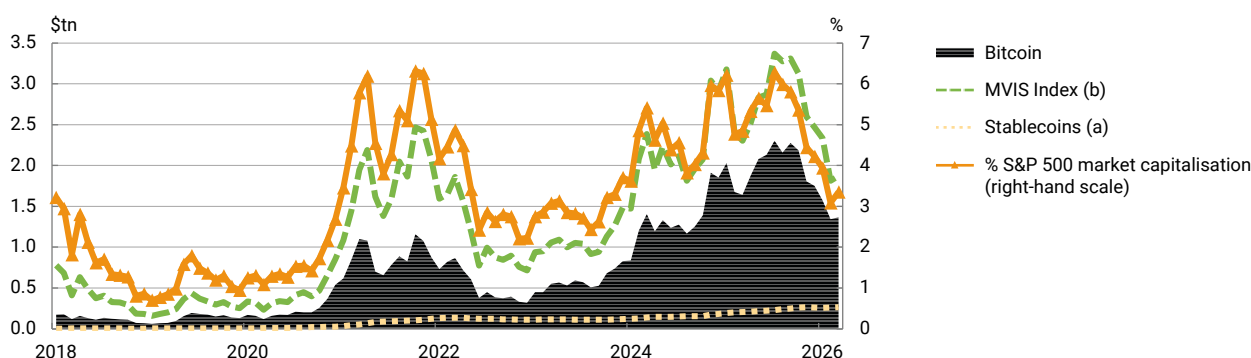
Crypto-assets

There has been a noticeable correction in crypto-asset market capitalisation since the last FSR (Chart 4.15.a). This appears to have been influenced by a downturn in investors' risk appetite, against a backdrop of tighter liquidity and greater geopolitical uncertainty, with unbacked crypto-assets affected more severely. Specifically, between October and March, bitcoin's market cap fell from \$2.18 trillion to \$1.37 trillion, while the MVIS index, which groups together the top unbacked crypto-assets, decreased from \$3.13 trillion to \$1.87 trillion. Conversely, the market cap of stablecoins, headed by Tether and USD Coin, remained virtually unchanged at \$0.26 trillion throughout the period. The relative share of the crypto-asset market in the S&P 500 market cap fell from 5.36% to 3.35% in this period.

Chart 4.15

Crypto-assets have seen a sharp correction since the autumn, entirely concentrated in the unbacked segment

4.15.a Market value of crypto-assets



SOURCES: LSEG Datastream, MVIS, Coinmarketcap and Banco de España. Latest observation: March 2026.

a Aggregate market value of Tether and USDC.

b The MVIS CryptoCompare Digital Assets 100 Index, which includes the top 100 crypto-assets by market value (not including stablecoins).

FINANCIAL CAPACITY AND FIRST-TIME HOME BUYERS WITH MORTGAGE FINANCING

Home ownership affordability is closely linked to the availability of mortgage financing and how comfortably households are able to meet prudent mortgage lending standards.¹ This box examines the extent to which households' financial capacity is associated with home ownership affordability for first-time buyers using mortgage financing in Spain. Moreover, this analysis contributes towards a comprehensive assessment of the economic implications of credit cycle fluctuations, as well as the potential use of regulatory limits on mortgage lending standards for households, also known as borrower-based measures (BBMs).

The literature available for different economies shows that prudent lending standards, based on loan and borrower characteristics, tend to help contain the build-up of financial vulnerabilities in expansionary phases of the credit cycle, both for borrower households and for banks. In the case of mortgage lending, these standards notably include the loan-to-price (LTP) and debt service-to-income (DSTI) ratios.

However, while such prudent standards may help mitigate financial vulnerabilities, they may also affect the composition of housing demand by altering mortgage lending conditions.² Recent literature on BBMs shows that such measures may lead to a reduction or reallocation of mortgage credit across borrowers, lenders and geographical areas, with potential distributional implications and effects on the buy/rent trade-off for principal residences. These depend both on how BBMs are designed (e.g. applying stricter limits to only a share of borrowers, a practice known as speed limits) and on macro-financial conditions.³

In this analysis, a household is considered to have low financial capacity when it does not meet certain

requirements set by banks or by prudential regulations to access mortgage loans. Further, a distinction is drawn between low financial capacity determined by prior capacity to save (wealth) and that related to limitations on recurring repayment ability (income).⁴

This box seeks to empirically characterise how households' financial capacity to acquire their desired principal residence – the home they would purchase in the absence of binding financial limitations, given their observed characteristics – relates to the actual probability of transitioning from renting to owner-occupation of their principal residence in the short term. This approach is inspired by the classical economic literature on borrowing limitations and home ownership, which estimates unrealised demand for desired housing among households with sufficient financial capacity and extrapolates it to all households (regardless of housing tenure status or level of financial capacity).⁵

The empirical exercise in this box uses *Panel de Hogares, 2016-2023*. This is an extensive set of micro data provided to researchers by the Spanish Institute of Fiscal Studies (*Instituto de Estudios Fiscales*, attached to the Ministry of Finance). This database comprises information from the administrative records of the Spanish tax authorities, the National Statistics Institute (INE) and social security authorities. The information is available at the individual, household and financial asset or real estate property level, with a large number of variables and observations, and with strong representativeness by region, household type and income level.⁶

Drawing on these micro data, a panel comprising 7.7 million observations is constructed, enabling

1 Rosenthal (2002) uses US data to illustrate that home ownership crucially depends on borrowing constraints, the mortgage products available and prudent debt capacity. According to Banco de España estimates produced as part of this analysis, 67% of first-time housing purchases in the period 2017-23 were financed with mortgages.

2 Akinci and Olmstead-Rumsey (2018) and Kuttner and Shim (2016) demonstrate that BBMs through caps on LTV and DSTI ratios reduce credit risk, moderate credit cycles and affect access to mortgage credit.

3 See Carro, Galán, Martorell and Vegas (2025) for a detailed review of the existing literature on the effects of borrower-based macroprudential measures. See Peydró, Rodríguez-Tous, Tripathy and Uluc (2024) for analysis of the redistributive effects of macroprudential policies in the United Kingdom.

4 This approach is similar to that used in Mayordomo (2008) to analyse the effect of households' financial capacity on ownership status in Spain before the global financial crisis.

5 Linneman and Wachter (1989) and Haurin, Hendershott and Wachter (1997) identify households' unrealised demand for housing and quantify how credit constraints, mainly related to prior wealth, reduce principal residence ownership.

6 Information is available on tax residents in Spain's common fiscal regime. Tax residents in Navarre and the Basque Country are not included. The information is stratified by 17 regions (including Ceuta and Melilla), ten household types based on household composition and nine income brackets, yielding a total of 1,530 strata for which the data provided is representative at a 99% confidence level. For the year 2023 the panel includes 1.19 (3.55) million households (individuals), accounting for 6.66% (7.83%) of total households (individuals). For more information, see Instituto de Estudios Fiscales (2025).

comprehensive monitoring of households between 2017 and 2023, with detailed information on each type of asset held (including principal residence) and debt in both the current and previous year, as well as different income, employment history, investment and spending components, along with regional, household and sociodemographic census details.⁷ The location of the individuals' properties and principal residence is identified at the census section level, supporting the inclusion of relatively granular territorial controls in the analysis.

For the purposes of this box, it is important to note that the outstanding debt principal (including the primary residence mortgage) is directly observed in the above-mentioned administrative micro data, whereas interest rates and debt maturities are imputed using cell-matching procedures⁸ drawing on mortgage transaction data from the Banco de España's Central Credit Register (CCR), using observable variables for the household and its environment. These data are used to construct consistent measures of mortgage debt burden and, in particular, the DSTI ratio (in annual terms), enabling differentiated approximations of financial capacity linked to constraints associated with the ability to pay recurring mortgage instalments and the availability of prior savings.

The analysis in this box is structured in four stages: (i) estimation of the desired price of the principal residence to be purchased with mortgage financing; (ii) construction of an indicator of financial capacity to purchase the desired principal residence under prudent mortgage lending

standards commonly applied by banks; (iii) estimation of the relationship between the financial capacity indicator and the observed decision to buy or rent; and (iv) a counterfactual exercise that varies the threshold determining the presence of financial constraints and determines their impact on the number of first-time buyers with mortgage financing.

Desired price estimation

The first stage of the analysis involves estimating the price of the principal residence that each household would like to purchase using mortgage credit, based on its observed sociodemographic, employment, economic and geographical characteristics. The sample comprises first-time buyers acquiring a principal, owner-occupied residence with mortgage financing. Within this group, two types of households are distinguished. The first are buyers with high financial capacity who arrange a mortgage that is comfortably affordable for them.

Individuals are considered to have high financial capacity in terms of wealth if their total net wealth (i.e. total assets less outstanding debts) prior to the purchase is sufficient to cover a 20% down payment on the principal residence (LTP ratio of no more than 80%), the standard transaction costs and taxes, and the equivalent of one year of household consumption. To be classified as having high financial capacity in terms of income, individuals must be able to access a mortgage with an LTP ratio of no more than 80% and a DSTI ratio below 35%.⁹ The price paid by these high

7 A cohabitation unit or household identifier is constructed that groups different individuals who, in a given year, share the same effective living arrangement. In the case of owner-occupiers, the unit is defined by grouping all of the co-owners together. For other situations of non-ownership of principal residence, the unit is defined using the principal residence (or the associated cadastral references) and tenure status, distinguishing between market rentals, below-market rentals, dwellings provided free of charge by family members and young people still living at the family home. For dwellings rented under shared (non-single family) arrangements, multiple separate units are identified within the same dwelling. Young people still living at the family home are individually identified as independent units when they reside with family members who are owner-occupiers or main tenants and they lack an independent living arrangement.

8 Cell-matching involves imputing the interest rate and average maturity of outstanding debts observed in the *Panel de Hogares* micro data using transactions recorded in the same year in the CCR micro data for households with comparable characteristics in terms of outstanding principal, net income, LTP ratio, employment type (self-employed, salaried worker, civil servant), age, number of joint borrowers, province, municipality size, tightness of the real estate market in the postal code, dwelling size and whether it is a new build. Regressions for interest rates and maturities are estimated in the CCR micro data based on these observable characteristics. The coefficients estimated are then applied to the *Panel de Hogares* micro data to predict, drawing on the same observable values, the interest rate and maturity of outstanding debts observed in the latter database. Each cell of characteristics groups a specific range of values for each of these variables, such that households sharing the same category are assumed to be subject to comparable supply and demand conditions. This approach is used as both the CCR and *Panel de Hogares* data are duly anonymised and no direct link can be drawn between these different micro databases.

9 The thresholds used to classify first-time buyers as having high or low financial capacity coincide with those used by macroprudential authorities in several economies to identify mortgages as high risk, and with those used by Spanish banks in their standard mortgage lending practices. Looking at the proportion of mortgages extended in the period at each LTP limit, the 80% threshold dominates, accounting for 24% of all transactions. The next most widely used threshold is an LTP of 90%, which accounts for 11% of transactions. In addition, calculations based on CCR data show that, for mortgages extended between 2016 and 2025, the share originated at an LTV of exactly 80% is about half the share originated at an LTP of 80%, indicating that the LTP lending standard takes prevalence over LTV in Spanish mortgage lending practices.

FINANCIAL CAPACITY AND FIRST-TIME HOME BUYERS WITH MORTGAGE FINANCING (cont'd)

financial capacity households (either in terms of wealth or income) when obtaining mortgage credit is considered a valid proxy for the desired price of the principal residence to be purchased with mortgage financing.

The second group consists of low financial capacity buyers who arrange a mortgage to purchase a principal residence at a price that is potentially influenced by limitations on their financial capacity and, therefore, may not fully reflect the price at which they would actually prefer to buy using mortgage credit. Specifically, these are households with insufficient total net wealth prior to the purchase to cover a down payment of 20% of the dwelling actually purchased (plus the associated costs and taxes), in addition to the equivalent of one year of household consumption, or households that could not take out a mortgage for 80% of the house price they actually bought with a DSTI ratio below 35%. It is important to clarify that exceeding these thresholds and being classified as low financial capacity households in this analysis does not automatically rule out the possibility of a mortgage-financed house purchase (e.g. a bank may choose to apply looser standards in certain cases or the buyer may receive family support), but it is indicative of the household facing significant financial capacity limitations in their first-time buyer decisions.¹⁰

To identify the relationship between the asking price of the main residence to be purchased by a household taking out a mortgage and the household's characteristics excluding the financial capacity limitations, the desired house price is estimated using only the high financial

capacity group. To do so, a censored regression is performed (where the thresholds are defined by the various above-mentioned levels of financial capacity) in which the dependent variable is the price of the principal residence purchased with mortgage financing and the explanatory variables are the sociodemographic, employment, economic and territorial characteristics of the household.¹¹

While high financial capacity households actually buy principal residences with mortgage financing at very similar prices to those desired (Chart 1), low financial capacity households that manage to purchase a principal residence by taking out a mortgage do so systematically below the desired price (Chart 2).¹² This conclusion is supported by the median differences by household type. For high financial capacity households, the median difference between the observed house price and the desired price is barely €1,000, while for low financial capacity households the median difference between the price of the principal residence they actually buy and that they would like to buy, based on their particular characteristics, is some €45,000.¹³ In other words, some households with low financial capacity to purchase their desired principal residence with a mortgage ultimately become homeowners, but do so by buying a house at a considerably lower price.

Constructing the financial capacity indicator

Based on the imputed desired price, an indicator of financial capacity to purchase the desired house is

10 The thresholds selected to categorise first-time buyers with mortgages by financial capacity are independent of the lending standards actually faced by each household. For example, even if a household actually takes out a mortgage with an LTP ratio above 80% or a DSTI ratio greater than 35%, it would be classified as having high financial capacity if its total net wealth prior to the purchase and its income suffice to purchase the home they actually purchase (and cover the costs and taxes associated with the transaction, in addition to at least one full year of household consumption) under prudent credit standards, i.e. with an LTP ratio below 80% and a DSTI ratio of less than 35%.

11 A censored regression is a type of statistical model designed for situations in which the actual value of the dependent variable is not fully observable because it is limited by one or more thresholds. In the case of housing, this occurs because the desired value is only observed for households with high financial capacity that purchase a property, while for low financial capacity households or those that rent this value is not observable.

12 The estimated desired price is a conditional average statistical prediction for households with certain characteristics, not an observable individual preference. Therefore, even among high financial capacity households it is common to observe purchases above or below such value, due to unobserved heterogeneity, search or bargaining frictions or voluntary decisions (e.g. lower debt or higher liquidity). In addition, having high financial capacity is defined as the ability to finance the home actually purchased under prudent lending standards, not by the obligation to take out the maximum mortgage loan or always desire a higher price. Therefore, the tight median adjustment and the overlapping of the distributions indicate that, for high financial capacity households, the observed price is a good proxy for the desired value estimated according to their characteristics and location. The deviations observed mainly reflect idiosyncratic dispersion, not binding financial capacity limitations. By contrast, low financial capacity households systematically buy houses whose prices are clearly lower than the estimated desired prices.

13 In line with the findings of Araujo, Barroso and González (2020), who estimate for Brazil that low financial capacity borrowers buy houses that are 30% cheaper, thereby staying under the LTV ceiling. And also in line with Tzur-Ilan (2018), who estimates for Israel that those affected by LTV limits buy cheaper homes, reporting how financial capacity limitations induce shifts towards lower quality neighbourhoods or smaller houses.

FINANCIAL CAPACITY AND FIRST-TIME HOME BUYERS WITH MORTGAGE FINANCING (cont'd)

Chart 1
Mortgage-financed first-time house purchases.
Price distribution: high financial capacity households (a) (b)

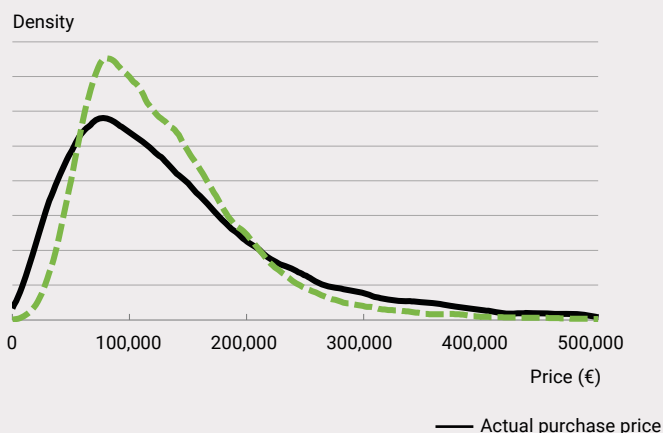
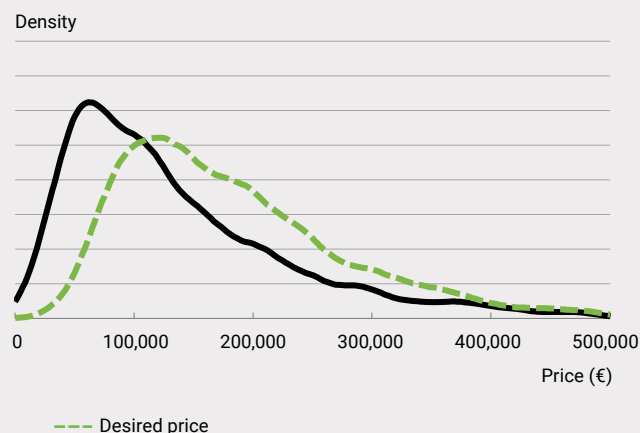


Chart 2
Mortgage-financed first-time house purchases.
Price distribution: low financial capacity households (a) (c)



SOURCES: *Panel de Hogares* (AEAT, INE, Seg. Social) and Banco de España. Sample period: 2016-23.

- a The desired price of the home is estimated using a linear regression of the logarithm of the observed first-time buyer mortgage-financed purchase price, censored by the presence of financial capacity limitations commonly observed in banks' practices for mortgage lending to households. The model includes variables expressed in logarithms for income, wealth and rental prices at the census section level, controls for inheritances and gifts, and a broad set of categorical sociodemographic, employment and territorial variables. The desired price is obtained by exponentially rescaling the predicted price following the estimation for each household, based on its cell of characteristics.
- b High financial capacity households: first-time buyers with mortgage financing whose total net wealth prior to the purchase exceeds the value of a 20% down payment on the home actually purchased plus the associated taxes and transaction costs, and whose mortgage repayments on a potential mortgage covering 80% of that house price, together with other outstanding repayments, would not exceed 35% of their net income.
- c Low financial capacity households: first-time buyers with mortgage financing whose total net wealth prior to the purchase does not exceed the value of a 20% down payment on the home actually purchased plus the associated taxes and transaction costs, or whose mortgage repayments on a potential mortgage covering 80% of that house price, together with other outstanding repayments, would exceed 35% of their net income.

constructed. It compares the desired price with the maximum mortgage principal compatible with prudent lending standards ($LTP \leq 80\%$ and $DSTI \leq 35\%$) according to the household's wealth and income. A household is classified as having low financial capacity when, to purchase its desired principal residence, it would have to exceed one or more of these thresholds to arrange its mortgage, with a further distinction of whether the financial capacity limitation is insufficient wealth (down payment) or income (ability to pay). This distinction is consistent with the comparative evidence that emphasises the role of down payment and liquidity requirements as frequent barriers to mortgage-financed home ownership.¹⁴

During the period under analysis, each year around 86% of renter households or households purchasing their first home with mortgage financing faced wealth-related

financial capacity limitations on the potential mortgage-financed purchase of their desired principal residence under prudent lending standards. Around 35% of these households encountered income limitations to cover the regular instalments of their potential mortgage.

Estimating the relationship between the financial capacity indicator and the decision to purchase or rent

The financial capacity indicator for the mortgage-financed purchase of the desired principal residence is then used to estimate the change in the probability of mortgage-financed first-time house purchases depending on financial capacity.

For renter households that have not previously been homeowners (or received the dwelling as inheritance or a

¹⁴ Engelhardt (1996) and Boar, Gorea and Midrigan (2022) document how the most common barriers to home ownership are not only preferences or permanent income, but also the down payment requirements (prior savings for initial payment or down payment) and liquidity limitations associated with mortgage credit.

FINANCIAL CAPACITY AND FIRST-TIME HOME BUYERS WITH MORTGAGE FINANCING (cont'd)

Chart 3

Estimated average annual probability of becoming a first-time buyer with a mortgage, by financial capacity (a) (b)

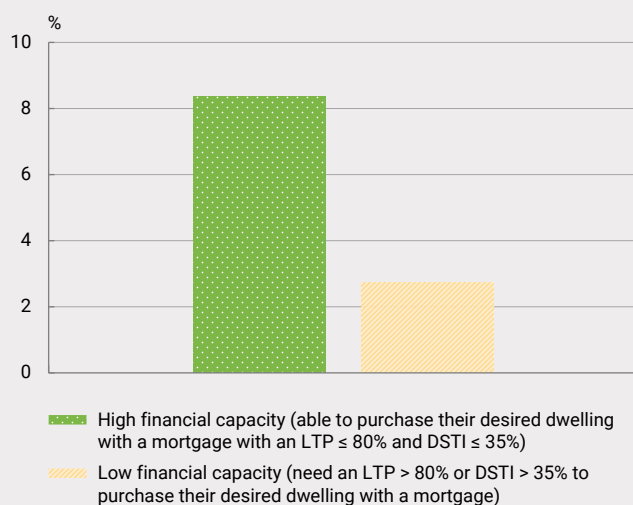
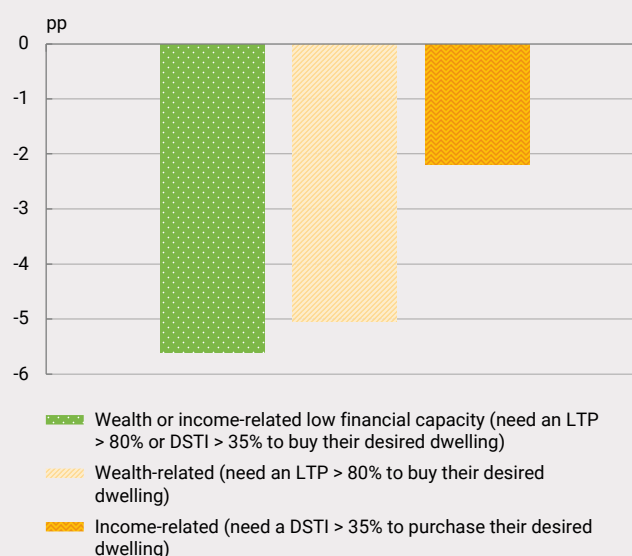


Chart 4

Marginal effect of financial capacity on the estimated annual probability of buying the principal residence with mortgage credit (a) (b)



SOURCES: *Panel de Hogares* (AEAT, INE and Social Security) and Banco de España. Sample period: 2016-23.

- a** Savings-related (net wealth) high financial capacity is determined by needing an LTP ≤ 80% to be able to finance the purchase of the desired principal residence (plus the associated taxes and transaction costs) in addition to being able to cover one year of household consumption. Income-related high financial capacity is determined by needing a DSTI ≤ 35% to be able to finance the purchase of the desired principal residence. The information on the renter households considered in each year of this analysis comprises households that in the year in question were not yet homeowners and faced the decision of: i) buying their principal residence with mortgage credit or ii) continuing to rent. The proposed analysis is thus limited to independent households that are not yet homeowners, as they are directly affected by potential macroprudential BBMs. Using this sample means excluding 82% of the population from the analysis. 68% of the population is not considered because they are either already homeowners or they become owners without a mortgage (or by inheriting/gift). The other 14% is excluded because they still live with their parents. On the information available, the relevant decision for the latter population group is to either remain as they are or to rent housing, but not to become homeowners with mortgage credit. Of the sample used, 8% of households have high financial capacity for the mortgage-financed purchase of their desired dwelling.
- b** The estimated probabilities and marginal effects of changing from high to low financial capacity are obtained using probit models of mortgage-financed first-time house purchases, estimated using sample weights and robust standard errors. The different financial capacity categories (high or low) are incorporated as categorical variables. Controls include household characteristics (number of joint borrowers, members and dependants), sociodemographic characteristics (age, gender, marital status, educational attainment level, nationality and country of birth) and employment and wealth characteristics (employment status, civil servant, pensioner, source of main income, company control and NACE sector of main activity), as well as province, municipality size (nine categories) and real estate market tightness in the census section of the property (five categories).

gift), and controlling for all their observable characteristics, the estimated annual average probability of households becoming first-time homeowners (with mortgage financing) is around 8.4% for high financial capacity households versus 2.8% for those with low financial capacity to access their desired principal residence using mortgage financing (Chart 3). Therefore, lower financial capacity to purchase the desired principal residence is associated with a reduction in

the estimated annual average probability of a mortgage-financed house purchase of approximately 5.6 percentage points (pp), which represents an equivalent increase in the probability of opting to rent. Analysing the different financial capacity limitations separately, wealth has a greater estimated effect than income, in line with the prior evidence for Spain and the classical literature on down payment difficulties (Chart 4).¹⁵

¹⁵ In line with the findings in Linneman and Wachter (1989), Engelhardt (1996), Haurin, Hendershott and Wachter (1997) and Mayordomo (2008). The papers show that the need to save up for a down payment creates binding liquidity (net wealth) limitations, even for households with sufficient income, reinforcing the finding that wealth plays a greater role than income when deciding on home ownership.

FINANCIAL CAPACITY AND FIRST-TIME HOME BUYERS WITH MORTGAGE FINANCING (cont'd)

Chart 5

Decrease in first-time house purchases with mortgage credit, by different LTP thresholds (a)

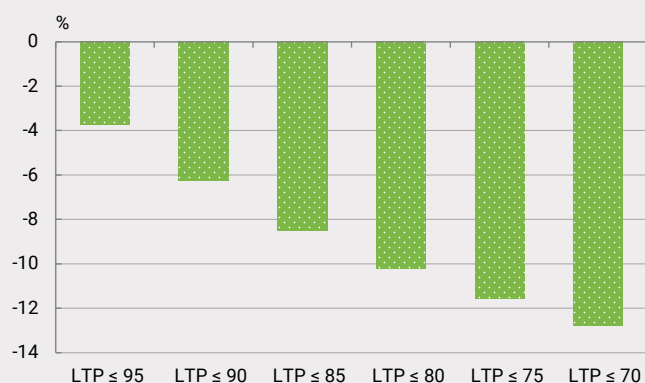
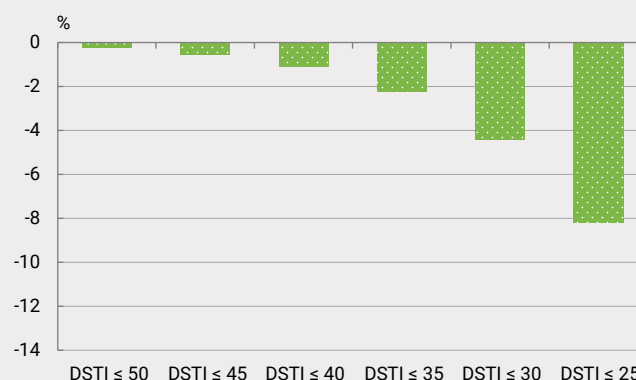


Chart 6

Decrease in first-time house purchases with mortgage credit, by different DSTI thresholds (a)



SOURCES: *Panel de Hogares* (AEAT, INE, Social Security) and Banco de España. Sample period: 2016-23.

a Drawing on renter households that, in a given year, must decide between (1) buying their first home with mortgage credit or (2) continuing to rent, the probability of a mortgage-financed purchase is estimated for different groups of households defined by discrete 5 pp intervals of the LTP or DSTI ratios needed to purchase the desired dwelling. A probit model, which controls for the main sociodemographic, employment, economic and geographical characteristics of the household, is used to estimate the decrease in this probability for each group in a counterfactual scenario in which a financial constraint (1) affects households in intervals above the threshold considered and (2) reduces their financial capacity to the average estimated level of groups with higher LTP or DSTI ratios. Comparing the actual and counterfactual probabilities estimated with this model, weighted by the proportion of each group in the sample, enables the quantification of the aggregate impact of the introduction of these financial constraints on the probability of becoming a first-time home buyer with mortgage credit.

Counterfactual exercise changing the threshold determining the existence of financial constraints

Lastly, this box presents two counterfactual exercises that show how the number of mortgage-financing first-time buyers could change depending on different alternative LTP and DSTI thresholds that define financial constraints. These alternative thresholds are analysed separately for each lending standard. The number of first-time buyers of their principal residence arranging a mortgage would decrease by 10.2% if a wealth constraint of an LTP of 80% were introduced. Were the LTP threshold 90%, the decline would be 6.2% (Chart 5).¹⁶ This results in the probability of a renter household becoming a first-time homeowner (with mortgage financing) decreasing from 3.39% to 3.05% if a wealth constraint of an LTP threshold of 80% is introduced, or to 3.18% if the LTP threshold were 90%.

A similar exercise for different financial constraint thresholds based on the DSTI ratio suggests that the effects on actual

mortgage-financed first-time house purchases are more moderate than the effects of wealth constraints. For example, the percentage of such purchases would fall by 2.2% if there were an income constraint of a DSTI threshold of 35%. Were the DSTI threshold 30%, the decline would be 4.4% (Chart 6). Thus, the probability of a renter household becoming a first-time homeowner would fall from 3.39% to 3.32% were an income constraint based on a DSTI threshold of 35% to be introduced, and to 3.24% were such threshold set at 30%. Overall, the empirical findings presented in this box show a negative relationship between financial capacity limitations based on prudent lending standards and becoming a first-time homeowner in the short term. The wealth channel – linked to the ability to make a sufficient down payment – emerges as a key factor in this process. The desired home-based approach also shows that, while high financial capacity households acquire dwellings of a value similar to the desired price, low financial capacity households tend to opt for lower-priced properties or remain renters.¹⁷

16 In line with Aastveit, Juelsrud and Wold (2020), who find that an LTV threshold of 80% prompts a 6% reduction in the annual probability of a mortgage-financed house purchase with micro data for Norway.

17 Andrew (2012) shows for the United Kingdom that in many cases financial capacity limitations prevent the purchase of the desired dwelling, forcing households to make lower-value purchases or to opt to continue renting.

FINANCIAL CAPACITY AND FIRST-TIME HOME BUYERS WITH MORTGAGE FINANCING (cont'd)

However, these findings should be interpreted with caution, as the analysis identifies empirical associations and does not incorporate possible general equilibrium endogenous adjustments to key variables such as house prices (purchase and rental prices), credit supply and the behaviour of households and financial institutions, including their consumption and investment decisions.¹⁸ For example, a higher degree of financial constraint could, on the one hand, reduce the ability to pay of first-time buyers who arrange a mortgage and over time give rise to a moderation in house prices associated with lower demand, partially offsetting the direct effects of the constraint and limiting the persistent increase in renter households. On the other, the shift towards the rental market could drive rental prices up and raise the return on

buy-to-let real estate investment, introducing a further channel of demand for house purchases. The overall effect in the medium and long term will depend on the interplay of these general equilibrium mechanisms. In light of all the above, the simulations presented in this box should be construed as short-term indicative empirical approximations. In any event, the estimated order of magnitude is significant and highlights that, beyond the direct benefits of the borrower-based macroprudential measures in terms of the greater resilience of mortgage-indebted households and of the banking sector, the net effect on macro-financial stability will also depend on how the financial conditions of renter households may be affected and their relative importance in the total population.

18 See Box 2.1 of the Autumn 2025 *Financial Stability Report*, “Financial burden associated with the main residence and household consumption”.

RECENT CHANGES IN EURO AREA SOVEREIGN BOND HOLDINGS

The euro area sovereign bond market is operating in an environment characterised by an increase in countries' net issuance (greater supply) and a gradual reduction in government bond portfolios on the Eurosystem's balance sheet (lower demand from the central bank).¹ In this context, the absorption of the additional outstanding debt and its distribution across the different investor sectors is key to preserving the smooth functioning of the market.

This box analyses developments in the investment structure of major euro area sovereign bond markets over recent years and their implications for the stability of these markets.

Recent developments in the investor base

The distribution of sovereign bond holdings by sector group at December 2025 reveals several regularities alongside notable cross-country differences (Table 1).² The Eurosystem's holdings continue to account for a significant share of the total. Non-euro area investors (both public and private) also represent a significant component, especially in Germany and France. Non-bank investors, including mainly insurers, pension funds, investment funds and households, represent a sizeable share of holdings, with insurers and pension funds contributing to the stability of demand given their role as

longer-term investors. Resident banks and banks from the rest of the euro area hold a limited share of sovereign bonds, although cross-country differences persist (greater presence of banks in Italy and Spain).

Holding flow developments since June 2022 – when sovereign bond portfolios on the Eurosystem's balance sheet reached their maximum size – show that non-euro area investors have absorbed a significant portion of the new supply (Chart 1). In Italy, domestic non-bank investors – the group with the largest increase in holdings – play a prominent role, reflecting the attractiveness of higher yields for households. Non-bank investors from the rest of the euro area have followed a consistent pattern in all four jurisdictions, ranking second in terms of debt absorption. Meanwhile, domestic banks have increased their sovereign bond holdings in France and Spain, while their investments have remained broadly unchanged in Germany and even declined in Italy. Banks from the rest of the euro area have significantly increased their investments in France.

Debt is being absorbed by the private sector in an orderly manner. The adjustment in the investor base has not been accompanied by any noticeable market tensions. In the primary market, demand at auctions remains robust, with high bid-to-cover ratios, and in the secondary market, sovereign risk premia – measured by the spread between

Table 1
Government debt holdings by sector (a)

%

Sector groups	Germany	Spain	France	Italy
Domestic banks	0.5	14.0	8.5	14.5
Non-bank domestic investors	14.4	13.8	14.0	30.7
Banks from the rest of the euro area	3.5	10.3	7.5	6.1
Non-bank investors from the rest of the euro area	19.4	19.2	17.3	13.6
Non-euro area investors	34.3	17.8	33.8	12.1
Eurosystem	27.8	24.9	19.0	23.0

SOURCE: ECB Securities Holdings Statistics.

a The latest available statistics on government debt holdings (30 April) include information up to December 2025. Domestic investors comprise investors from the issuing country. Non-bank investors comprise both non-bank financial institutions and agents from non-financial sectors, such as households.

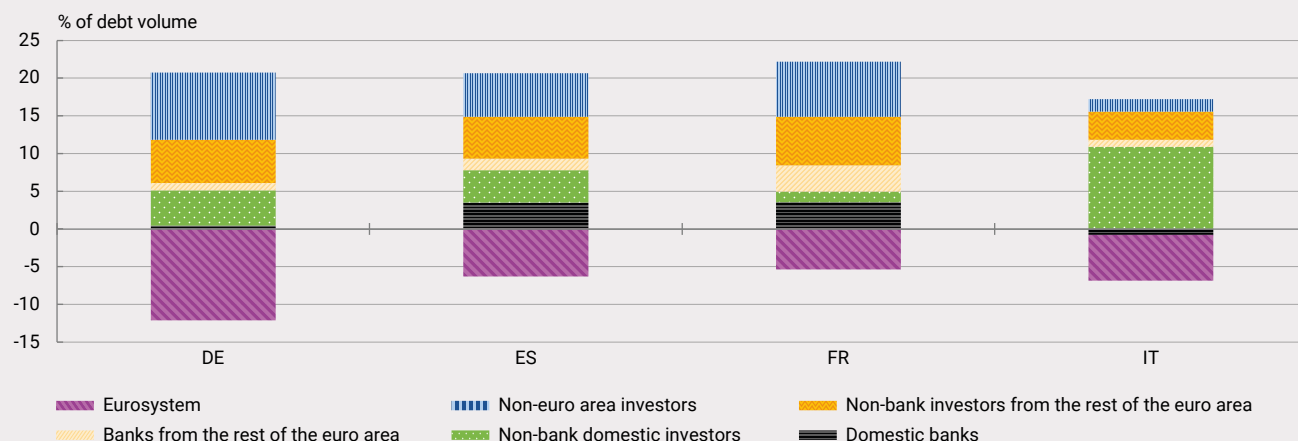
1 For further information about the growing issuance volume and the shrinking Eurosystem balance sheet, see, for example: "Who buys bonds now? How markets deal with a smaller Eurosystem balance sheet". *ECB Blog*, 22 March 2024.

2 The quarterly Securities Holdings Statistics by Sector (SHSS) reported by the Eurosystem are used for this analysis.

RECENT CHANGES IN EURO AREA SOVEREIGN BOND HOLDINGS (cont'd)

Chart 1

Cumulative flows from June 2022 to December 2025 (a) (b)

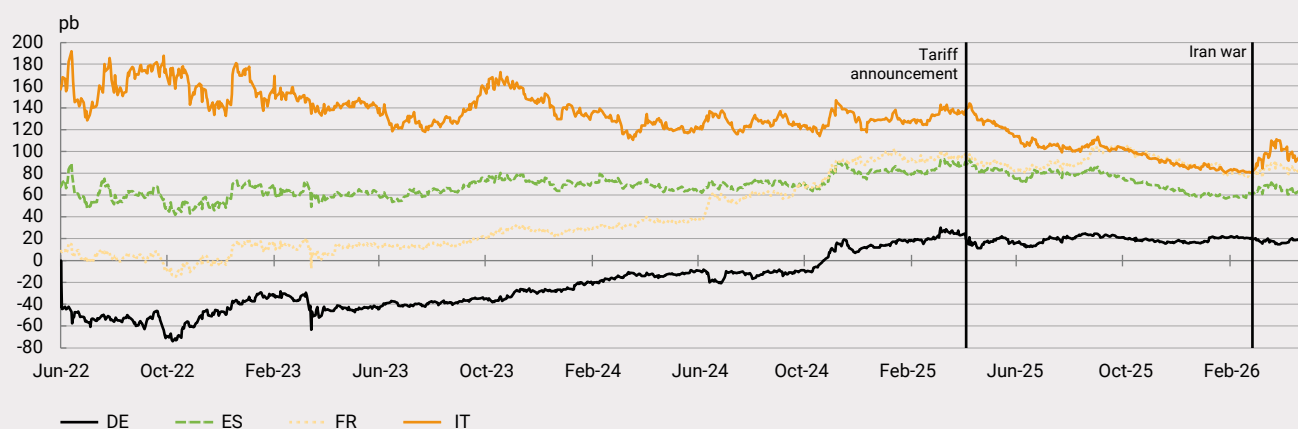


SOURCE: ECB Securities Holdings Statistics.

- a Domestic investors comprise investors from the issuing country. Non-bank investors comprise both non-bank financial institutions and agents from non-financial sectors, such as households.
- b The reference date is June 2022, when purchase programme portfolios reached their maximum size.

Chart 2

Spread between the 10-year sovereign bond yield and OIS rate since June 2022



SOURCE: Bloomberg.

the 10-year sovereign bond yields and the 10-year overnight index swap (OIS) rate – remain contained. Sovereign spreads have converged somewhat since June 2022 (Chart 2). No particularly sharp or persistent spikes have been observed, even during episodes of global uncertainty. Both following the April 2025 tariff announcement and during recent geopolitical episodes, the movements observed are limited and do not differ substantially from usual patterns in similar stress situations.

Potential reinvestment risks

Changes in the sectoral and geographical composition of sovereign bond demand could increase market vulnerability to reinvestment risks and affect sovereign financing conditions. In particular, a greater share of investors that are more sensitive to market conditions could amplify their reaction to stress episodes. These risks have not materialised so far, but they should be assessed.

RECENT CHANGES IN EURO AREA SOVEREIGN BOND HOLDINGS (cont'd)

Chart 3

Relative shares of sensitivity-classified sector groups (including the Eurosystem). December 2025 (a)

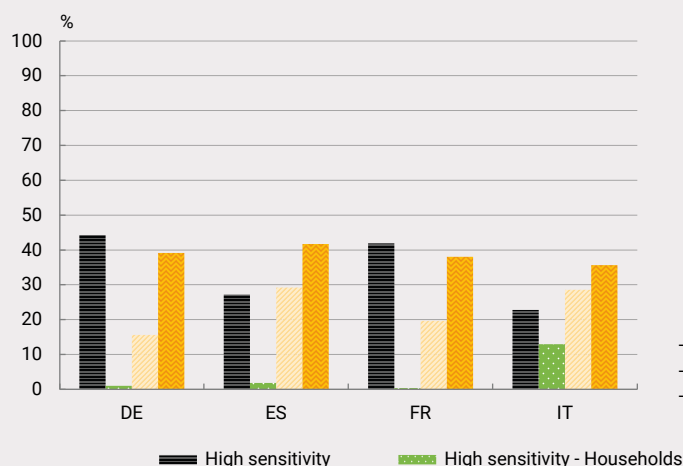
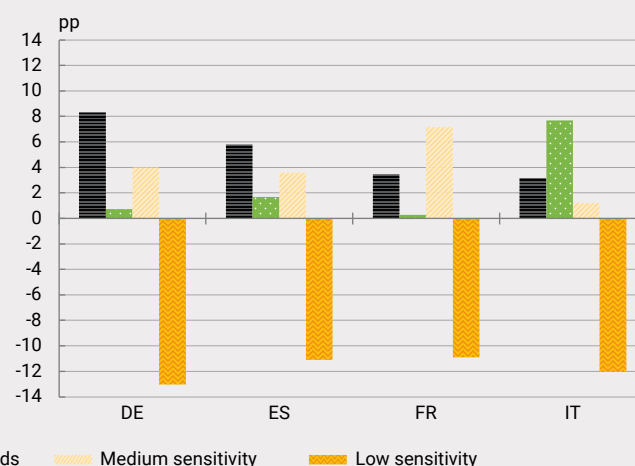


Chart 4

Changes in each group's relative share from June 2022 to December 2025 (including the Eurosystem) (a)



SOURCES: ECB Securities Holdings Statistics and Banco de España.

a The high-sensitivity investor group comprises non-euro area investors, euro area investment funds and households. The medium-sensitivity group comprises euro area banks. The low-sensitivity group comprises insurance companies, pension funds and the Eurosystem.

To this end, holding sectors are classified according to their sensitivity to sovereign bond market conditions. This classification is based on existing evidence in the literature³ and further supported by an analysis estimating the sensitivity of each sector's holdings to changes in 10-year sovereign bond yields, controlling for other variables.

As a result, three large groups of investors are defined.

First, a high-sensitivity group, consisting mainly of investment funds, foreign (non-euro area) investors and households. Most studies, including the analysis carried out in this box, indicate that foreign investors are comparatively more sensitive to yield changes than other agents. The evidence for households is less unanimous, but the in-house analysis also finds them to be highly sensitive. Second, a medium-sensitivity group, comprising the banking sector, is identified.

Lastly, a low-sensitivity group is considered, characterised by a relatively more inelastic demand and long-term investment horizons. This group includes the Eurosystem and institutional investors with more stable investment, such as insurers and pension funds, whose investment decisions respond to more stable mandates, although they are still exposed to liquidity and regulatory risks.

At end-2025, the high-sensitivity group was the largest segment in France and Germany, accounting for over 42% and 45%, respectively, of total holdings (Chart 3). In Italy, household participation brings the share of high-sensitivity investors to 36%, while in Spain this figure stands at 29%. The low-sensitivity group is sizeable in all four jurisdictions, mainly owing to the still significant weight of the Eurosystem and the importance, especially for France and Spain, of insurers' and pension funds' holdings. The medium-sensitivity group, primarily comprising banks, is more relevant in Italy and Spain, with a share of approximately 29%.

3 Mainly, the study by Kojien, Koulischer, Nguyen and Yogo. (2021). "Inspecting the mechanism of quantitative easing in the euro area", which analyses the effect of yields on euro area investors' sovereign bond holdings and shows that foreign investors are the most sensitive to yield changes, followed by investment funds and banks, while insurers and pension funds are more stable. Furthermore, according to the paper by Eren, Schrimpf and Xia. (2023). "The demand for government debt" based on US Treasury bond market data, sectors show different levels of price sensitivity. In descending order, the most sensitive sectors are: banks, foreign private investors, pension funds, investment funds and insurers.

RECENT CHANGES IN EURO AREA SOVEREIGN BOND HOLDINGS (cont'd)

Since June 2022 there has been a marked decline in the share of investors that are less sensitive to market conditions within total sovereign bond holdings, mainly as a result of the reduction in the Eurosystem's holdings (Chart 4). This decline has been offset in all cases, except in France, by an increase in the share of high-sensitivity investors. In France, the largest increase in relative weight is observed in the medium-sensitivity group (mostly banks). Among the most reactive investors, non-euro area investors stand out in Germany and France. In Spain, the share of these investors, which has traditionally been lower, has experienced considerable growth, suggesting the investor composition is converging across countries.

The composition of the investor base in the market is a key factor in absorbing potential shocks. Investors that are less sensitive to market conditions provide a stable source of demand that is relatively independent from price developments and can, under certain circumstances, cushion bouts of stress. Conversely, the recent increase in the share of more sensitive investors could amplify market movements during stress episodes. Although this has not been observed so far, it is important to continue analysing changes in the share of these investors and whether there is evidence that these shifts affect the functioning of sovereign bond markets.

Risks related to alternative funds: additional sources

Hedge funds are alternative investment vehicles and are included in the high-sensitivity investor group defined above. They also represent a potential source of vulnerability for euro area sovereign bond markets, as their use of leveraged positions can amplify volatility at times of global financial stress.⁴ In the holdings data presented above, hedge funds and other alternative funds are classified as euro area investment funds or non-euro area investors, depending on the fund's country of residence, but they are not identified as such within the respective categories.

Information from Tradeweb,⁵ one of the leading fixed-income electronic trading platforms, and from other market intelligence sources, indicates that these market participants concentrate a very significant share of trading volumes, both in the European government bond market as a whole and in specific market segments. According to these sources, hedge funds have increased their presence since 2020, accounting for around 50% of total bond market activity.⁶

Furthermore, hedge funds' operations in these markets reinforce their systemic relevance. Tradeweb data show that, on average, these intermediaries execute transactions with substantially larger ticket sizes – the nominal amount traded in each order – than other participants, a difference that has widened considerably since 2021. This pattern suggests hedge funds have a greater ability to immediately influence price formation and liquidity, especially during episodes of abrupt portfolio adjustments.

Finally, hedge funds' intense activity in government bond markets is closely linked to their role in the funding market: in the repo market, agents obtain liquidity, generally on a short-term basis, using high-quality assets (mainly sovereign bonds) as collateral. Aggregate repo market volume data from Tradeweb and the ECB suggest that these intermediaries' net positions have changed, reflecting a growing use of sovereign bonds as collateral to obtain funding since mid-2024.⁷ This situation reinforces the interconnections between spot and repo markets. As a result, shocks originating in one segment could swiftly spill over to the other, amplifying procyclical dynamics and increasing the risk of liquidity stress events.

In light of their growing importance and the current limitations in data availability and granularity, a more in-depth analysis of these intermediaries is needed, along with enhanced data coverage, to strengthen the monitoring and assessment of the risks associated with their activity.

4 See, for example, "Hedge funds: good or bad for market functioning?". *ECB Blog*, 23 September 2024 and Barth and Kahn. (2025). "Hedge funds and the Treasury cash-futures basis trade".

5 Tradeweb is an international fixed-income electronic trading platform that channels a very large volume of transactions and provides electronic access to euro area government bond markets.

6 See "The growing role of Hedge funds in European markets". Tradeweb presentation for the Bond Market Contact Group, 26 November 2025.

7 See footnote 7 and "Hedge Fund activity in Bond, Repo and Futures Markets: Unpacking the Data". ECB presentation for the Bond Market Contact Group, 26 November 2025.

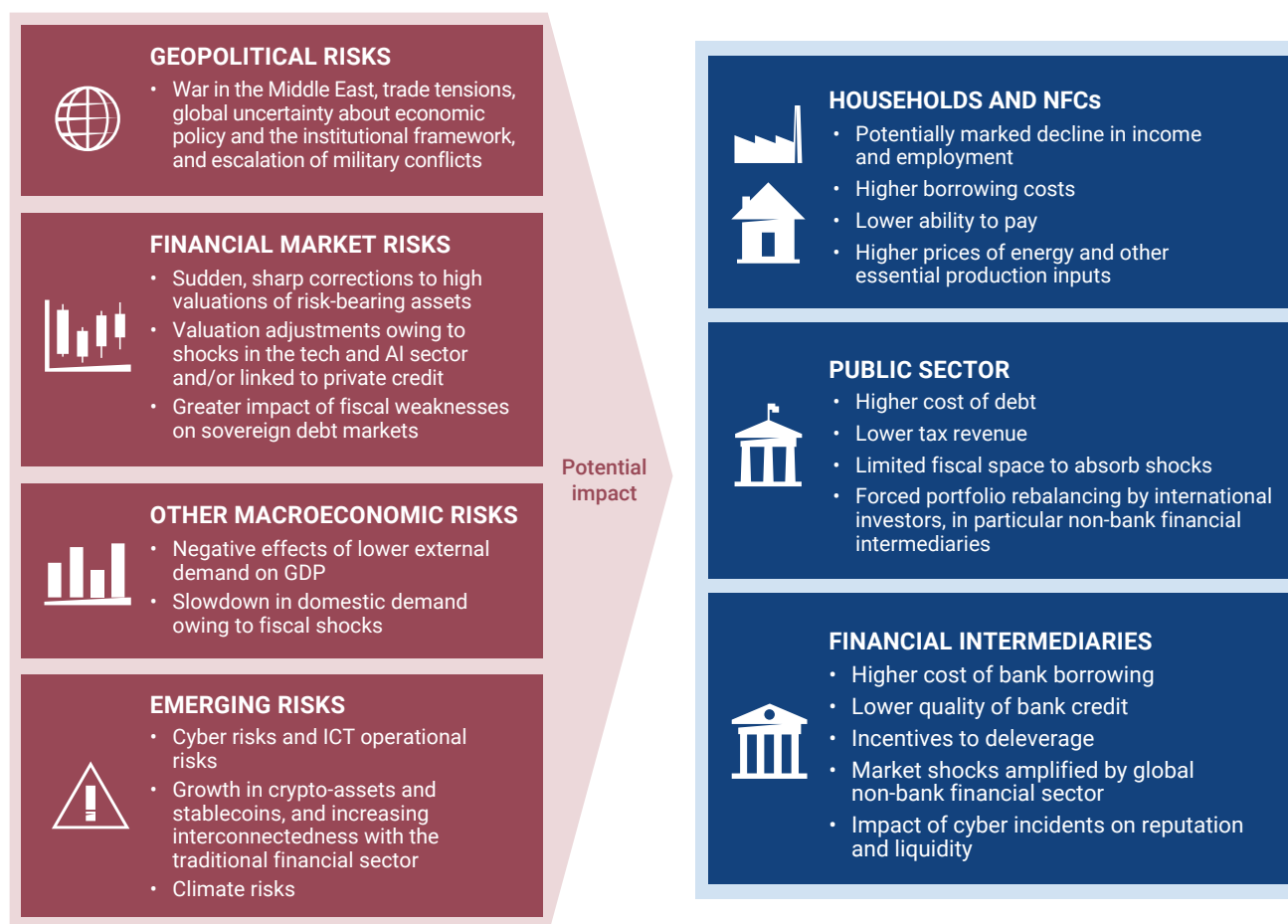
5

RISK ANALYSIS

5 RISK ANALYSIS

Figure 5.1

Risk analysis (a)



SOURCE: Banco de España.

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

This chapter discusses the risks to the stability of the Spanish financial system identified by the Banco de España and how they may interact with the vulnerabilities analysed in previous chapters. This risk analysis is underpinned by the discussions that the Banco de España has held with various external experts (see Box 5.1) and by its own analysis.

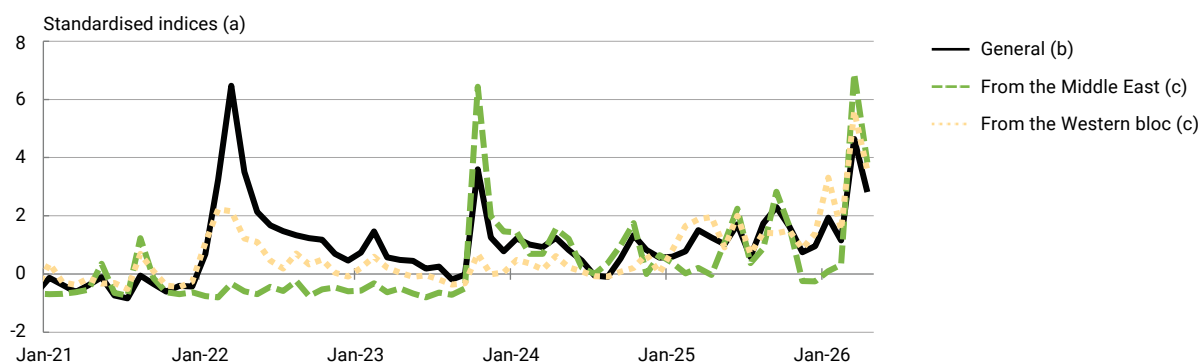
5.1 Geopolitical risks

The war in the Middle East has heightened geopolitical tensions considerably. Since it broke out in February, the war has triggered a rise in the geopolitical risk indicators, which were already elevated in prior editions of this report. This increase results in greater economic uncertainty, in particular over energy prices and, to a lesser extent, headline inflation (Charts 5.1.a and 5.1.b).

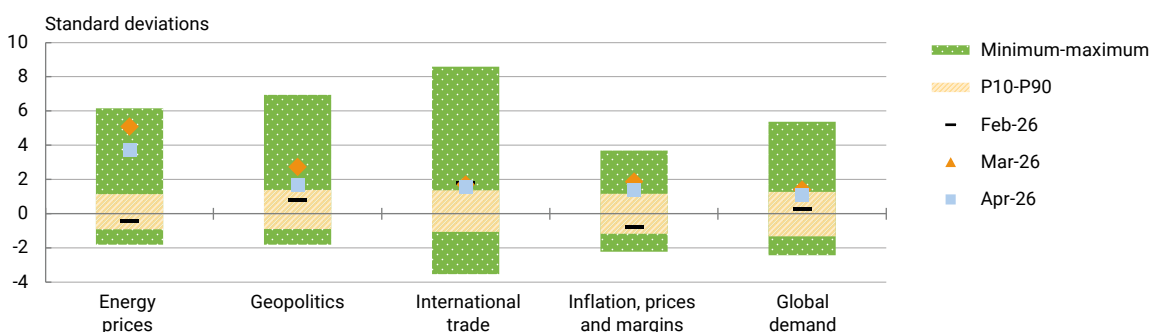
Chart 5.1

The war in the Middle East has driven up geopolitical and economic uncertainty considerably, in an environment that was already strained due to the uncertainty over economic policy in the United States and at global level

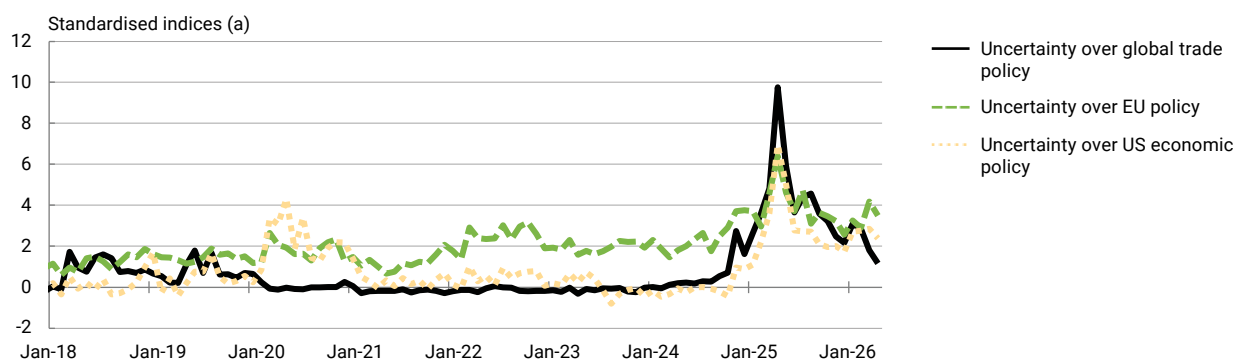
5.1.a Bilateral indices of Spain's geopolitical risk



5.1.b Uncertainty indicators, by topic (RAUI) (d)



5.1.c Uncertainty indices



SOURCES: Irma Alonso Álvarez, Ekaterina Bukina, Marina Diakonova, Nino Khitarishvili, Javier J. Pérez and Pedro Piqueras. (2026). "Geopolitical Risk: A Database of General and Bilateral Indices". Documentos Ocasionales, Banco de España, 2603. (Chart 5.1.a); Banco de España calculations drawing on Morteza Ghomi and Samuel Hurtado. (2026). "RAUI: Uncertainty Indicators Built With Artificial Intelligence". Documentos de Trabajo, Banco de España, 2609 (Chart 5.1.b); www.policyuncertainty.com, drawing on data in Scott R. Baker, Nicholas Bloom and Steven J. Davis. (2016). "Measuring Economic Policy Uncertainty". *The Quarterly Journal of Economics* (Chart 5.1.c). Latest observation: April 2026 (Charts 5.1.a and 5.1.c) and 26 April 2026 (Chart 5.1.b).

- a Standardised indices with data from 1997.
- b The general geopolitical risk (GPR) index shows geopolitical risk perceived for Spain, regardless of the source of risk.
- c The bilateral GPR index measures the extent to which the geopolitical risk perceived in country *i* is associated with events arising in country *j* or region *j*. Unlike the general GPR index (which reflects the overall intensity of news on geopolitical risk that are relevant for a country), the bilateral index breaks down this perception by geographical origin. Methodologically, the bilateral GPR index is constructed by identifying, within the set of articles contributing to the national GPR, those which explicitly mention a specific country or region (e.g. Russia, China or the Middle East and North Africa). (Alonso Álvarez et al., 2026).
- d The RAUI are uncertainty indicators built with artificial intelligence techniques (an embedding model to select relevant news via a semantic search and a large language model to assess the level of uncertainty in each news article) to quantify the level of uncertainty in Spanish press articles on different topics.



Such uncertainty has also been driven upward by the lack of certainty surrounding US trade policy and, more broadly, economic policy at global level (Chart 5.1.c). April's announcement of the ceasefire in the war in the Middle East lowered uncertainty indicator levels only moderately.

War in the Middle East

Energy prices have surged since the outbreak of the US-Israeli war on Iran. While part of the increase reversed following the announcement of the ceasefire, the uncertainty persists and the prices have risen again recently (at the end of April oil prices reached new highs since the start of the conflict). Over a broader time horizon, real prices are still some way off their all-time highs (Chart 5.2.a). Futures are predicting gradual price declines, although the expected levels, in particular for 2026, remain significantly above their pre-war levels.¹ Volatility has risen very markedly in these markets, reflecting the uncertainty associated with this conflict. For example, oil price volatility is at extreme levels of its historical distribution (Chart 5.2.b).

A very high volume of global energy supply is adversely affected by the conflict. Traffic through the Strait of Hormuz has been severely restricted since the outbreak of the war. Under normal conditions, around 20% of the world's supply of oil and liquefied natural gas (LNG) exports pass through the Strait. The region's overall oil production accounts for close to 30% of the world total and has been further affected by damage to energy infrastructure. This is a higher percentage of energy supply than affected by Russia's invasion of Ukraine in 2022, and it is harder to substitute due to it being blockaded in the region.² Meanwhile, the damage to Russia's energy exports infrastructure, in the context of its war with Ukraine, currently increases the downside risks to global oil and gas supply.

However, for the time being only a portion of the flow of the region's energy production is actually restricted. In the case of oil, a drop of around 37% of the region's pre-conflict production (close to 10% of world production) is estimated.

The extension and prolongation of these restrictions could fragment global energy supply – impacting regions asymmetrically – and leave it scarred. The oil and gas shipped through the Strait of Hormuz is mostly bound for Asia,³ with China, India and Japan among the main destinations, meaning that this region will be relatively harder hit by this crisis and face a greater risk of low supply. The repercussions for supply could be long-lasting, first because the Gulf countries forced to cut production will need time to increase it due to technical restrictions.

1 Energy commodity futures prices have risen significantly since the outbreak of the conflict in the Middle East. The pre-war average oil (natural gas) futures prices for the remainder of 2026 and 2027 stood at around \$70 and \$67 per barrel (€31 and €27 per MWh). At the cut-off date for this report, they were \$97 and \$80 per barrel (€47 and €38 per MWh).

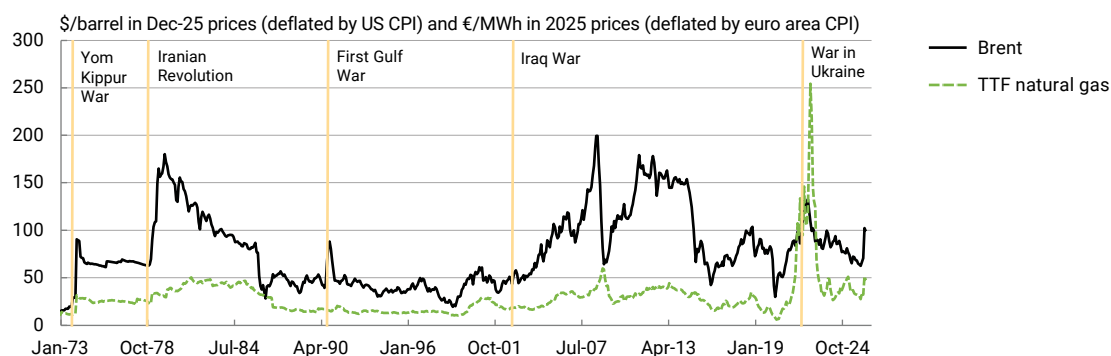
2 At end-2021 Russia accounted for roughly 11% of global oil production and 17% of that of gas. Russian production was not blockaded as a result of the outbreak of that conflict, although it did reduce its export capacity due to the various international sanctions imposed in response. The greater impact of the war in the Middle East on oil compared with the Russia-Ukraine war means a larger impact on the transportation sector.

3 <https://www.iea.org/about/oil-security-and-emergency-response/strait-of-hormuz>.

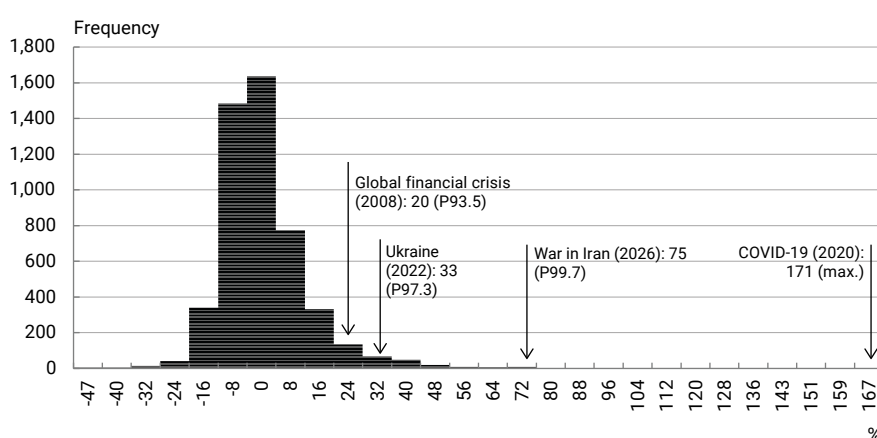
Chart 5.2

The conflict in the Middle East is driving energy commodity price levels and volatility

5.2.a Real Brent oil and European natural gas (TTF) prices (a)



5.2.b Histogram of changes in expected oil price volatility (b)



SOURCES: LSEG, World Bank, FRED and Banco de España. Latest observation: 29 April 2026 (Chart 5.2.a) and 27 April 2026 (Chart 5.2.b).

- a** Pre-euro area consumer price data are constructed drawing on a weighted average of domestic consumer prices of the member countries in 1999.
- b** Using the CBOE Crude Oil Volatility Index (OVX), which measures the expected 30-day volatility of crude oil based on option prices. The changes are two-week percentage changes in the index. For each historical episode, the maximum increase in volatility in the two weeks following the start of the episode and its percentile in the historical distribution is depicted. The series uses daily data (smoothed with two-week moving averages) between 24 May 2007 and 27 April 2026.

Second, any damage that the war may inflict on energy infrastructure and fields in the region could require a prolonged period of repairs, in the case of the former, and may be partially irrecoverable, in the case of the latter.

Various countries have adopted partial mitigating measures in response to this negative supply shock. First, strategic oil reserves have been released, which offset a small fraction of the lost production.⁴ Second, some jurisdictions are deploying tax measures and

⁴ In particular, International Energy Agency members agreed to the largest ever oil stock release, of around 400 million barrels. Taking into account technical restrictions, 2 million barrels per day could be released over 200 days. This is well below the production currently affected by the war, estimated at around 10 million barrels per day.

demand-management policies (e.g. lower consumption, energy efficiency).⁵ However, their impact is expected to be limited and their cost may adversely affect pre-existing fiscal vulnerabilities.

The conflict is also adversely affecting other components of global value chains and poses further significant risks to them. Specifically, under normal conditions, one-third of global fertiliser trade and a considerable portion of the supply of helium and neon (which are critical to manufacturing semiconductors) transit the Strait of Hormuz. In addition, due to its effects on key shipping routes and fuel prices, the disruption to global production chains could affect transport costs for all manner of inputs.

Trade tensions

US trade policy has been disrupted in recent months as a result of legal disputes. In February the US Supreme Court repealed part of the tariff regime introduced in April 2025, deeming it not to comply with the legislation upon which it was based. In response, the US Government imposed a global 10% tariff (effective for 150 days), with the option to raise it to 15%, under different legislation. This new regime exists alongside other tariffs imposed on national security grounds and in response to disloyal trade practices.

Overall, these decisions have resulted in a reduction in the average tariff level applied by the United States, albeit unevenly across countries. Economies such as China, Canada and Mexico have recorded sharper declines, while for the euro area the reduction in the effective tariff is much smaller (Chart 5.3).⁶

Looking ahead, the uncertainty surrounding US trade policy has risen significantly, especially in the medium term. After the initial five-month period, the potential extension of the tariffs must be based on legal frameworks that, in most cases, only allow for the imposition of permanent measures for specific sectors.⁷ This could give rise to a less predictable, more fragmented and sectoral trade framework, increasing uncertainty for export companies and hindering medium-term planning for global supply chains.

5 In March 2026 the Spanish Government approved an **extraordinary package of measures**, mobilising around €5 billion. The measures include tax cuts and a series of subsidies, direct aid and other support measures, notably the additional fuel rebate of €0.20 per litre for the transport, agricultural and livestock sectors and the aid for the industrial and energy sectors. The package also contains transfers to the primary sector and maritime transport, measures to protect energy consumers and personal income tax deductions for the purchase of electric vehicles.

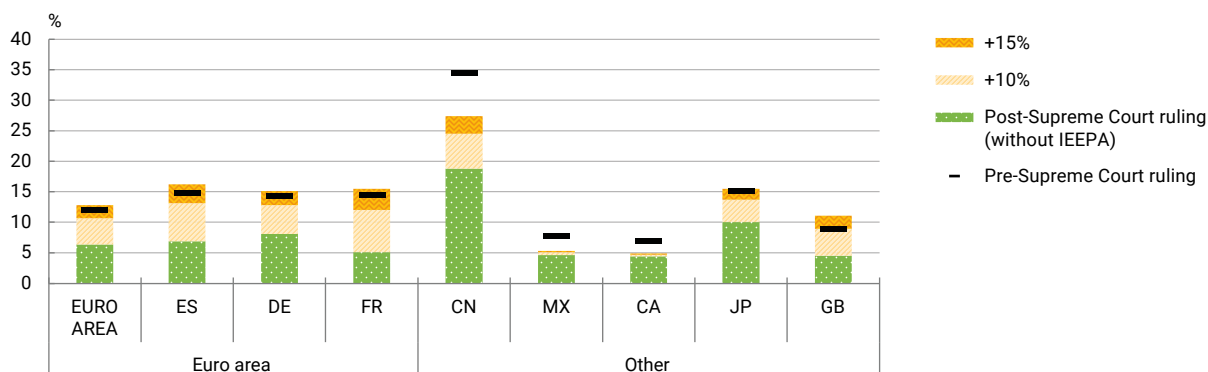
6 The consequences of changes in US tariff policy also vary across products. For instance, close to 60% of the products exported by the euro area and Spain to the United States currently face a lower tariff, while around one-third bear higher tariffs.

7 For example, there are different legal frameworks enabling the United States to launch formal investigations into third countries' trade practices and, based on the findings, impose tariffs or other restrictions. The investigations currently under way focus on excess capacity and production in the manufacturing sector and the national frameworks for imports of goods produced with forced labour, although their potential scope also extends to sectors such as the pharmaceutical, digital, environmental and agri-food sectors.

Chart 5.3

Following the Supreme Court ruling invalidating part of the United States' trade policy since 2025, the effective tariff on imports from the euro area has not changed significantly

5.3.a Effective US tariffs: post-Supreme Court ruling (a)



SOURCES: Global Trade Alerts and Banco de España.

a Four scenarios are compared: (1) situation prior to the Supreme Court ruling; (2) situation after the ruling; (3) temporary global tariff surcharge as of 24 February: +10% (currently in place); and (4) +15% (maximum envisaged under the current framework). Note A2.5.1.1 in Annex 2.



Risks of trade tensions in strategic sectors – in particular in rare earths,⁸ advanced technologies and semiconductors – likewise persist. The European Union has a high external dependency on critical inputs, exposing it to shocks stemming from trade restrictions or export controls. While Spain's direct exposure is limited, the indirect effects through European supply chains, in particular in the automotive and manufacturing sectors, are a significant risk channel.

Other uncertainties in geopolitical relations

In the United States, uncertainty over other economic policies with implications for the global economy remains high. Specifically, in the financial domain US authorities have shown they are willing to lower capital requirements for banks relative to the previously announced plans.⁹ In addition, uncertainty over the independence of public agencies persists amid shocks to the institutional framework, which may have negative price and financial stability repercussions, especially in the medium and long term.

More broadly, the deterioration in multilateral cooperation hinders coordinated responses to global shocks. This fragmentation limits progress in areas such as climate policy and may also undermine joint responsiveness to systemic financial crises, where coordinated action can be key, as seen during the global financial crisis.

⁸ Rare earths are a set of 17 metals (the 15 lanthanides plus scandium and yttrium) used as critical inputs in advanced technologies, whose economic importance stems, in particular, from the high geographical concentration of their supply chains.

⁹ See Bowman's statements in her speech "[Capital Rules for the Real Economy](#)" at the Cato Institute Policy Forum: Basel III and Bank Capital Rules.

The Spanish economy, marked by a high degree of trade openness and energy dependence, would be affected were further geopolitical risks to materialise. Such risks are currently dominated by the conflict in the Middle East, which tilts global activity to the downside, especially in areas that are net importers of energy (e.g. the euro area),¹⁰ and inflation to the upside. An initial analysis of the effects on the Spanish economy was conducted in the Banco de España's March projection exercise.¹¹ Under the baseline scenario, the conflict is expected have moderate effects, but more severe scenarios – associated with a more intense conflict and more persistent energy shock – would significantly compound the contractionary effects on activity and increase the upward pressures on inflation. In particular, relative to the baseline scenario, the severe scenario envisaged in those projections reduces GDP growth by 0.4 pp in 2026 and 0.6 pp in 2027, while the inflation rate would run at 5.9% and 3.2%, respectively.

The duration of the conflict in the Middle East is highly uncertain. Its prolongation could increase the effects on prices and the availability of energy and other production inputs. Accordingly, to properly assess the financial stability risks in Spain, further hypothetical scenarios that differ markedly from the baseline also need to be considered.¹² Box 5.2 analyses two macroeconomic scenarios based on highly adverse hypothetical assumptions about oil prices (\$145 and \$220 per barrel of Brent oil, respectively) and assesses their effects on bank solvency using the Banco de España's Forward Looking Exercise on Spanish Banks (FLESB) framework. The results show that, while banks' ability to generate profits is dented, overall, the Spanish banking system is considerably resilient to these types of scenarios.

There are risks associated with the Spanish banking sector's exposure to various emerging market economies that could also be amplified as a result of the war in the Middle East. These notably include Latin America and Türkiye, which had demonstrated considerable resilience since early 2025. The conflict has stressed financial conditions in these countries and tightened expectations for their monetary policy stances. All this against a backdrop of persisting fiscal sustainability risks in some of these countries (e.g. Brazil, Mexico and Colombia), given their high levels of domestic and foreign debt. In addition, the budgetary position in some of these countries is sensitive to episodes of dollar appreciation, since the bulk of their international public debt issuance is denominated in dollars.

10 The euro area is significantly exposed to external shocks because of its high integration with global value chains and international financial markets, as well as its dependence on imported energy inputs, particularly gas. The outbreak of the conflict in the Middle East coincided with low natural gas storage levels in the euro area, increasing the sensitivity of benchmark European gas prices amid supply tensions and competition for demand from other areas.

11 "Macroeconomic projections and quarterly report on the Spanish economy. March 2026".

12 From an economic projections and monetary policy standpoint, while less likely than the baseline, the alternative scenarios considered do not deviate far from expectations, as the economic policy decisions they inform need guidance based on the most likely economic developments. From a financial stability perspective, it is necessary to consider unlikely – but still plausible – scenarios to measure and ensure the resilience of the financial system to these extreme hypothetical cases.

Other geopolitical risks, associated with US trade policy or changes in the international institutional framework, could also adversely affect the Spanish economy. Overall, these risks would have adverse consequences on activity (e.g. by deterring household consumption and business investment), but their effects on inflation are less clear (for instance, under some scenarios Asian exports redirected to Europe could have deflationary effects). In this setting, lower direct trade exposure to the United States than other European economies would partially mitigate the risks through trade channels.

5.2 Financial market risks

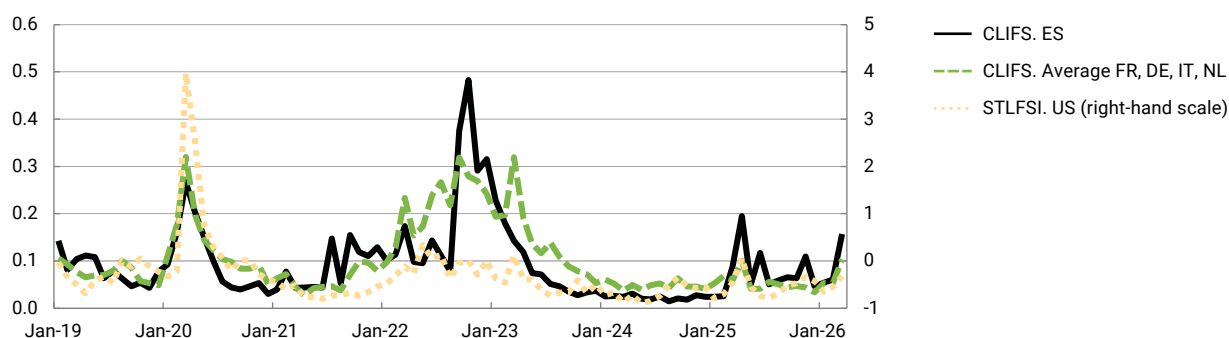
Favourable financial market conditions and risk of an abrupt correction

Despite the heightened uncertainty associated with the conflict in the Middle East, financial market conditions are still favourable and the risk of an abrupt correction remains high. As discussed in Section 4.2, the downward correction in risk-bearing asset prices following the outbreak of the war was very moderate relative to comparable episodes of military conflict or global supply disruptions (e.g. COVID-19). This may reflect favourable expectations regarding the duration or scope of the conflict. Indeed, for the time being, indicators of financial stress do not point to a tightening comparable to recent severe crises, such as COVID-19 or Russia's invasion of Ukraine (Chart 5.4). However, uncertainty is high and market perceptions could deteriorate should the conflict escalate.

Chart 5.4

Financial markets are showing no signs of significant stress so far, but geopolitical developments could lead to rapid shifts

5.4.a Financial stress indicators (Country-Level Index of (CLIFS) and St. Louis Fed Financial Stress Index (STLFISI4)) for different jurisdictions (a)



SOURCES: Federal Reserve System and ECB. Latest observation: March 2026.

- a** The ECB's CLIFS measures the degree of financial stress in each country using market-based indicators for different segments (equity, sovereign bond, money and foreign exchange markets), capturing both price movements and episodes of high volatility. Values range from 0 to 1, with higher values indicating a higher level of financial stress. The STLFISI4 measures US financial stress using a set of market variables encompassing the fixed-income, credit and equity segments, as well as volatility. Positive values indicate levels of financial stress above the historical average.

High equity and corporate bond valuations

Stock prices may be particularly affected, as they reflect very strong corporate earnings expectations. Price/earnings (P/E) ratios are slightly above the 75th percentile of the historical distribution in the euro area and well above this level in the US market (Chart 5.5), with the “Magnificent Seven” tech firms recording even higher levels. These high valuations reflect expectations of substantial earnings growth relative to current levels. However, such expectations may be difficult to sustain if the macroeconomic outlook deteriorates or if certain sectors, such as technology, are particularly affected by the current crisis, as discussed below.

Corporate risk premia could also rise sharply. Corporate risk premia have proved highly resilient since the outbreak of the war, showing a gradual recovery in late April (see Section 4.2). However, certain corporate sectors could be particularly impacted in the most severe Middle East war scenarios, which could include short-term constraints on production capacity. This could lead to higher risk premia on newly issued corporate bonds. Such a deterioration in business solvency would also feed through to private credit funds.

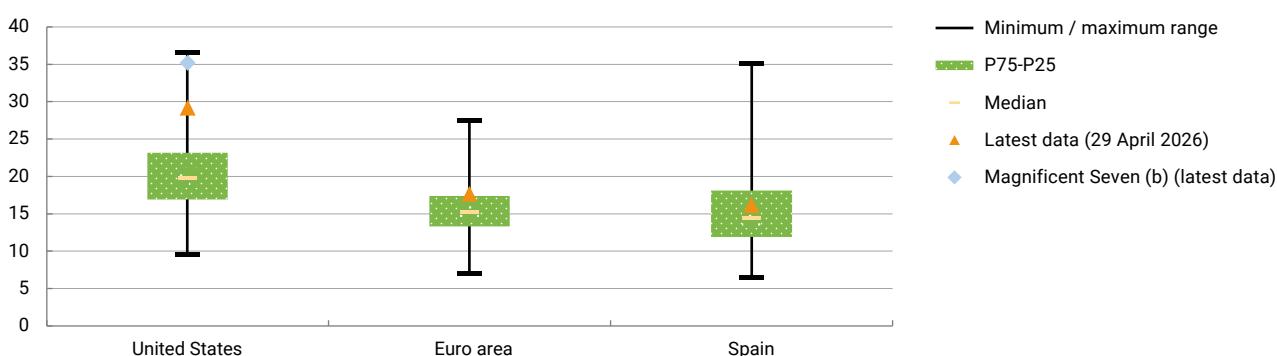
Private credit

Private credit funds have come under strain in recent months. Instances of bankruptcy among private credit borrowers (e.g. First Brands; see Box 3.2) have reduced investor confidence. This has resulted in downward corrections in their market prices (Chart 5.6) and in some cases caused limitations or suspensions of fund redemptions (Box 3.2).

Chart 5.5

Stock market P/E ratios remain high by historical standards

5.5.a Stock market P/E ratios (a)



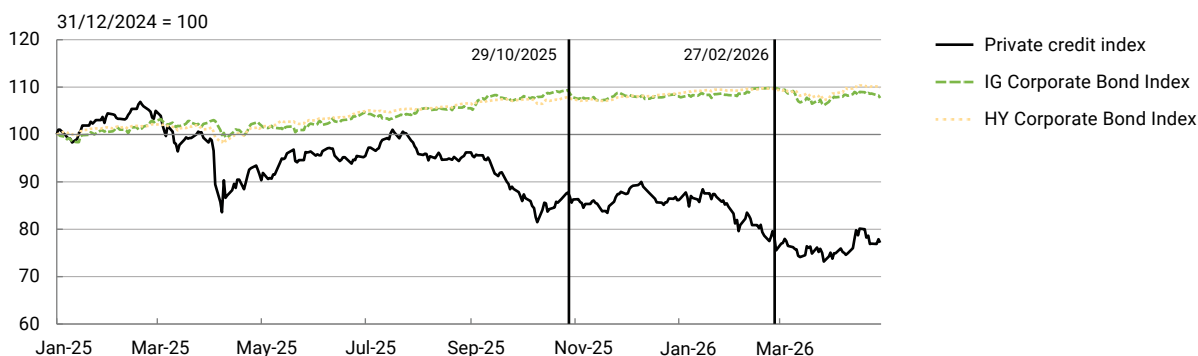
SOURCES: Banco de España and LSEG Datastream. Latest observation: 29 April 2026.

- a** Drawing on monthly stock market index series constructed by Datastream since 1985 for the euro area and the United States, and since 1987 for Spain. The P/E ratio measures a firm's share price relative to its earnings per share.
- b** Amazon, Apple, Google, Meta, Microsoft, Nvidia and Tesla.

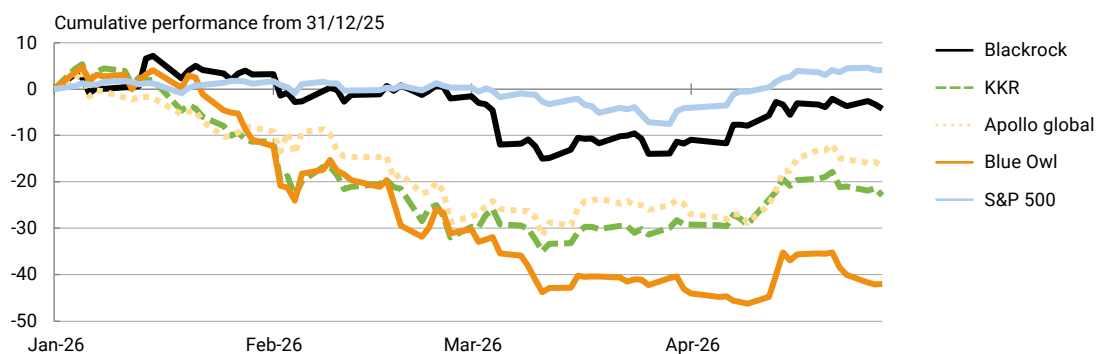
Chart 5.6

Private credit has been penalised by the materialisation of a series of adverse credit and liquidity risk events, which have weighed on the valuations of private credit fund managers

5.6.a Private credit index (a)



5.6.b Cumulative stock market performance of the main private credit fund managers and the S&P 500



SOURCE: Bloomberg Data License. Latest observation: 29 April 2026. 29/10/2025 is the cut-off date for the last *Financial Stability Report*; 27/02/2026 is the last market close prior to the Iran war.

a The S&P BDC index measures the stock market performance of 44 US business development companies focused on private credit. The IG Corporate Bond Index, compiled by iBoxx, comprises the 3,000 foremost US investment-grade bonds. The HY Corporate Bond Index, compiled by iBoxx, comprises the 1,200 foremost US high-yield bonds.

A further valuation correction or increase in redemption requests in this segment could act as a stress transmission mechanism. These vulnerabilities could be amplified by the lower structural liquidity of the underlying assets and any disparity compared with the redemption conditions offered by other investment vehicles, such as business development companies.¹³ The total volume of private credit financing is estimated to stand between \$1.5 trillion and \$2 trillion worldwide, but the segment could affect the broader financial system through multiple channels.¹⁴ Against this backdrop, various financial supervisors have stepped up their monitoring efforts, although no clear indications of systemic risk have been identified to date.¹⁵

¹³ A business development company is a US regulated, closed-end investment fund that provides debt and equity financing to unlisted small and medium-sized enterprises. Under certain conditions, they benefit from favourable tax treatment since the bulk of profits are distributed to shareholders.

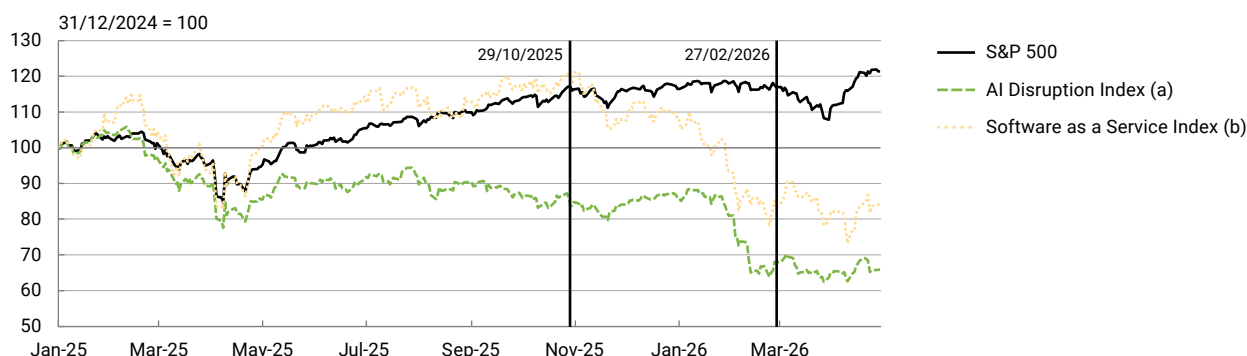
¹⁴ See [Report on Vulnerabilities in Private Credit](#) published by the FSB on 6 May 2026.

¹⁵ See, for example, the [speech](#) by Jerome Powell, Chair of the US Federal Reserve, on 30 March.

Chart 5.7

The disruptive impact of AI is reflected in declining stock prices among the most exposed sectors

5.7.a S&P 500, AI Disruption Index and Software as a Service Index



SOURCES: Bloomberg Data License. Latest observation: 29 April 2026. 29/10/2025 is the cut-off date for the last *Financial Stability Report*; 27/02/2026 is the last market close prior to the Iran war.

a Morgan Stanley's US AI Disruption Index. Includes 108 firms that could be adversely affected by AI developments.

b The UBS Software as a Service Index. Includes companies that provide cloud software services (Adobe Inc., Zoom, Dropbox, etc.).

Market risks associated with artificial intelligence

The market has begun to penalise certain sectors potentially more exposed to business model disruption driven by artificial intelligence (AI). AI technology is changing at a rapid pace, making it difficult to pinpoint which sectors will be most affected over the medium to long term. However, there are signs that the market is starting to distinguish between firms based on the degree to which they could be affected by the adoption of AI. The software development as a service sector is a case in point (Chart 5.7). The emergence of AI tools – particularly those that lower software development costs – has weakened the sector's growth and revenues outlook, leading to a drop in share prices.

AI firms themselves are also exposed to significant risks. As noted in previous reports, the potential entry of new competitors and market fragmentation driven by geopolitical tensions are sources of vulnerability for valuations in the sector. In a fundamental way, these valuations are subject to the risk that the expected productivity gains from the development and application of these technologies do not materialise – or at least not in the scale anticipated. In such a scenario, unmet earnings expectations could trigger potentially sharp downward corrections in AI firms' valuations.

The Iran war may be particularly detrimental to AI firm valuations. This conflict could affect trade in or the production of semiconductors, on which AI is particularly dependent. In addition, AI is an especially energy-intensive technology¹⁶ and would therefore be very adversely affected by further increases in energy costs as a result of the war.

¹⁶ For instance, in 2024 the [U.S. Department of Energy](#) reported that electricity consumption by data centres rose from 58 TWh in 2014 to 176 TWh in 2023 (equivalent to 4.4% of total electricity production in the United States) and projected an increase of between 325 TWh and 580 TWh by 2028 (to 12% of total US electricity production).

Economic growth being reliant on a strong technology sector constitutes an additional risk to activity and financial stability. Should the risks to the sector materialise, the impact would extend beyond financial markets, potentially leading to a correction in investment, with particularly significant consequences for systemic economies such as the United States. The adverse repercussions for activity would spread to export-oriented economies that specialise in technology goods, most notably those in Asia.

Sovereign debt

Sovereign debt could also be affected by a further escalation of the conflict in the Middle East. Both the economic slowdown in certain productive sectors and the support measures to mitigate the impact on households will weigh on countries' fiscal health. In some advanced economies starting from an already fragile fiscal position, such a scenario could drive an increase in risk premia, above the levels observed to date.

Possible impacts of financial market risks

A tightening of financial conditions would have a significant impact on the Spanish economy. The materialisation of the above risks could trigger a broad-based increase in risk premia. In the case of sovereign debt, this could constrain countries' fiscal response to crisis scenarios, given the limited fiscal space available. Similarly, the financial sector could be adversely affected by greater capital market fragmentation, leading to a marked increase in its funding costs. Ultimately, households and firms would face greater difficulties in accessing retail financing. This sequence would weigh on real economic activity, acting as a feedback loop and reinforcing upward pressure on risk premia.

5.3 Other macroeconomic risks

In a global environment marked by elevated uncertainty surrounding the conflict in the Middle East, the Spanish economy faces certain additional macroeconomic risks, which are examined in this subsection. Their potential impact is lower than that of the risks discussed in Sections 5.1 and 5.2, but they could nonetheless slow economic activity and tighten financial conditions.

Dynamism of economic growth in Spain

Spain's economic growth faces risks associated with certain specific sectors. In particular, exports of travel services, which account for a sizeable share of GDP (5.3% in 2025), could be affected by shocks to global tourism preferences or cyclical swings in tourism demand. However, these adverse effects could be partially offset by Spain's greater relative safety as a tourist destination amid high geopolitical tensions, which could drive visitor numbers. In addition,

strong momentum in Spanish exports of non-travel services and intangible investment could be constrained by a potential weakening of international trade, amid heightened global uncertainty.

Fiscal policy risks in advanced economies

Fiscal vulnerabilities in Spain and other advanced economies pose additional risks to macro-financial stability. A deterioration in agents' perceptions of these economies' fiscal sustainability – triggered by cyclical or structural shocks other than those discussed in Sections 5.1 and 5.2 (such as the sectoral growth shocks outlined above) – could likewise lead to an abrupt repricing of their risk premia. Tighter financing conditions and declining confidence would have a negative impact on public spending and economic growth. In the case of systemically important economies, such as the United States, the spillovers to the rest of the global economy would be more pronounced.

Real estate market

House price developments are a significant source of uncertainty for the Spanish economy. Although housing investment has followed a growth path in recent quarters, the mismatch between supply and demand will continue to exert upward pressure on house prices. Should these pressures intensify, housing affordability could deteriorate further, with potentially negative implications for well-being, labour mobility and medium-term economic growth.

5.4 Emerging risks

Cyber risks and ICT operational risks

The rise in cyber and information and communication technology (ICT) operational risks represents an increasing challenge to financial stability. In 2025 a total of 92 significant incidents related to information and communication technology¹⁷ were reported to the Banco de España by institutions under its supervision (significant institutions, less significant institutions, payment institutions and electronic money institutions). External events and system failures were the most common incidents, while only nine were classified as malicious. There is evidence that cybercrime is becoming more professionalised and increasingly active within the crypto-asset ecosystem.¹⁸ More broadly, the digitalisation of the financial sector heightens its exposure to various operational risks, including service disruptions and loss of access to data, even in the absence of cyber attacks.

¹⁷ The European Union's Digital Operational Resilience Act (DORA) defines an ICT-related incident as a single event or a series of linked events unplanned by the financial entity that compromises the security of the network and information systems, and has an adverse impact on the availability, authenticity, integrity or confidentiality of data, or on the services provided by the financial entity. Incidents meeting certain criteria and thresholds must be reported to the competent authorities.

¹⁸ See the [2025 Chainalysis report](#).

The current geopolitical environment also heightens these risks. The current more turbulent and fragmented global environment may increase their frequency and severity.¹⁹ In addition, geopolitical conflicts could cause physical damage to key technological facilities, such as communication or computing hubs, with global repercussions.

Rapid technological innovation could see new vulnerabilities emerge. In particular, technological developments related to cybersecurity are evolving rapidly and in hard to anticipate directions, as is the case with generative AI²⁰ and quantum computing.²¹ This may result in potentially critical imbalances between offensive and defensive capabilities. Indeed, some recent AI developments may already be driving up cybersecurity risks, making cyber vulnerabilities easier to detect and drastically shortening the time gap before they can be exploited (Box 5.3).

Advances in new technologies could result in the disappearance of some traditional providers of technology services to the financial sector. As discussed in Section 5.2, and illustrated in Chart 5.7, some business models, such as software development as a service, could be displaced by ongoing technological progress. This would also have implications for providers of technological services to the financial industry. Such developments could be disruptive, at least in the short term, for the sector. Financial institutions' capacity to adapt to this new environment and replace obsolete providers may vary. Those lagging furthest behind, particularly with regard to cybersecurity, could then be exposed to new operational risks.

Strengthening operational resilience and the ongoing identification of threats and vulnerabilities are key.^{22, 23} Subjecting existing frameworks to cyber resilience stress tests or assessments can help to identify vulnerabilities.²⁴ It is also important to closely monitor the geopolitical and technological developments that shape the nature of such threats. More broadly, cyber and ICT operational risks should be viewed as a structural but evolving challenge, requiring stable resources that should not be scaled back in response to crises or lower profitability.

19 See the [box](#) on geopolitically motivated cyberattacks in the ECB's *Financial Stability Review* of May 2025.

20 Generative AI is a type of artificial intelligence that can create new information, such as text, code or images, by extrapolating from patterns identified in other sources of information. Its capacity to convincingly replicate reality makes it susceptible to misuse for illicit ends.

21 Quantum computing uses the principle of quantum superposition to drastically reduce the computational cost of solving certain complex problems. Although it remains an emerging field, quantum computing has the potential to solve problems that were previously out of reach, which could compromise the security of certain processes, such as cryptography.

22 The Financial Stability Board's (FSB) Cyber Lexicon defines cyber resilience as the ability of an organisation to continue to carry out its mission by anticipating and adapting to cyber threats and other relevant changes in the environment and by withstanding, containing and rapidly recovering from cyber incidents.

23 For a broader discussion see [Chapter 5](#) of the Spring 2025 *Financial Stability Report*.

24 The ECB conducted a [cyber resilience stress test in 2024](#), while in 2025 the IMF published an [assessment of the European cyber risk regulation and supervision framework](#).

The potential expansion of stablecoins²⁵ continues to pose significant financial stability risks. Although less volatile than unbacked crypto-assets,²⁶ stablecoins nevertheless entail specific risks stemming from their pegging to underlying reserve assets and their potential expansion as a means of payment or store of value. Widespread adoption of stablecoins could encourage bank disintermediation, eroding the deposit base, with implications for banks' funding structure and monetary policy transmission. Moreover, episodes of declining confidence could trigger large-scale redemptions, forcing stablecoin issuers to liquidate reserve assets under adverse conditions, with potential spillovers to other markets and financial intermediaries with similar exposures.

These risks could be further amplified in the case of global stablecoins,²⁷ which are designed for widespread use, including across borders. Dollar-denominated stablecoins currently dominate the market, while the US Administration's monetary sovereignty strategy encourages the development of global stablecoins denominated in US dollars. Widespread adoption of these instruments could intensify currency substitution, increase cross-border financial flows and amplify the international transmission of US monetary policy and, more broadly, cross-jurisdictional shocks. Against this background, multi-issuer arrangements,²⁸ with issuers subject to different regulatory frameworks, could concentrate stress in certain jurisdictions and hinder the orderly management of such episodes, thereby increasing the likelihood of systemic repercussions.

Limited and uneven progress in the international regulation of stablecoins, as well as in cross-jurisdictional cooperation and coordination, remains an additional source of vulnerability, particularly in cross-border contexts. Regulatory fragmentation could encourage regulatory arbitrage and weaken the impact of measures designed to mitigate the associated risks.

Climate risks

The physical and transition risks associated with climate change remain relevant from a financial stability standpoint. Evidence of the economic impact from the materialisation of

25 Stablecoins (or asset-backed crypto-assets) are backed by a reference asset, such as a currency (e.g. the US dollar) or other type of asset, via stabilisation mechanisms that seek to control their volatility. Stablecoin issuance is regulated and supervised, meaning issuers must comply with prudential capital and liquidity requirements. This distinguishes them from non-asset-backed cryptocurrencies, which are not subject to comparable controls.

26 See Box 4.1 of the Spring 2025 *Financial Stability Report*.

27 According to the FSB definition, a global stablecoin is a stablecoin with an existing or potential reach and use across multiple jurisdictions and that could become systemically important in and across one or many jurisdictions, including as a means of making payments and/or as a store of value.

28 Stablecoins issued by the same or affiliate entities (i.e. co-issuers) operating across different jurisdictions (see FSB *Thematic Review*). For such arrangements to be meaningful, each token must be fungible with all others within the same arrangement, such that, in principle, it is impossible to identify the issuer or the jurisdiction in which a specific token was issued. As a result, each co-issuer could bear liability for redeeming the entire stock of tokens issued, even while holding only a fraction of the overall reserve of assets.

these risks continues to accumulate. In Spain, literature on the deadly flooding of autumn 2024²⁹ documents the economic effects of such shocks, particularly through economic activity and credit quality. At the European level, recent ECB studies³⁰ integrating acute physical risks, such as floods, and transition risks into stress testing show that both types of risk can affect banks' profitability and capital through direct damage, business disruptions and macroeconomic spillovers.³¹

Against this background, it is vital that international cooperation on climate policy be maintained. Failure to do so could raise the associated costs, increase economic and financial uncertainty over the medium and long term, and hamper an orderly response to these risks. In particular, coordinated efforts must continue to improve data quality and data gathering efficiency, while avoiding unnecessary reporting burdens for firms and other agents. Additionally, methodologies should be developed to better understand and model how agents behave in response to these risks over the medium and long term, enabling the design and implementation of effective transition policies.

29 "The impact of the autumn 2024 flash floods in Spain from a financial stability standpoint". *Financial Stability Review - Banco de España*, 48, Spring.

30 European Central Bank. (2025). "Integrating climate risk into the 2025 EU-wide stress test: the effects of climate risks for firms". *Macroprudential Bulletin* 32. November 2025.

31 Physical risks arising from more frequent and intense extreme weather events can affect economic activity, the solvency of households and firms, asset values and insurance coverage. Meanwhile, transition risks linked to regulatory and technological changes, as well as shifting consumer preferences, could lead to valuation losses and a gradual – but potentially disorderly – reallocation of financial flows, particularly in the most carbon-intensive sectors.

EXTERNAL INFORMATION ON FINANCIAL STABILITY RISKS AND VULNERABILITIES

Since the Spring 2025 *Financial Stability Report*, the Banco de España has been compiling external information on a six-monthly basis to better identify the main financial stability risks and vulnerabilities that could affect the Spanish economy.

In this context, in February – prior to the outbreak of the Iran war –, Banco de España staff met with Spanish banks' chief risk officers, market analysts and geopolitical researchers. Subsequently, additional meetings were held with geopolitical experts in March and April to gain a deeper understanding of the potential financial stability implications of the Middle East conflict.

Prior to some of these meetings, a survey was circulated on the risks and vulnerabilities potentially affecting financial stability, which served to structure the discussion. In this round, participants were invited for the first time to indicate how they perceived the trend in the identified factors (falling, stable or rising).

This box provides a summary of the views collected from the survey and the meetings. It should not under any circumstance be interpreted as the Banco de España's analysis of the risks and vulnerabilities included in this report, although it does make a relevant contribution to it.

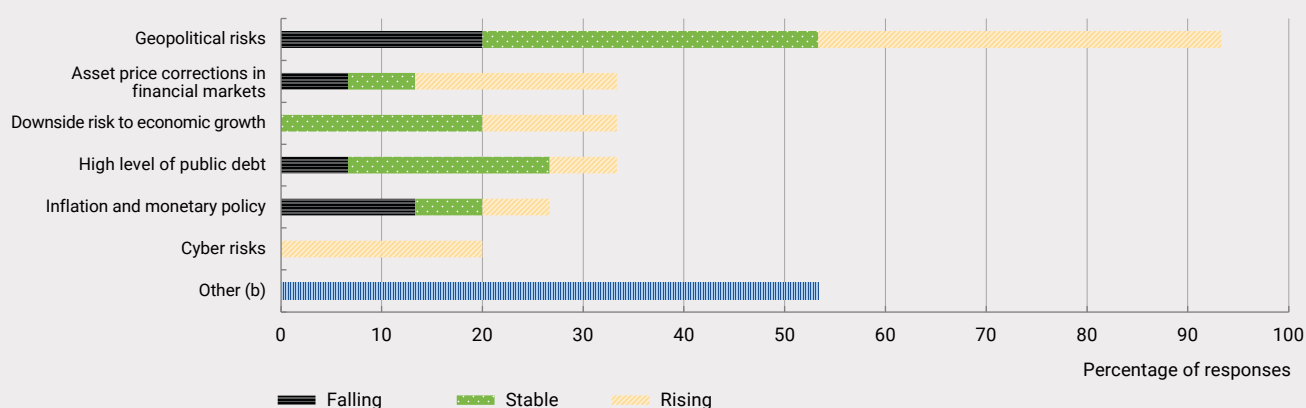
Chart 1 presents the main risks identified by the respondents over a two-year horizon. It shows the percentage of experts identifying each factor as a current risk, as well as the variation in its perceived intensity in the last six months.

Geopolitical risk is, by far, the main risk identified and its relevance is predominantly unchanged or higher than six months ago. Participants highlighted the unpredictable nature of many recent geopolitical events, which play out in a matter of weeks or days, as well as the difficulty in mapping them onto traditional risks (credit, market, liquidity, etc.). Furthermore, they underscored concerns about a world order divided among major powers owing to the potential relative weakening of the economy and the European institutions, and about the risk that financial markets may be underestimating the impact of these events, given their increasing frequency over the past year.

Another three areas of risk were identified well behind, all noted by a very similar percentage of experts.

The risk of an abrupt correction in financial asset prices is also largely perceived as being equally or more relevant than six months ago. The respondents indicated that certain asset prices remain at historically high levels and that geopolitical events, together with potential revisions to

Chart 1
Main risks to financial stability (a)



SOURCE: Banco de España survey of chief risk officers and market analysts, sent February 2026.

- a** Responses to the question: "What do you consider are the three main risks which, if they materialise, could have an adverse effect on the financial stability of the Spanish economy in the next two years?". Respondents were also asked: "In the last six months, how has the intensity of such risks changed?".
- b** "Other" includes the real estate market, the risk of low profitability of AI, operational risks, environmental, social and governance risks, increased competition in the financial sector, high levels of private sector indebtedness, the interconnections between banks and the non-bank financial sector, the EU's structural challenges, and regulatory risk.

EXTERNAL INFORMATION ON FINANCIAL STABILITY RISKS AND VULNERABILITIES (cont'd)

expectations about the development of artificial intelligence (AI) and its economic and financial implications, could affect their valuations. The impacts on financial stability would be stronger in the event of sharp asset price corrections.

The risk associated with a persistent slowdown in economic growth appears to have grown in the last six months. The participants underlined its intertwining with geopolitical risk. However, they also noted that some of the Spanish economic growth drivers – such as European Union (EU) funds received and population growth – are temporary in nature, which might make it difficult to sustain the current economic momentum in the medium term.

Risks related to the high level of public debt persist in some of the main advanced economies. High indebtedness was identified as a factor constraining the capacity of fiscal policy to respond to potential shocks. The participants also noted the difficulties in implementing fiscal consolidation plans in many jurisdictions. While investors continue to display appetite for government debt – particularly Spanish sovereign debt –, the experts warned of this situation potentially reversing in the event of a significant deterioration in the economic outlook.

Other risks indicated by many experts were inflation developments and the monetary policy response – despite the fact that the survey had been sent before the outbreak

of the Iran war –, as well as cyber risks, especially those associated with geopolitical conflicts.

In the meetings held with geopolitical researchers, the experts highlighted that, beyond the fallout from the war (see Section 5.1), the current environment is characterised by an increasingly fragmented world order associated with the formation of blocs in a context of growing rivalry, entailing a high level of uncertainty.

Against this backdrop, the EU faces a number of structural challenges that will shape its international role, including in particular the need to improve its competitiveness, advance towards a common defence framework, strengthen governance in a context of increasing political fragmentation and enhance its strategic autonomy. Its military and financial stance regarding the war in Ukraine, under a scenario of reduced involvement of the United States (US), could also further heighten tensions. In parallel, participants highlighted significant implications for financial stability and technological sovereignty, such as regulatory tensions surrounding stablecoins, the rise of protectionist approaches in Europe and the slow progress on the banking union.

With regard to other global players, the participants emphasised the redefinition of the US international leadership towards a less multilateralism-oriented framework, whereas they expected China to continue advancing in the consolidation of its technological and industrial leadership.

IMPACT ON THE BANKING SECTOR OF HYPOTHETICAL ADVERSE OIL PRICE SCENARIOS

Recent military clashes in the Persian Gulf region and the Strait of Hormuz together with persistent geopolitical tensions in the area have given rise to high uncertainty around energy prices. Against this backdrop, it is important to assess the Spanish banking sector's resilience to potential adverse energy scenarios.

To this end, this box presents two hypothetical adverse scenarios based on extreme assumptions for energy prices and uses the Forward Looking Exercise for Spanish Banks (FLESB) model to assess their potential impact – through domestic business and domestic sovereign holdings – on the earnings and capital levels of the Spanish banking system.¹ These adverse scenarios are compared with a baseline scenario corresponding to that used in the December 2025 Banco de España forecasts (the latest prior to the outbreak of hostilities in the Persian Gulf).

These scenarios envisage severe assumptions consistent with other major crises of the second half of the 20th century. This provides useful insights for an initial quantification of the potential adverse effect of the rise in energy prices on Spanish banks through macroeconomic channels, rather than through their direct exposure to the region, which, as previously discussed (see Section 3.1), is limited.

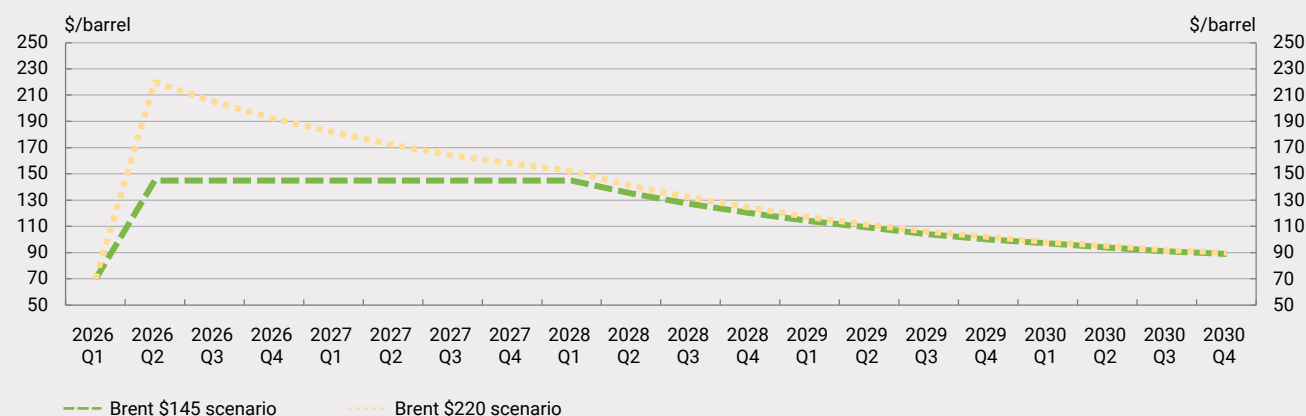
It should be noted that these exercises are not forecasts. Instead, they consider extreme, low-probability, but not implausible, hypothetical scenarios, with the aim of measuring the banking system's resilience, rather than predicting its most likely response to the current crisis.

Energy price scenarios

The starting point for the exercise is the preparation of two scenarios envisaging sharp increases in energy prices, which are detailed in Chart 1. Under the first one, referred to as the "Brent \$145 scenario", crude oil prices double compared with pre-crisis levels and remain at \$145 per barrel for two years. Based on the elasticity estimated by Caldara, Cavallo and Iacoviello (2019), this scenario entails a persistent 9% reduction in global oil supply,² somewhat larger than the 7.6% drop seen during the Gulf War in 1990.

The second scenario, called the "Brent \$220 scenario", is even more adverse and also relatively persistent. Oil prices triple compared with the pre-war situation, reaching \$220 per barrel in 2026 Q2 and then slowly falling to \$150 at end-2027. According to the elasticity in Caldara, Cavallo and Iacoviello (2019), this more intense scenario would

Chart 1
Oil prices



SOURCE: Banco de España.

1 The FLESB is a top-down methodology, applying the same scenarios, assumptions and models consistently across all of the banks analysed. Its key features were described in the November 2013 *Financial Stability Report* (FSR). As a dynamic and constantly evolving framework, its main improvements and developments have been documented in subsequent editions of the FSR and other Banco de España publications.

2 Caldara, Cavallo and Iacoviello (2019) estimate an elasticity whereby prices increase by 7.5 percentage points for each percentage point reduction in supply, expressed in logarithmic terms.

entail a 14% reduction in global oil supply, in line with the cumulative reduction in supply during the second oil crisis (1979-83).³ Both scenarios incorporate increases in the price of other energy inputs such as natural gas (whose supply has also been affected by the conflict), calculated in the same way, but using their own elasticities.

Other elements of the macro-financial scenarios

These energy price assumptions are translated into macroeconomic scenarios by using transfer functions to estimate the effect on headline inflation. The resulting paths for GDP, unemployment and the other macroeconomic variables needed to assess the impact on bank solvency are then simulated using the Quarterly Macroeconometric Model of the Banco de España (MTBE).

Under this macroeconomic model, an increase in energy prices drives up firms' production costs, which are passed through to the prices of their products. This sets in motion the main transmission channel, which operates through household demand: as higher prices erode real income, households scale back consumption and housing investment. This initial response by households then propagates to the remaining economic variables: firms face weaker demand and cut back on investment and employment, thereby amplifying the effects of the initial shock, while the public sector's automatic stabilisers (such as unemployment benefits) moderate these effects.⁴ The model combines all these mechanisms in a context of general equilibrium.

The results obtained show that the oil price increases considered in the scenarios lead to a strong and rapid, but also temporary, surge in inflation. As shown in Chart 2, inflation reaches very high levels in 2026 (6.8% under the Brent \$145 scenario and 9.5% under the Brent \$220 scenario) but is much more moderate in 2027 (3.7%

and 3%, respectively), because, even though oil prices remain at very high levels, they do not rise further and the second-round effects on other prices are limited.

However, the impact on activity is more persistent (Chart 3), since agents react to the prices rises with some delay, meaning that the effect on GDP growth peaks during the second year of the simulation. In 2026 growth slows down by 1 percentage point (pp) under the Brent \$145 scenario and 1.7 pp under the Brent \$220 scenario, falling from 2.3% under the baseline scenario to 1.3% and 0.6%, respectively. In 2027 there is zero growth under the Brent \$145 scenario (-1.7 pp compared with the baseline scenario) and a contraction of 0.7% under the Brent \$220 scenario (-2.4 pp compared with the baseline). In the latter case, the recession is shallow and short-lived, with growth resuming in the following years (which lie beyond the horizon of the exercise presented in this box). The effects on the unemployment rate are even more persistent, with levels reaching 11.7% under the Brent \$145 scenario and 12.9% under the Brent \$220 scenario (Chart 4).

Chart 5 shows that nominal growth in lending to households and firms, which holds relatively steady under the baseline scenario, slows substantially in the Brent \$145 scenario and even turns negative in the Brent \$220 scenario, in line with the slowdown in economic activity.

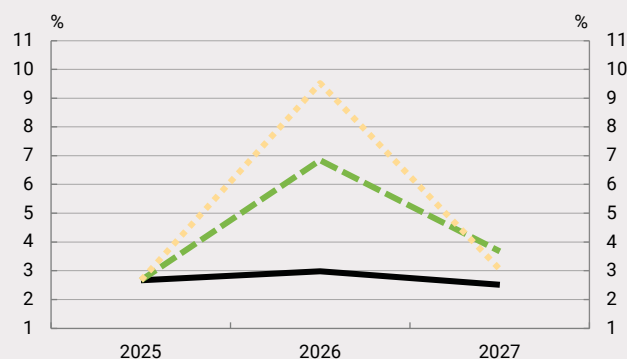
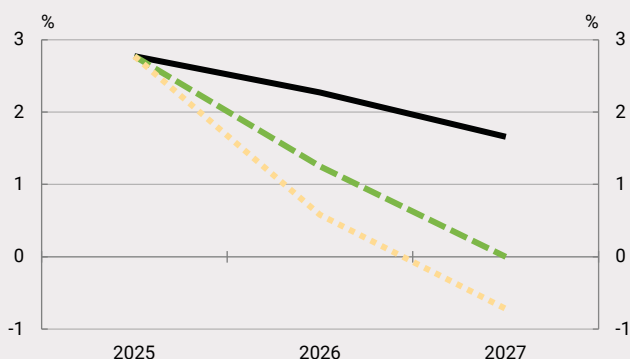
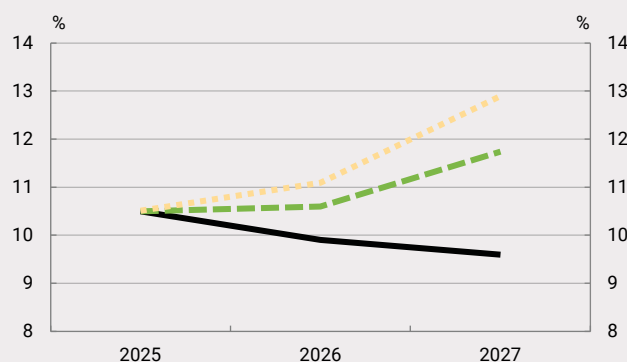
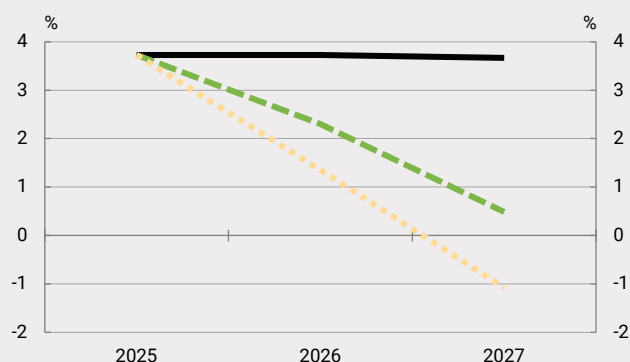
Given the highly inflationary nature of these scenarios both in Spain and in the euro area as a whole, they are accompanied by a monetary policy response involving significant increases in short-term interest rates (Chart 6).⁵ Both scenarios also entail a rise in long-term rates (in line with that observed in the first few weeks after the start of the hostilities in Iran) and widespread corrections in asset prices, with lower growth in house prices and stock market declines. Overall, the macroeconomic impact of these

³ This period includes the combined effects of the 1979 Iranian revolution and the Iran-Iraq war from 1980 onwards.

⁴ Under these scenarios the public sector only responds through its automatic stabilisers. In particular, the exercise does not incorporate any fiscal policy measures in response to the energy shock (following the usual "no policy change" assumption).

⁵ A relatively standard monetary policy rule is applied to simulate the rise in short-term interest rates: that of the *New Area-Wide Model II* (Günter Coenen, Peter Karadi, Sebastian Schmidt and Anders Warne. (2019). "The New Area-Wide Model II: an extended version of the ECB's micro-founded model for forecasting and policy analysis with a financial sector". Working Paper Series, 2200, ECB). This rule makes short-term interest rates dependent on their past and on euro area GDP and inflation. These variables are estimated using the scenarios published by the ECB in its *March 2026 ECB staff macroeconomic projections for the euro area*, which are rescaled to the sizes envisaged here. It should be noted that this last assumption does not imply any particular monetary policy response by the ECB should these scenarios hypothetically materialise.

IMPACT ON THE BANKING SECTOR OF HYPOTHETICAL ADVERSE OIL PRICE SCENARIOS (cont'd)

Chart 2
Inflation scenariosChart 3
Real GDP growth scenariosChart 4
Unemployment scenariosChart 5
Credit growth scenarios

— Baseline - - - Brent \$145 scenario . . . Brent \$220 scenario

SOURCE: Banco de España.

scenarios is substantial, but smaller than that of the scenarios commonly used in bank stress tests.⁶

Effects on the banking sector

This section analyses how the macroeconomic scenarios associated with different energy price paths would affect the profitability and solvency of Spanish banks

through domestic business and sovereign holdings, with solvency measured using the fully loaded CET1 capital ratio.⁷

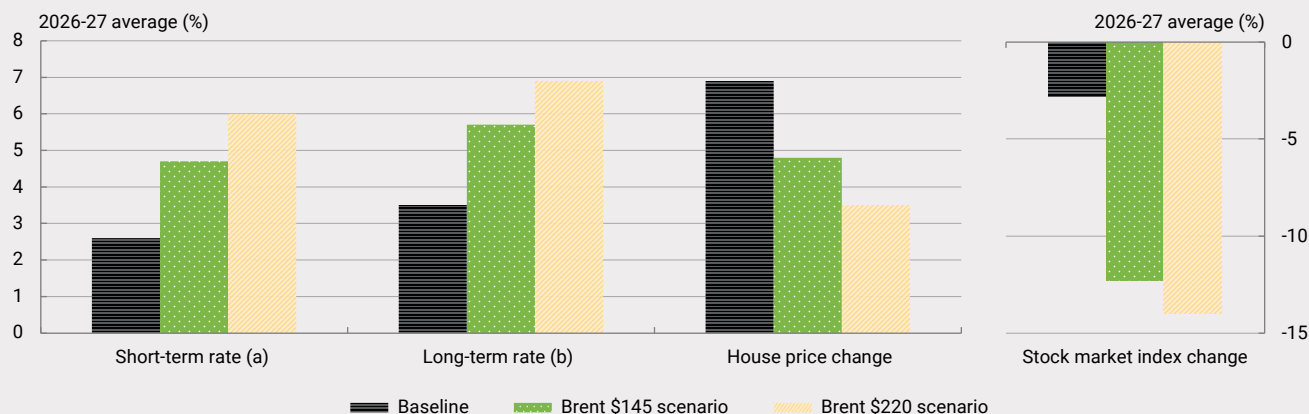
Chart 7 shows that both scenarios have an appreciable negative impact on bank profitability. Compared with the baseline scenario, a broad profit measure – calculated as the sum of the pre-tax profit in Spain and additional

⁶ For example, the gap in terms of average real GDP growth between the baseline scenario and the Brent \$220 scenario – the most severe scenario considered in this box – is 2 pp, whereas the difference with respect to the adverse scenario of the European Banking Authority's EU-wide stress tests amounts to 3.4 pp. For reference and further details, see the latest scenarios used in the Banco de España stress tests set out in [Box 3.2 of the Autumn 2025 FSR](#).

⁷ The term "fully loaded" means the ratio is calculated excluding transitional arrangements.

IMPACT ON THE BANKING SECTOR OF HYPOTHETICAL ADVERSE OIL PRICE SCENARIOS (cont'd)

Chart 6
Interest rate and asset price valuation scenarios



SOURCE: Banco de España.

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

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

variations in the value of Spanish government debt holdings –⁸ would decline by 28% under the Brent \$145 scenario and by 47% under the Brent \$220 scenario. As a percentage of risk-weighted assets (RWAs), this reduction represents a fall of almost 0.7 pp under the Brent \$145 scenario and a larger deterioration, of around 1.1 pp in 2026 and a cumulative 1.3 pp over the entire horizon, under the Brent \$220 scenario.⁹ These results show that energy shocks such as those considered here would materially affect banks' profit-generating capacity, with the impact increasing as scenarios become more severe.

However, despite the impact on profitability, institutions' solvency proves highly resilient, thanks to their ability to absorb the shock through different offsetting mechanisms. Indeed, Chart 8 shows that, by the end of the horizon, the CET1 ratio differences between the adverse scenarios and the baseline scenario are minimal.

All the trajectories start from the level observed at end-2025 (around 13.9%). From then onwards, the CET1 ratio

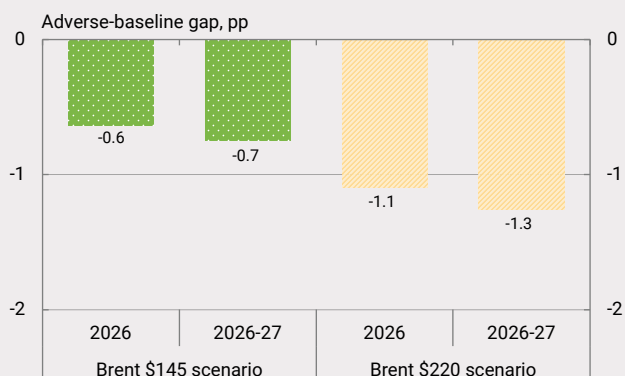
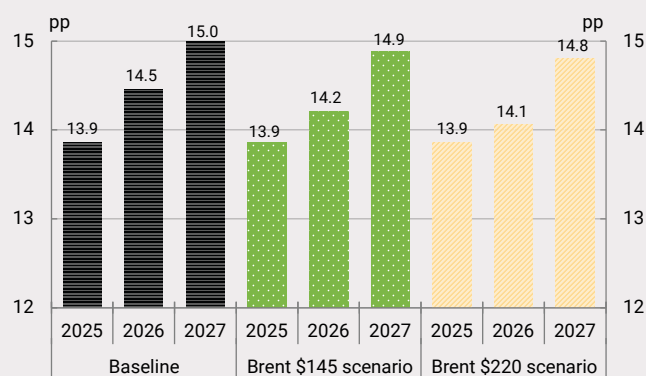
follows an upward path in the baseline scenario up to 2027, while improvements are more moderate under the adverse scenarios. Under the Brent \$145 scenario, the CET1 ratio is 0.3 pp lower than under the baseline scenario in 2026, but this gap narrows towards the end of the horizon. Deviations are more pronounced under the Brent \$220 scenario, reaching around 0.4 pp in 2026, although a partial recovery is also observed towards the end of the horizon, leaving a residual difference of just 0.2 pp.

Chart 9 breaks down the contribution of the different factors that explain the impact of the adverse scenarios on the CET1 ratio. Credit quality deterioration in Spain is the main negative factor (generating losses that reduce pre-tax profit), with substantial impacts: approximately -1 pp of initial RWAs under the Brent \$145 scenario and -1.9 pp of RWAs under the Brent \$220 scenario. The adverse impact of the impairment of sovereign holdings is much more limited, thanks to Spanish banks' strategy of maintaining stable holdings of these assets, which

⁸ Pre-tax profit is defined as the net financial income obtained after subtracting from total revenue all operating and financial expenses and amortisations, excluding only corporate income tax. Under accounting standards, part of the valuation changes of certain assets (e.g. the fall in the value of government bonds when interest rates rise) are recorded in banks' equity through non-profit accounts. These two impacts are therefore added to have a more comprehensive measure of the change in economic value.

⁹ By presenting the impact relative to RWAs, it can be more easily linked to the next steps in the analysis. In 2026-27 profitability relative to total assets falls by 0.4 pp under the Brent \$145 scenario and by 0.7 pp under the Brent \$220 scenario.

IMPACT ON THE BANKING SECTOR OF HYPOTHETICAL ADVERSE OIL PRICE SCENARIOS (cont'd)

Chart 7
Profitability (a)Chart 8
CET1 ratio

SOURCE: Banco de España.

a Defined as the impact on profit before taxes and dividend distributions (considering sovereign losses recorded as other comprehensive income as well as those recorded through the profit and loss account). This amount is shown as a percentage of 2025 RWAs.

allows them to be recorded at amortised cost, meaning that their value is not adjusted based on market price changes.¹⁰

The adverse effects are partially offset through other channels. The improvement in net operating income relative to the baseline scenario, associated with the rise in interest rates, helps increase pre-tax profit and, therefore, the CET1 ratio, with a stronger effect under the more severe scenario. The contraction in bank lending, which reduces RWAs, is an additional offsetting factor, although it comes at the cost of less financing to the real economy. In addition, the net negative impact on pre-tax profit – driven by credit impairment losses outweighing the improvement in net operating income – leads to lower tax payments and reduced profit distribution, as both the tax base and the amount available for distribution shrink. This, in turn, helps mitigate the overall impact on organically generated capital over the horizon. As a result of these offsetting mechanisms, the net impact on the final CET1 ratio is limited, standing at around 0.1 pp under the Brent \$145 scenario and 0.2 pp under the Brent \$220 scenario.

Conclusions

Overall, the simulated scenarios demonstrate the Spanish banking system's significant resilience to sharp and persistent rises in the price of oil and other energy sources. However, the impact on banks' profit-generating capacity is substantial. These results provide information on Spanish banks' ability to withstand very marked deviations from the baseline scenarios, which are plausible but have a very low probability.

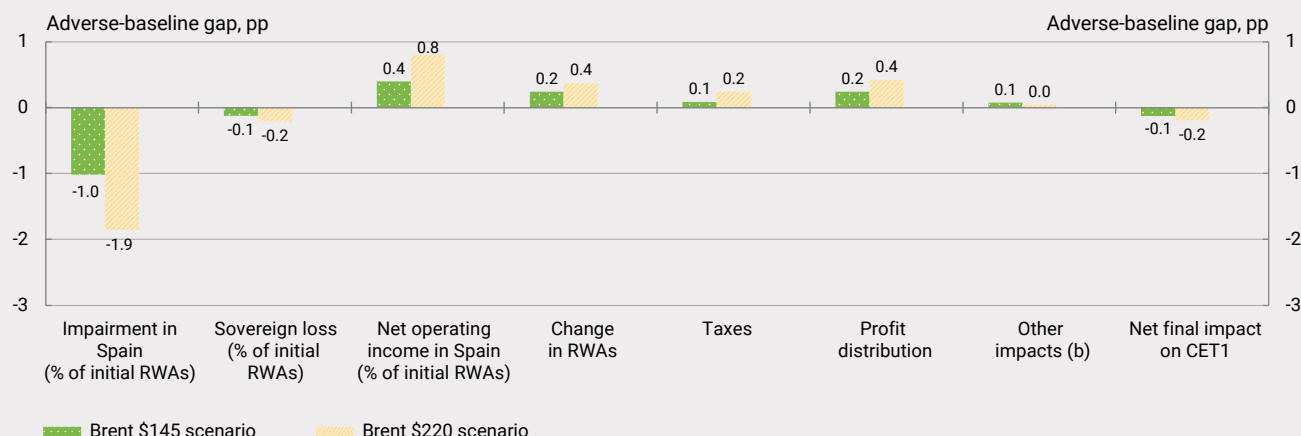
The analyses should be interpreted with caution. First, banks' solvency could be affected through other financial channels (such as business abroad or changes in market liquidity). Moreover, the high degree of uncertainty associated with the current geopolitical context could give rise to macro-financial paths that are significantly different from those considered in this exercise and generate different (very low probability, but plausible) tail scenarios.

The scenarios studied consider a very significant increase in energy prices and measure its effects on the economy using general equilibrium models that capture various

10 The amortised cost is defined as the initial amount of a financial asset or liability, minus principal repayments, plus or minus the portion recognised in profit or loss of any difference between the initial amount and the redemption value at maturity due to changes in the effective interest rate applicable to the contract. Importantly, assets measured at amortised cost are not revalued to reflect changes in their market value.

IMPACT ON THE BANKING SECTOR OF HYPOTHETICAL ADVERSE OIL PRICE SCENARIOS (cont'd)

Chart 9
Net impact on CET1 ratio through different channels (a)



SOURCE: Banco de España.

- a Impacts are defined as changes in the CET1 ratio projected for 2027 and in financial flows projected for 2025-27 (e.g. capital generation) stemming from the difference in macro-financial conditions between the adverse and baseline scenarios in this box.
- b Other consolidated gains and losses, exchange rate effects and loss coverage on ICO-backed loans (guaranteed by the Government).

transmission channels of these price shocks. However, these exercises do not consider all possible relevant macroeconomic effects and transmission channels under extreme scenarios.

For example, in addition to price effects, restrictions on the availability of energy goods or other production inputs could create bottlenecks in global production chains that would magnify the effects on economic activity and inflation. Alternatively, uncertainty about energy supply or

prices could prompt greater financial market corrections or loss of confidence, which would reduce inflationary pressures but could amplify the adverse effects on activity or the financial constraints faced by households and firms. As part of the monitoring of risks to financial stability, the Banco de España will continue to gather and analyse information to enable a proper and up-to-date assessment of the current uncertain environment, in order to characterise the risk scenarios and their impact on the banking sector as comprehensively as possible.

FINANCIAL STABILITY IMPLICATIONS OF TECHNOLOGICAL DISRUPTION IN CYBER SECURITY

Rapid technological innovation is reshaping the cyber risk profile facing the financial system. Advances in artificial intelligence (AI) and other technologies, such as quantum computing, could accelerate the development of tools capable of compromising the security of information systems and result in a qualitative leap in their capabilities. This would require at least a partial reassessment of existing cyber security strategies.

This box reviews the most recent developments in this area, identifies their implications for financial stability and assesses the ability of the banking system and its regulatory and supervisory framework to adapt to and contain the operational risks.

Using AI to exploit software vulnerabilities

Much of the recent attention surrounding this issue is rooted in the emergence of Claude Mythos, an AI model developed by the US company Anthropic and designed for advanced reasoning and programming tasks. According to its developer, the model has demonstrated exceptional capabilities in identifying and chaining together software exploits.¹

Based on information published by Anthropic on its technical website and in the documentation for Claude Mythos, the model has reportedly been capable of identifying a large number of critical zero-day vulnerabilities across a range of software components, some of which had existed undetected for decades.²

The novelty of Claude Mythos in terms of detecting vulnerabilities lies in its ability to do so automatically and then combine them into exploit chains, drastically reducing the time between identification and potential malicious use. Broadly speaking, such vulnerabilities could be exploited to gain unauthorised control of systems, access sensitive information and compromise the integrity and availability of critical services.

Vulnerabilities have been identified in several different software components, including operating systems,

browsers, multimedia applications and libraries. While not necessarily the case, library vulnerabilities could potentially be exploited to forge certificates or decrypt private communications.

It should be stressed, however, that at this stage the available information is limited to Anthropic's own announcements; the capabilities of Claude Mythos have not yet been fully and independently validated and the disclosure may also function, in part, as commercial positioning in a highly competitive market for advanced AI models.

Under adverse scenarios, such technological developments could have negative systemic effects. Faster and larger-scale exploitation of software vulnerabilities could lead to more synchronised and extensive waves of cyber attacks that affect technologies shared by a large part of the financial sector and other sectors. In particular, exploits leveraging vulnerabilities in critical components of payment systems could disrupt or temporarily curtail economic transactions. Given the widespread use of certain technologies (such as operating systems) and the reliance of a great many firms on a small number of critical software and hardware providers, the scenario in which AI attains a high level of capability for use in cyber attacks would heighten the systemic dimension of operational risk.

The case of Claude Mythos should be understood within a broader trend in AI-based model development. Even if this specific model were ultimately not found to be markedly superior to existing alternatives, it would nevertheless represent another step in the steady enhancement of the toolkit available not only to legitimate users, but also to potentially malicious actors. In any case, the likely emergence of multiple tools with advanced capabilities will facilitate their widespread adoption and further extend the systemic relevance of these technological developments.

Against this backdrop, Anthropic has launched Project Glasswing, providing invite-only access to Claude Mythos to a small group of US technology, cyber security, financial and open-source software firms. The aim is to enable the

1 Chaining software exploits means sequentially combining multiple, distinct security flaws to mount an attack with a much greater impact than exploiting any single vulnerability. For example, one exploit may be used to gain initial access to a system, a second to escalate access privileges and a third to exfiltrate data.

2 A zero-day vulnerability is a security flaw in software or hardware that is unknown to the developer and for which no patch or mitigation is available at the time it is exploited by an attacker. The term reflects the fact that developers have "zero days" to address the vulnerability before it can be used for malicious purposes.

FINANCIAL STABILITY IMPLICATIONS OF TECHNOLOGICAL DISRUPTION IN CYBER SECURITY (cont'd)

early development of defensive strategies ahead of any broader commercial release.

While this initiative may help identify and mitigate risks associated with the technology, effective containment of its systemic dimension will require close international coordination. In a global economy with significant cross-border interconnections between firms and institutions, failure to mitigate vulnerabilities across large parts of the network could facilitate attacks that propagate to the global system as a whole. The Financial Stability Board³ could, in particular, serve as one of the forums to facilitate such international coordination.

Given the systemic and global nature of these technologies, it is necessary for firms outside the United States to have access to Project Glasswing or similar initiatives, alongside regular exchanges between the public and private sectors. Where risks are potentially systemic, there must be global mechanisms for analysing and testing new technologies and sharing findings that avoid asymmetries.

It is also important for Europe to develop robust capabilities in these technologies, advancing digital sovereignty, strengthening its own cyber defence capacity and ensuring it plays an active role in designing and implementing global solutions to these risks.

Crucially, the potential use of these technologies to strengthen defence systems and reduce reaction times to vulnerabilities will require banks to adopt more agile decision-making models and creates new uncertainties regarding the technical quality of remediation solutions. Overall, the balance between AI-driven improvements in cyber offence and defence capabilities remains uncertain. Figure 1 summarises the main elements of the publicly available information about Claude Mythos and its implications for operational risk.

Quantum computing and cryptography

Quantum computing may ultimately have even more far-reaching implications for cyber security than AI, although it is at an earlier stage of development and its future path is subject to greater uncertainty. While its practical impact is likely to remain limited in the short term, advances in quantum computing pose significant risks to existing cryptographic standards, which underpin the confidentiality, integrity and authenticity of financial transactions. A future transition to post-quantum cryptography would entail substantial technical and organisational efforts and therefore requires advance planning.

Quantum computing is a computational paradigm that makes use of the principles of quantum mechanics (a field

Figure 1
The Claude Mythos AI model

	What is it?	Why does it matter?
Claude Mythos	- An AI model with advanced capabilities in identifying and exploiting software vulnerabilities - Developed by the US company Anthropic	It could reshape the threat model, accelerating and scaling up the identification and exploitation of vulnerabilities in information systems
Main technological risk	- Increase in the speed, scale and automation of attacks on information systems - Its capabilities are currently uncertain, pending independent and wide-ranging verification	- Current defences may be overwhelmed by the speed and new types of cyber attacks - It could generate more synchronised waves of vulnerability exploits that are difficult to handle using existing systems
Project Glasswing	It offers limited access to Claude Mythos to several US firms to develop defence strategies before a potentially wider commercial release	It gives participating firms a head start to develop defence strategies to address cyber attacks leveraging this technology
Systemic implications	- Increase in cyber incidents in all areas of the economy. - The capabilities of Claude Mythos can be replicated and enhanced by other models	Increase in operational risks across all economic sectors

SOURCE: Banco de España.

³ The Financial Stability Board is an international body established in 2009 that monitors the global financial system and recommends policies to bolster its resilience. It contributes to the global monitoring of vulnerabilities and risks to financial stability and promotes the consistent implementation of standards and coordination of financial stability policy.

FINANCIAL STABILITY IMPLICATIONS OF TECHNOLOGICAL DISRUPTION IN CYBER SECURITY (cont'd)

of physics) to process information, allowing certain problems to be solved far more quickly than would be the case with classical computers.⁴ Much of the security of current cryptography relies on the complexity of specific mathematical problems that are extremely hard to solve for conventional computers, but significantly easier for quantum ones. That said, quantum technologies still face major challenges to large-scale practical deployment, including error correction, decoherence, high energy costs, extreme physical operating conditions and the absence of standardised solutions that can be applied at scale.

Despite these challenges, two articles published in March this year⁵ highlighted the risk that the time frame for the emergence of machines capable of breaking parts of current cryptography may be shorter than previously believed. They suggest that the quantum resources required to attack certain public-key schemes could be substantially lower than previously estimated.⁶ While the risk is not imminent as yet, it has become more credible

and has moved closer from a prudential perspective, underscoring the need for clear understanding of cryptographic inventories, sound governance arrangements and close engagement with service providers. Figure 2 provides an overview of differences in the assessment of operational risks associated with AI and quantum computing.

Financial stability impacts beyond direct operational risk

From a financial stability perspective, the effect of such technological threats on confidence in the financial system is also relevant. At bank level, there is already some evidence that cyber attacks can trigger fund outflows (sudden or gradual) towards banks or investments perceived as more resilient, even when that perception is not objectively warranted.⁷

However, for such events to escalate into a systemic episode of volatile fund flows and, therefore, liquidity

Figure 2

Comparison of technological development and the risk implications of AI and quantum computing

	AI	Quantum computing
Potential impact on cyber security	It could accelerate and automate vulnerability identification and exploitation. It could cut down the delay between discovery and attack, but also improve defences	Disruptive risk for current cryptography. Uncertain future impact, concentrated in systems that have not migrated to post-quantum standards
Maturity	High in general applications. Potentially rapid spread of advanced models with emerging cyber security capabilities	Low/medium. Significant advances in hardware and error correction, but lacking widespread applications outside experimental environments
Additional development periods	Short-term (one to three years). Observable and scalable operational uses	Medium to long term. Potentially high impact, but with an uncertain time frame
Probability of materialising	High. Low barriers to entry, repurposing of existing infrastructures and rapid adoption by legitimate and malicious actors	Medium to low. It depends on technical milestones that are not yet fully established and on sustained investment over time

SOURCE: Banco de España.

4 Advances in quantum computing are part of a broader set of developments in quantum technologies. Other prominent areas of research include quantum communications and cryptography (which could potentially enhance the security of information transmission and encryption), as well as quantum sensing and metrology (which could enable more precise measurement of a wide range of physical phenomena than is possible with current technologies).

5 See Babbush et al. (2026), *Securing Elliptic Curve Cryptocurrencies against Quantum Vulnerabilities: Resource Estimates and Mitigations*, arXiv:2603.28846 and Cain et al. (2026), *Shor's algorithm is possible with as few as 10,000 reconfigurable atomic qubits*, arXiv:2603.28627

6 Public-key (or asymmetric) cryptography uses a pair of mathematically related keys: a public key (freely shared for encryption and verification) and a private key (kept secret for decryption and signing).

7 See A. Kotidis and S. Schreft. (2025). "The Propagation of Cyberattacks through the Financial System: Evidence from an Actual Event". *Journal of Finance*, 80, pp. 3313-3358; and F. Gogolin, I. Lim and F. Vallascas. (2026). "Cyberattacks on Small Banks and the Impact on Local Banking Markets". *Journal of Money, Credit and Banking*, forthcoming. The first study shows that attacks on banks' information and communication technology third-party providers can disrupt payment systems and give rise to liquidity stress, while the second reports that cyber attacks are associated with deposit outflows.

FINANCIAL STABILITY IMPLICATIONS OF TECHNOLOGICAL DISRUPTION IN CYBER SECURITY (cont'd)

stress, misuse of these AI models would need to enable simultaneous, severe and prolonged attacks on multiple banks (or on providers widely used in the financial sector) to undermine confidence in a systemically important number of intermediaries or financial instruments. Such scenarios differ from isolated cyber incidents, which are unlikely to have significant implications for financial stability.⁸

Another channel through which these technologies could affect financial stability is their medium-term impact on the profitability of banks (and other intermediaries), should a scenario of severe and recurrent cyber incidents materialise. First, banks may be obliged to make larger and more frequent investments in cyber security to address these new threats. Second, funding costs could rise for certain products or parties owing to the aforementioned reallocation between banks or financial instruments during episodes of loss of confidence.

On the asset side, a sustained increase in cyber attacks could impair the solvency of the more exposed corporate sectors, with potential repercussions for banks' credit and market risk losses.⁹ In short, by affecting profitability, cyber attacks can weaken the banking system's resilience to other types of shocks.

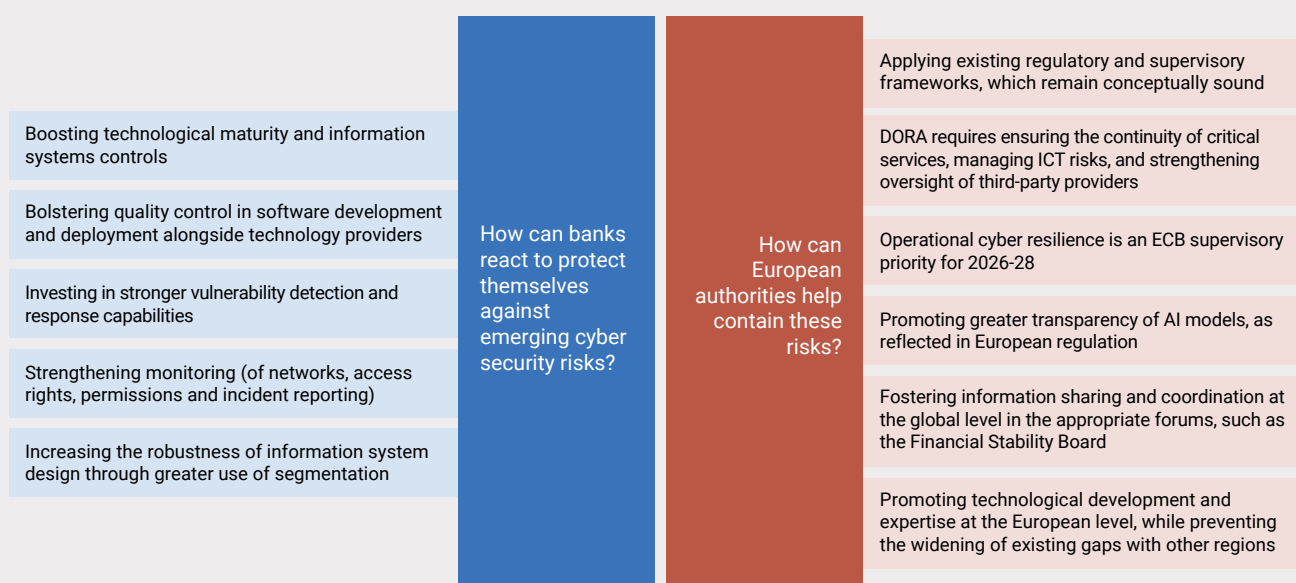
Response capacity of the banking system and the regulatory and supervisory framework

A higher initial exposure to these risks could prompt additional strengthening of banks' cyber resilience and adjustments to the regulatory and supervisory framework, thereby helping to preserve public confidence in the banking system as a whole.¹⁰

The risk scenarios associated with these technologies underline the need for technological maturity and robust

Figure 3

Capacity of banks and the supervisory and regulatory system to respond to emerging risks



SOURCE: Banco de España.

⁸ For a broader discussion of the potential for cyber attacks to develop into a financial stability crisis, see [Section 5.4](#) of the Financial Stability Report. Spring 2025.

⁹ See R. Jamilow, H. Rey, and A. Tahoun. (2025). "The Anatomy of Cyber Risk". NBER Working Paper 28906. P. Akey, S. Lewellen, I. Liskovich, C. Schiller. (2026). "Hacking Corporate Reputations". The Review of Finance (forthcoming). These studies show that greater corporate exposure to cyber attacks is associated with lower profitability.

¹⁰ In particular, the adoption of supervisory measures aimed at ensuring minimum standards could encourage banks to invest in cyber security. See T. Ahnert, M. Brolley, D. Cimon and R. Riordan (2024), "Cyber Risk and Security Investment"; S. Kokas, F. Vallascas and N. Rowe (2026), "Digitalization in Banking: Evidence from the New York Cybersecurity Regulation"; and K. Anand, C. Duley and P. Gai. (2026), "Cybersecurity and Financial Stability". The Review of Finance (forthcoming).

controls in banks' information systems. As a first line of defence, banks could bolster quality control in the development and deployment of new software solutions, working closely with their technology providers (e.g. through more intensive testing prior to deployment) to limit exploitable vulnerabilities.

In addition, investments should be made in enhancing responsiveness to vulnerabilities, shortening remediation times and improving detection capacity. Better monitoring of network activity, permission and access control systems and cyber incident reporting would all be useful for this purpose.¹¹ As already noted, advances in AI technology can also be harnessed for this purpose, for example, to harden information systems by identifying vulnerabilities when they are in the design phase.

In the face of these technological challenges, existing regulatory and supervisory frameworks remain conceptually sound and already contain the core controls needed to mitigate the risk arising from these developments. For instance, the Digital Operational Resilience Act (DORA), in force since January 2025, sets out key requirements for security policies, regular testing and managing technological and third-party risks, such as information and communication technology (ICT) third-party service providers.

On the supervisory side, ECB Banking Supervision has placed operational cyber resilience at the centre of its supervisory priorities for the 2026-28 cycle¹² and has expanded direct oversight to critical ICT providers. This framework is complemented by advanced testing exercises, such as threat-led penetration testing, which assess the ability of the largest banks to detect, respond to and recover from sophisticated cyber attacks, thereby strengthening the operational resilience of the financial system as a whole.

Notwithstanding these strengths, existing frameworks were designed under different assumptions regarding the speed, automation and scale of attackers. The challenge is not to create entirely new regimes, but to update assumptions, scenarios and practices, enhancing testing approaches, response plans and governance mechanisms that allow for

agile decision-making in high-uncertainty environments. In threat-led penetration testing exercises, for example, it is essential to ensure that testing providers have sufficient technical capabilities to emulate the most sophisticated attacks, including those using models such as Claude Mythos.

Paradoxically, despite the rapid evolution of these AI models, transparency standards among leading providers of these technologies, such as large language models (LLMs),¹³ are not improving. The Foundation Model Transparency Index, compiled by researchers from Stanford, Princeton and MIT, shows that LLMs comply, on average, with fewer than half of the transparency requirements. The overall score stands at 41% and, notably, represents a 17-point slide relative to 2024, with transparency effectively falling back to 2023 levels.¹⁴ This clearly suboptimal outcome highlights the need for progress in this area. Transparency is a cornerstone of the European Union's AI Act and delays in its implementation are not helping to raise standards.

Conclusions

Alarmist interpretations of the potential impact of cyber risks on financial stability should be avoided. There is no evidence of an immediate systemic threat stemming from AI models such as Mythos or from advances in quantum computing. Experience nevertheless shows that technological advances tend to proliferate rapidly. This creates a limited window for preparedness against cyber risks, during which it is essential to enhance technical capabilities, improve coordination among banks, supervisors and providers, and invest in specialised talent. International coordination is particularly critical during this preparatory stage to bolster global resilience and prevent attacks that initially affect less-prepared parties from spreading through interconnections.

Ultimately, in an environment of accelerated technological disruption, the financial system's cyber resilience will depend above all on the speed of detection, remediation and coordination, as well as on the robustness of governance arrangements and the anticipation of emerging risks.

¹¹ Cyber incidents are events that affect the confidentiality, integrity, availability or authenticity of information systems as a consequence of technical failure, human error or malicious activity.

¹² See, for example, ECB (2026) "Upgrading banks' capacity to deal with digital risks", Contribution by Anneli Tuominen, Member of the Supervisory Board of the ECB, for Eurofi Magazine.

¹³ LLMs are trained on large text corpora, which enables them to understand and generate natural language.

¹⁴ See, for reference, the Foundational Model Transparency Index,

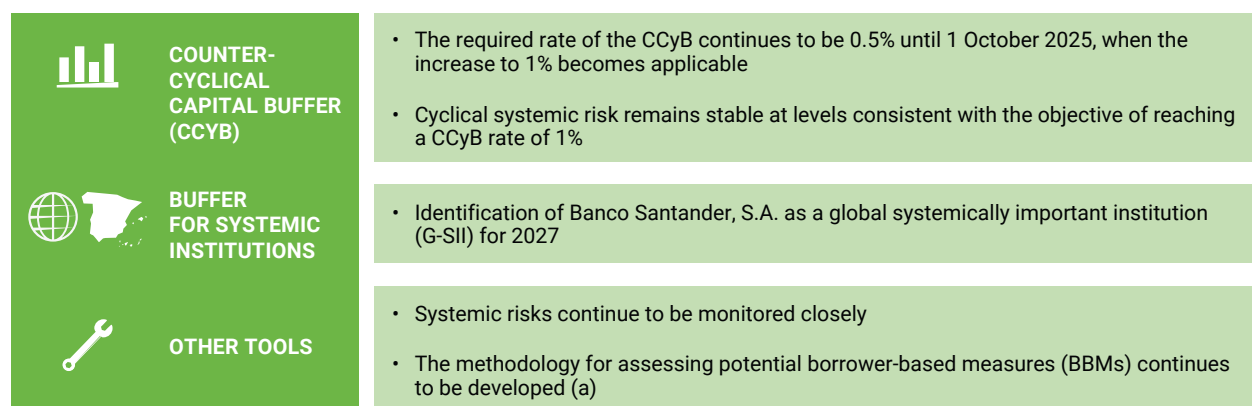
6

MACROPRUDENTIAL POLICY

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.

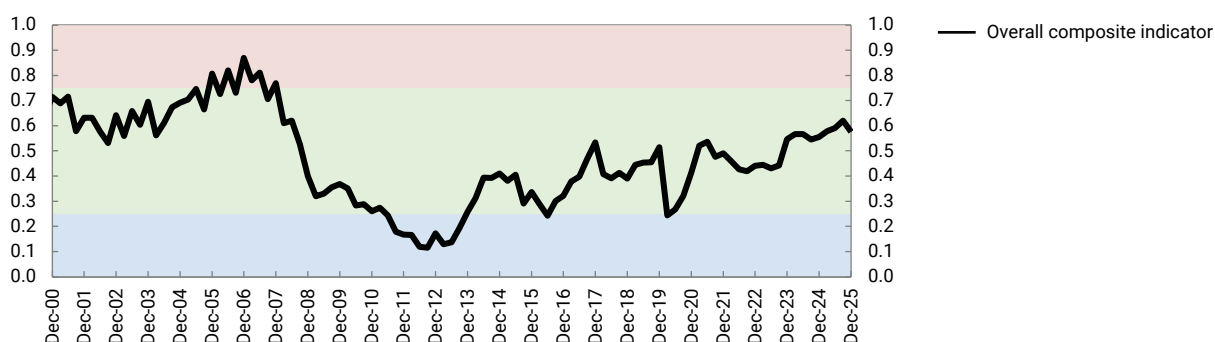
The stability of cyclical systemic risks at an intermediate level warrants the increase of the CCyB rate to 1%. The activation of the CCyB at this level was approved on 1 October 2025 and

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.

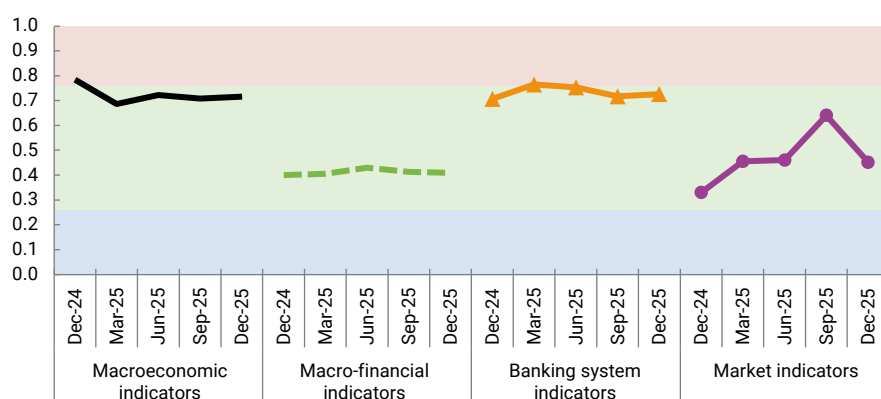
Chart 6.1

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

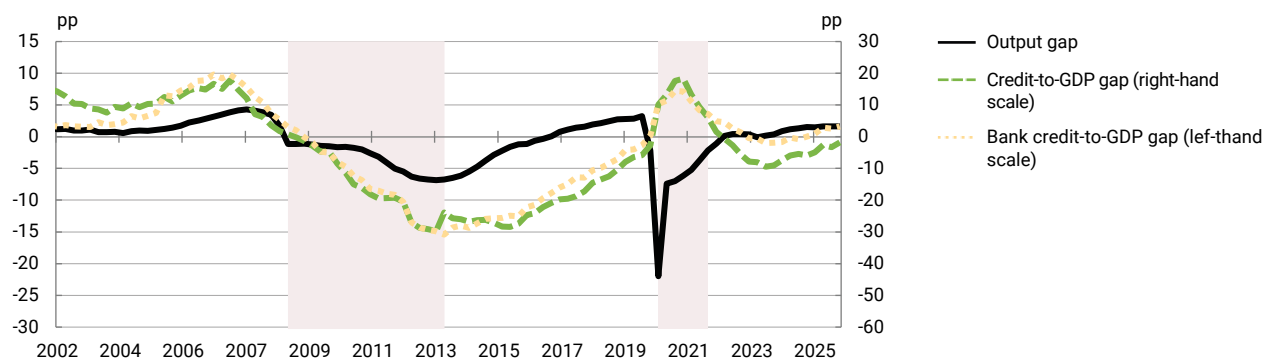
6.1.a Overall composite indicator (a)



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.

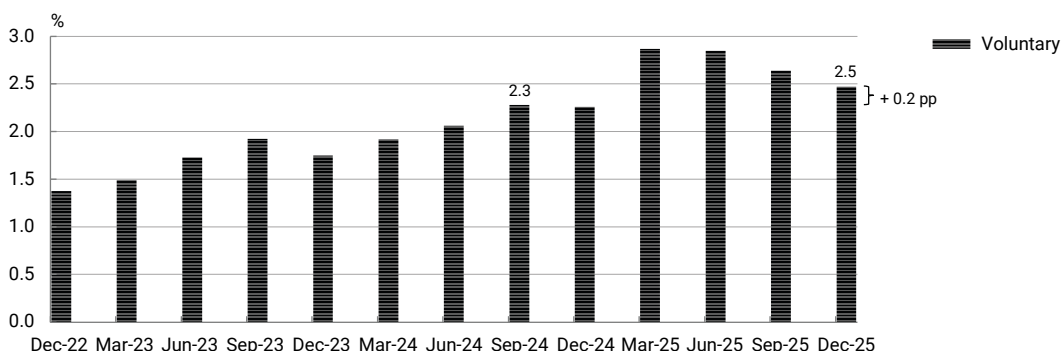
- a** The indicators are defined on a scale of 0 to 1 based on the percentile at which various metrics stand relative to their historical distribution. The blue, green and pink shaded areas indicate, respectively, a low, standard and high level signal of cyclical systemic risks.
- b** See note A2.6.1.1 of Annex 2.



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

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.

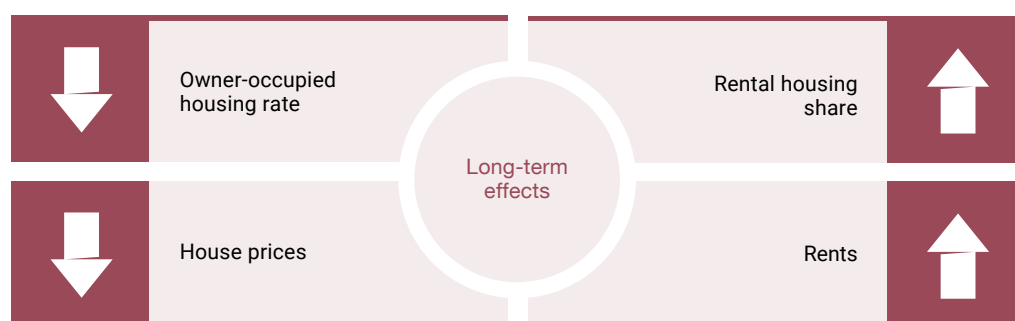
14 See Adrián Carro. (2023). "Taming the housing roller coaster: The impact of macroprudential policy on the house price cycle", *Journal of Economic Dynamics and Control*, 156(104753).

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)

YOUNG		MIDDLE-AGED AND OLDER	
Consumption	↓	Consumption	↑
Saving	↑	Mortgage debt and expenses	↓
Rental costs	↑	House prices	↓

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.

Annex 1 CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

Table A1.1

Consolidated balance sheet. Deposit institutions

Assets	Dec-25 (€m)	Change Dec-25/Dec-24 (%)	% of total assets Dec-24 (%)	% of total assets Dec-25 (%)
Cash and balances at central banks	365,673	-11.3	9.6	8.1
Loans and advances to credit institutions	345,327	6.9	7.5	7.7
General government	121,302	13.8	2.5	2.7
Other private sectors	2,443,504	2.0	55.7	54.3
Debt securities	711,260	8.5	15.3	15.8
Other equity instruments	53,538	25.0	1.0	1.2
Investments	20,446	-1.2	0.5	0.5
Derivatives	120,596	-10.6	3.1	2.7
Tangible assets	51,087	-10.1	1.3	1.1
Other	269,473	79.3	3.5	6.0
TOTAL ASSETS	4,502,207	4.7	100.0	100.0
MEMORANDUM ITEMS				
Financing to private sector	2,513,635	2.0	57.3	55.8
Financing to general government	711,870	10.0	15.1	15.8
Total NPLs	76,904	-5.6	1.9	1.7
Total NPL ratio	2.0	-19 (b)		

Liabilities and equity	Dec-25 (€m)	Change Dec-25/Dec-24 (%)	% of total assets Dec-24 (%)	% of total assets Dec-25 (%)
Balances from central banks	55,542	-7.1	1.4	
Deposits from credit institutions	342,579	4.0	7.7	7.6
General government	222,728	26.8	4.1	4.9
Other private sectors	2,627,067	0.9	60.6	58.4
Marketable debt securities and subordinated debt	520,203	0.1	12.1	11.6
Derivatives	106,551	-10.9	2.8	2.4
Provisions (including for pensions)	20,561	-4.8	0.5	0.5
Other	308,189	67.8	4.3	6.8
TOTAL LIABILITIES	4,203,421	4.7	93.4	93.4
MEMORANDUM ITEMS				
Eurosystem net lending (a)	9	-91.3	0.0	0.0
Own funds	341,216	4.3	7.6	7.6
Minority interests	14,054	7.2	0.3	0.3
Valuation adjustments	-56,484	4.0	-1.3	-1.3
TOTAL EQUITY	298,786	4.5	6.6	6.6
TOTAL LIABILITIES AND EQUITY	4,502,207	4.7	100.0	100.0

SOURCE: Banco de España.

a Difference between funds received in liquidity-providing operations and funds delivered in liquidity-absorbing operations. December 2025 data.

b Difference calculated in basis points.

Table A1.2

Consolidated income statement. Deposit institutions (a)

	Dec-25		Dec-24	Dec-25
	€m	Change Dec-25/Dec-24	% ATA	% ATA
Interest income	210,985	-10.4	5.57	4.79
Interest expense	112,856	-13.9	3.10	2.56
Net interest income	98,130	-6.0 (-1.9)	2.47	2.23
Return on equity instruments	1,396	2.6	0.03	0.03
Net financial income	99,525	-5.9 (-1.9)	2.50	2.26
Net fees and commissions	34,687	3.2 (5.6)	0.79	0.79
Gains and losses on financial assets and liabilities	5,521	-19.7 (-18.4)	0.16	0.13
Other operating income (net)	-1,226	—	-0.11	-0.03
Gross income	138,508	-2.1 (1.4)	3.35	3.15
Operating expenses	61,581	-2.0 (1.0)	1.49	1.40
Net operating income	76,927	-2.2 (1.8)	1.86	1.75
Impairment losses on financial assets	21,647	0.8 (2.6)	0.51	0.49
Other provisioning expense (net)	4,058	-28.0	0.13	0.09
Other gains or losses (net)	6,455	119.7	0.07	0.15
Profit before tax (including discontinued operations)	57,677	5.8	1.29	1.31
Net profit	41,931	6.3	0.93	0.95
MEMORANDUM ITEM				
Profit attributable to the controlling entity	39,904	5.8	0.89	0.91

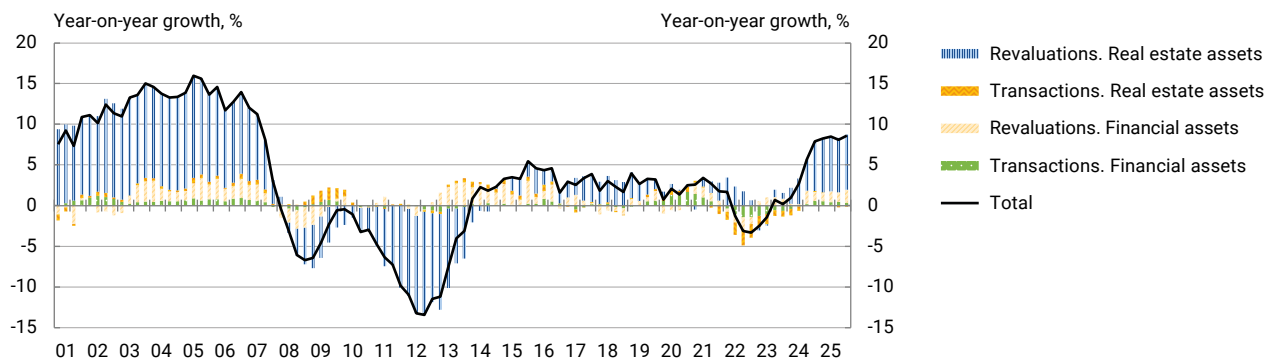
SOURCE: Banco de España.

a 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. Under IFRS 5, the institutions classified the businesses concerned as “non-current assets/liabilities held for sale” and their results were recorded under a single heading in the consolidated income statement (“Profit or loss from discontinued operations (net)”), therefore excluding them from the heading-by-heading breakdown of the continuing operations. For analytical purposes, the year-on-year change was included in brackets in the second column for the main variables for which information is available, after adding the amounts from these subsidiaries’ activity in 2025 to the amounts for December 2025.

A2.2.1 Households

Chart A2.2.1.1

Real gross household wealth in Spain (a)

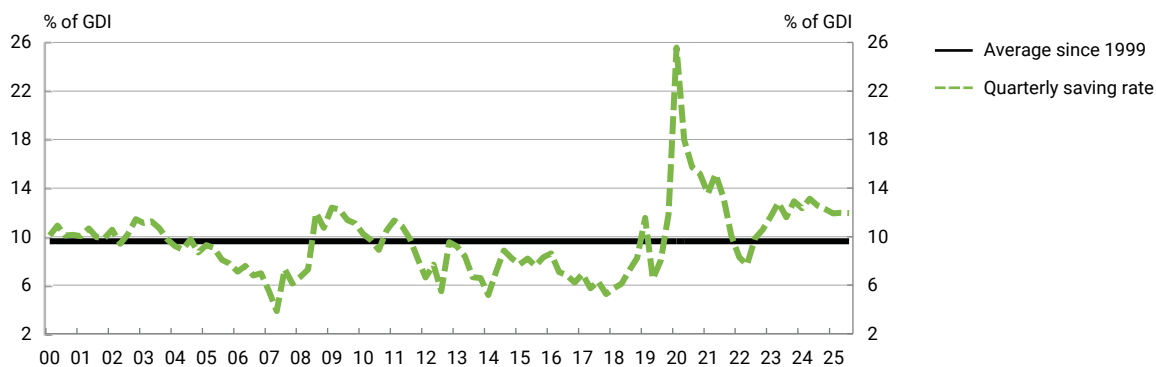


SOURCES: INE and Banco de España. Latest observation: 2025 Q4.

a The wealth metric used is gross (value of all assets without deducting liabilities) and the data are deflated with the consumption deflator. The transaction series reflect changes in household wealth due to these transactions (for example, purchases and sales of assets), while the revaluation series reflect changes in the value of households' asset holdings.

Chart A2.2.1.2

Household saving rate in Spain (a)

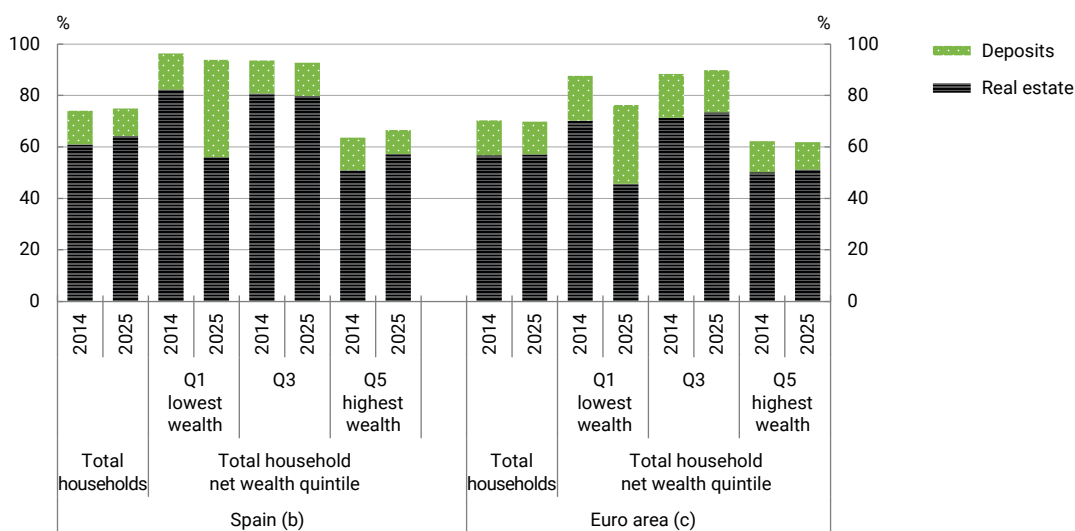


SOURCES: INE and Banco de España. Latest observation: 2025 Q4.

a Quarterly data seasonally adjusted.

Chart A2.2.1.3

Share of deposits and real estate assets in household wealth. Spain and euro area (a)

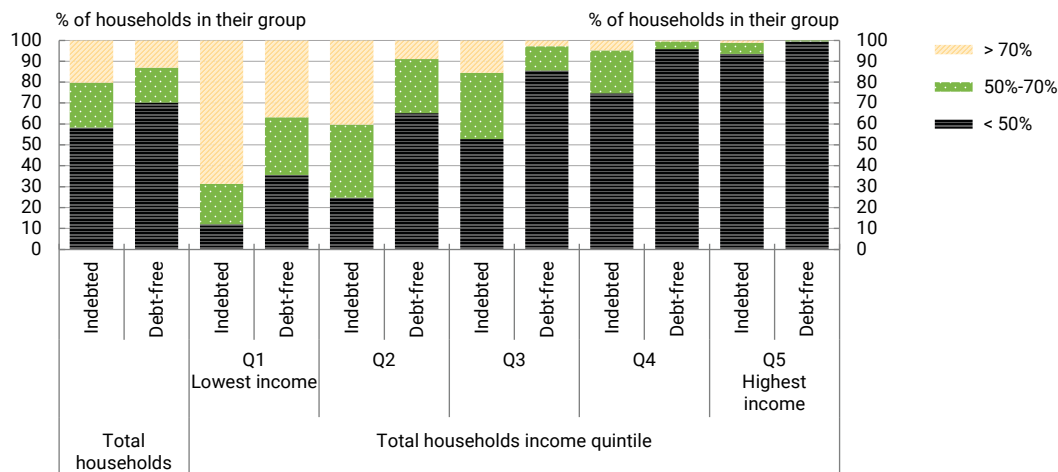


SOURCES: ECB and Banco de España. Latest observation: 2025 Q3.

a, b, c Note A2.2.1.6.

Chart A2.2.1.4

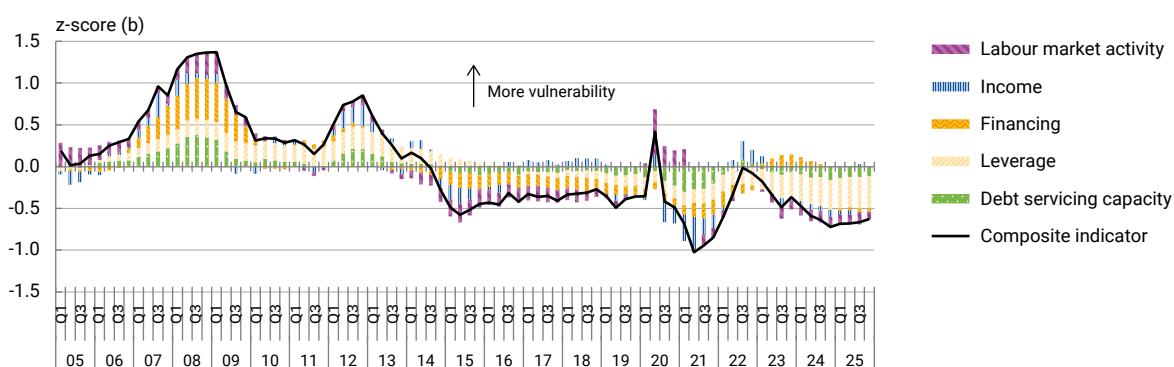
Households by range of ratio of essential expenses to gross income. Breakdown by indebtedness and income quintile. Average 2014-24 (a)



SOURCE: Banco de España (Spanish Survey of Household Finances). Latest observation: 2024.

a Essential expenses include debt servicing, food and utility bills and rental of the main residence.

Chart A2.2.1.5

Composite indicator of aggregate household financial vulnerability (a)

SOURCES: European Commission, INE and Banco de España.

- a** Positive (negative) values indicate higher (lower) financial vulnerability than the average for the reference period (2005-2025 Q4). The sub-components of the index are: i) labour market activity: calculated based on the labour force participation rate and unemployment expectations; ii) income: calculated based on households' real income growth and the income-to-GDP ratio; iii) financing: calculated based on the interest rate on households' outstanding stock of bank loans and the credit impulse, measured as the annual change in net credit flows as a share of GDP. The credit impulse captures the positive impact that financing flows to the non-financial private sector have on economic activity, meaning a positive value helps to reduce vulnerability; iv) leverage: calculated based on households' gross debt-to-income and gross debt-to-total assets ratios; and v) debt servicing capacity: calculated based on the gross interest payments-to-income ratio, the saving rate and households' expectations regarding their personal financial situation over the next 12 months. For more details on the composition of the indicator, see [Box 2 of the Report on the financial situation of households and firms. Second half of 2024](#).
- b** At each date, the z-score shows the number of standard deviations (above or below) between the indicator and the mean for the period 2005-2025 Q4 in full.

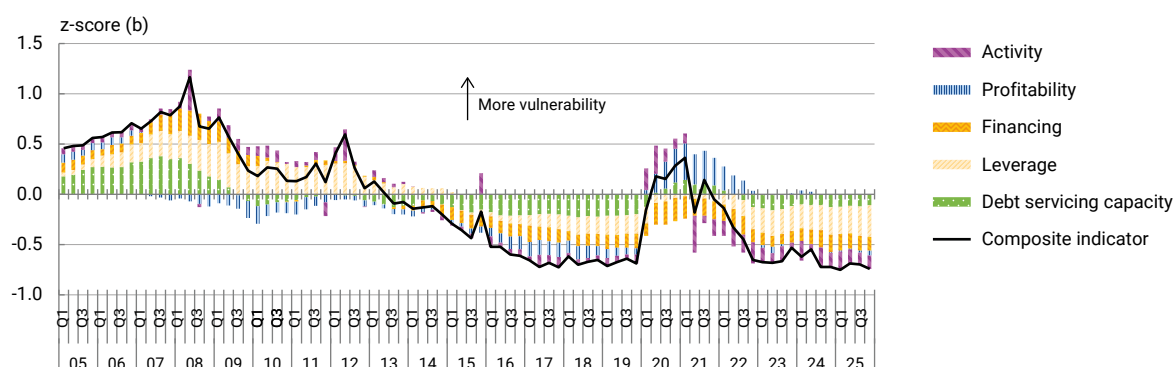
Note A2.2.1.6 (relates to Table 2.1 in Section 2.1 and Chart A2.2.1.3)

- a** The information is drawn from the Distributional Wealth Accounts (DWA), which combine household survey micro data with macroeconomic data from the National Accounts to analyse how wealth and debt are distributed across different population groups, according to their level of net wealth. It accounts for around 85% of financial wealth (cash, debts receivable, pension plans and other insurance not included in the statistics) and 95% of households' real estate wealth according to the financial accounts. The 2014 figure refers to year-end, while the 2025 figure corresponds to the end of the third quarter.
- b** In 2025 Q3 the first quintile (20% of households with the lowest net wealth) accounted for 0.3% of total net wealth; the second, third and fourth quintiles accounted for 4%, 9% and 17%, respectively, of total net wealth and, lastly, the fifth quintile accounted for 69% of total net wealth.
- c** In 2025 Q3 the net wealth of the first quintile (20% of households with the lowest net wealth) was slightly negative; the second, third and fourth quintiles accounted for 2%, 8% and 17%, respectively, of total net wealth and, lastly, the fifth quintile accounted for 73% of total net wealth.
- d** Only includes loans (sole proprietors' trade debt is excluded).

A2.2.2 Non-financial corporations

Chart A2.2.2.1

Composite indicator of firms' vulnerability (a)



SOURCES: European Commission, INE and Banco de España.

- a Positive (negative) values indicate higher (lower) financial vulnerability than the average for the reference period (2005-2025 Q4). The sub-components of the index are: i) business activity: calculated based on sales growth, the trade creditors ratio and change in accounts receivable turnover; ii) profitability: calculated based on ROA, profit margin and the market-to-book value ratio; iii) financing: calculated based on the short-term debt to long-term debt ratio, the quick ratio, overall cost of debt financing and credit impulse, calculated as the annual change in the ratio of net credit flow to GDP. The credit impulse captures the positive effect of financing flows to the non-financial private sector on economic activity, with a positive value contributing to lower vulnerability; iv) leverage: calculated based on the debt-to-equity ratio, the net debt-to-earnings before interest, taxes and depreciation ratio, and the gross debt-to-income ratio; and v) debt service capacity: calculated based on the interest coverage ratio, corporate savings and revenue generation. For more details on the composition of the indicator, see Sándor Gardó, Benjamin Klaus, Mika Tujula and Jonas Wendelborn. (2020). "Box 1. Assessing corporate vulnerabilities in the euro area". In European Central Bank. *Financial Stability Review*.
- b The z-score shows at each date the number of standard deviations (up or down) between the indicator and the mean for the period 2005-2025 Q4 in full.

A2.2.3 General government

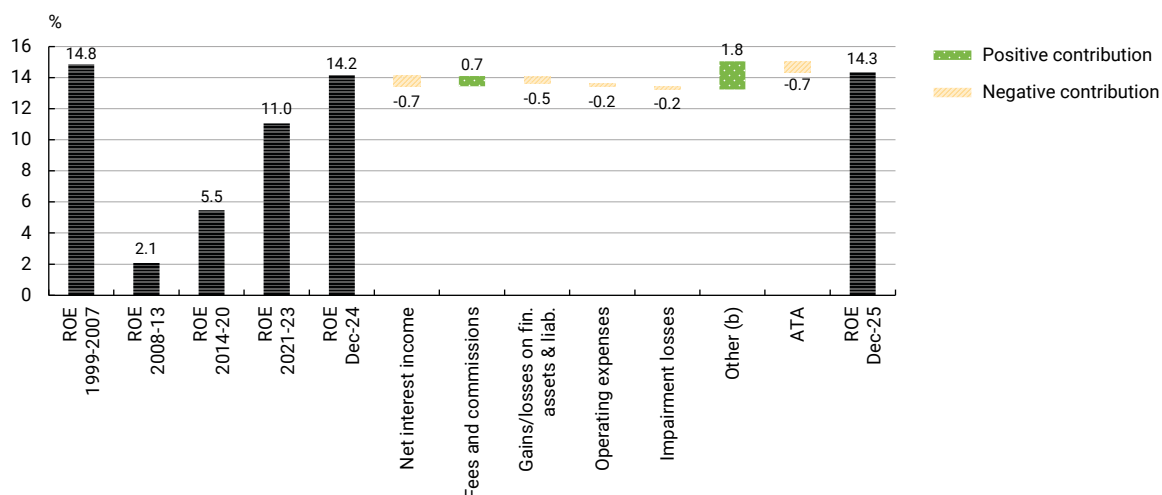
A2.3.1 Banking sector

A2.3.1.1 Profitability

Note A2.3.1.1.1 (relates to Chart 3.1 in Section 3.1.1)

- a The green (yellow) bars denote a positive (negative) contribution of the corresponding item to the change in average ROA at December 2025 compared with December 2024. The averages of the previous periods (1999 to 2023) are calculated as the average annual ROA of each period. The data in each of the different income items include in December 2025 the amounts of the business affected by the sale of two subsidiaries abroad by two significant institutions (they are not grouped together under a single heading of profit or loss from discontinued operations). Consequently, the comparison of ROA components between the two periods is not distorted.
- b "Other" includes dividend income, share of profit or loss of institutions accounted for using the equity method, other operating income, provisioning expense (other than for impairment losses), taxes and other income.

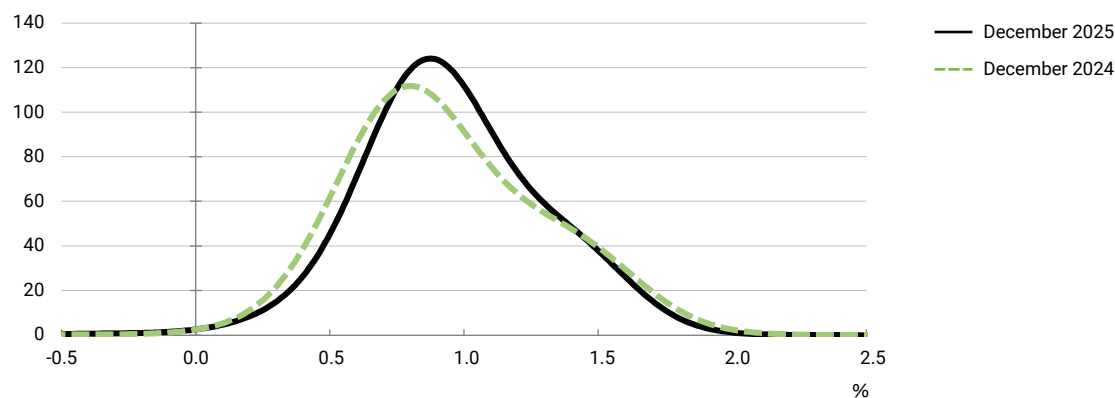
Chart A2.3.1.1.2

Breakdown of change in ROE. Consolidated data (a)

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

- a** The green (yellow) colour of the bars denotes a positive (negative) contribution of the corresponding item to the change in ROE at December 2025 compared with December 2024. The averages of the previous periods (1999 to 2023) are calculated as the average annual ROE of each period. The data in each of the different income items include in December 2025 the amounts of the business affected by the sale of two subsidiaries abroad by two significant institutions (they are not grouped together under a single heading of profit or loss from discontinued operations). Consequently, the comparison of ROE components between the two periods is not distorted.
- b** "Other" includes dividend income, share of profit or loss of institutions accounted for using the equity method, other operating income, provisioning expense (other than for impairment losses), tax and other income.

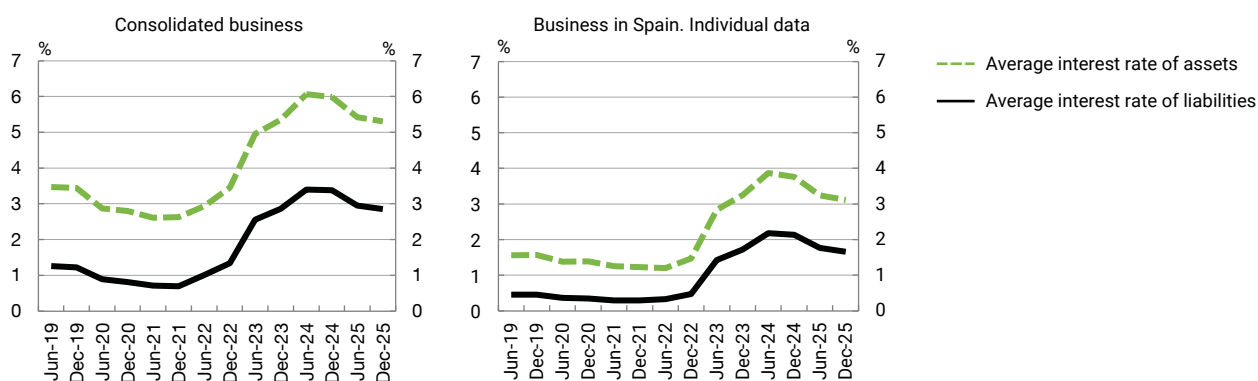
Chart A2.3.1.1.3

Distribution of ROA by bank. Consolidated data (a)

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

- a** The chart shows ROA density for Spanish banks (weighted by consolidated average total assets). The density function is estimated using a kernel estimator which enables a non-parametric estimate of the density function, yielding a continuous and smoothed graphical representation of that function.

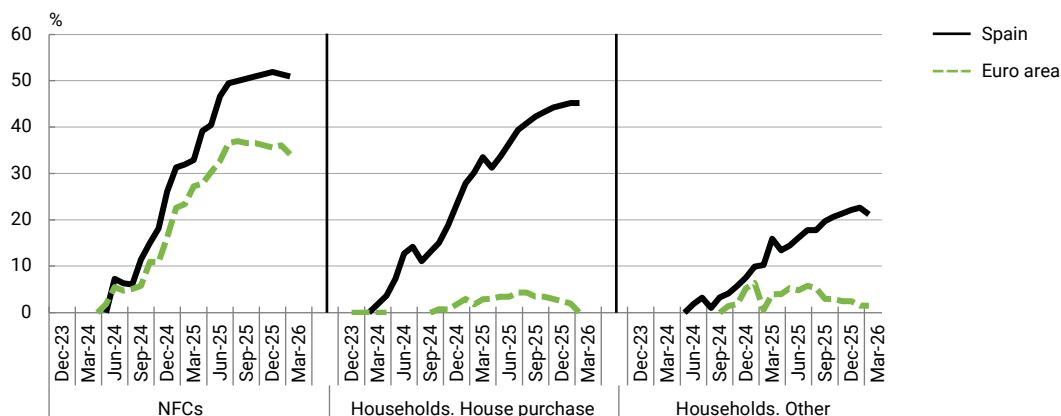
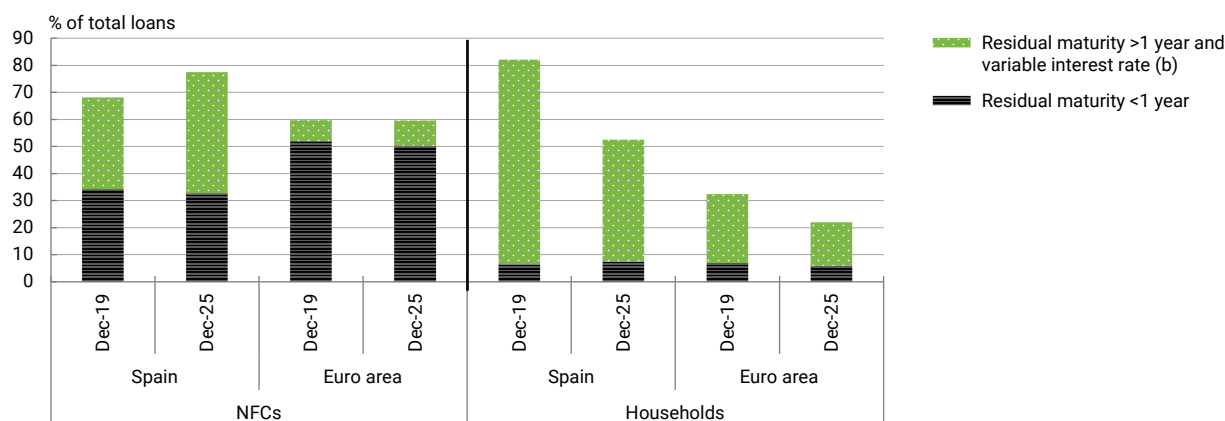
Chart A2.3.1.1.4

Average interest rates of financial assets and liabilities (a)

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

a The average interest rate of financial assets is calculated as the ratio of interest income to earning financial assets, whereas the average interest rate of financial liabilities is calculated as the ratio of interest expenses to interest-bearing financial liabilities. Note that the denominator of the average interest rate of liabilities in this chart is interest-bearing financial liabilities (unlike Chart 3.12 where the denominator is total liabilities). The data include the amounts of the business affected by the sale of two subsidiaries abroad by two significant institutions.

Chart A2.3.1.1.5

Cumulative pass-through rate of changes in the EURIBOR to interest rates on loans and share of short-term and variable-rate loans**A2.3.1.1.5.a Cumulative pass-through rate of the fall in the EURIBOR to the average interest rate on loans to firms and households by Spanish banks and banks in the euro area in their domestic business (a)****A2.3.1.1.5.b Share of short term and variable interest rate loans to firms and households by Spanish and euro area banks in their domestic business**

SOURCE: ECB. Latest observation: February 2026 for panel a and December 2025 for panel b.

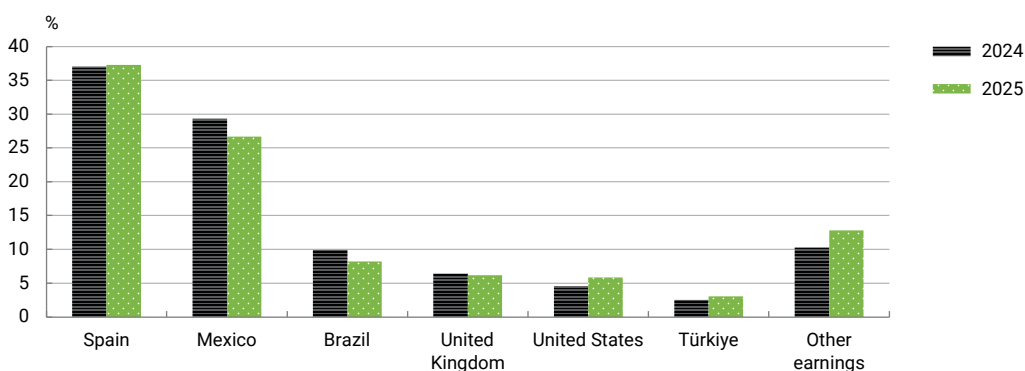
- a** At each date, the pass-through is defined (in percentage points) as the ratio of the cumulative change in the average interest rate on the overall loan portfolio since the date on which it began to decline (between December 2023 and September 2024, depending on the portfolio and the geographical area) to the maximum change in the 12-month EURIBOR from the beginning of the downward cycle (October 2023) 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.
- b** Loans with an interest rate reset period of up to 12 months and original and residual maturities of over one year.

Note A2.3.1.1.6 (relates to Chart 3.2 in Section 3.1.1)

- a** Interest expenses for each portfolio are estimated by applying the average financial cost by unit of assets to the corresponding investment. Once these expenses have been estimated for each portfolio, the price, quantity and mixed effects are estimated in the standard way, assuming that each portfolio's funding amount is equal to its investment. Thus, the price effect is calculated as the product of the change in the net interest margin and the investment held constant at the initial period's values, while the quantity effect is calculated as the product of the change in the investment and the net interest margin held constant at the initial period's values. The mixed effect is a residual calculated as the difference between the total change and the sum of the price and quantity effects. The figures include an estimate of the amounts of the business affected by the sale of two subsidiaries abroad by two significant institutions. Consequently, the breakdown of the change in net interest income by portfolio between the two periods is not distorted.
- b** The "Financial sector loans" portfolio includes loans to credit institutions and loans to other financial corporations.
- c** The "Other" portfolio includes loans and cash balances at central banks, loans to general government, derivatives and other earning financial assets.

Gráfico A2.3.1.1.7

Weight by country of ordinary profit or loss attributable to the parent of the three banks with the most significant international activity (a). Consolidated data

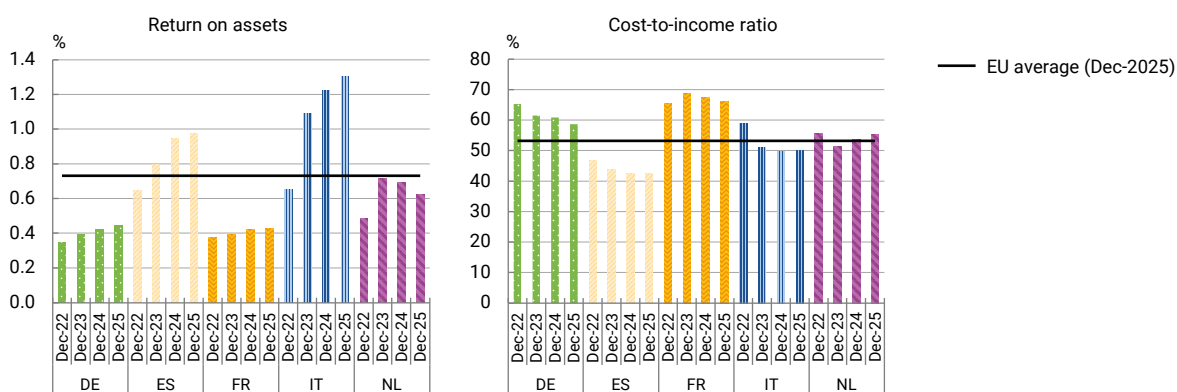


SOURCE: Banks' financial reports. Latest observation: December 2025.

a This group includes the three banks with the most significant and longest-standing international activity. Earnings are measured excluding non-recurring items. "Other earnings" include earnings in other countries and those of the banks' corporate centres.

Chart A2.3.1.1.8

European comparison of the return on assets and the cost-to-income ratio. Consolidated data



SOURCE: EBA. Latest observation: December 2025.

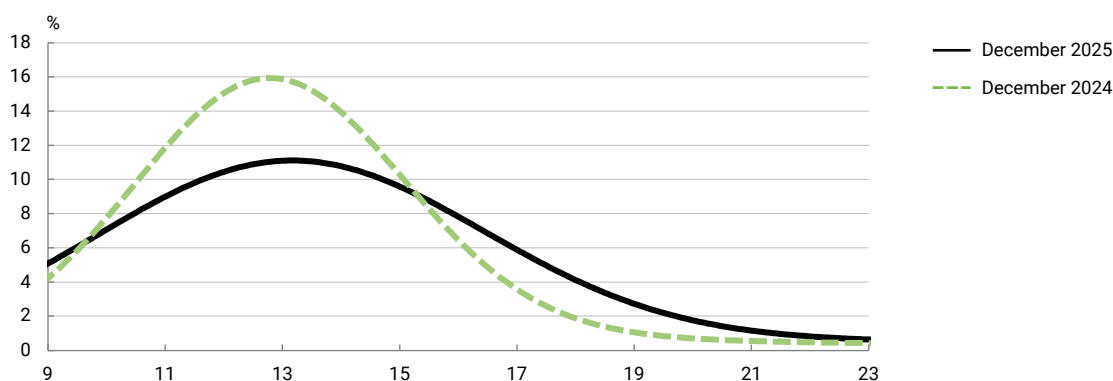
A2.3.1.2 Solvency

Note A2.3.1.2.1 (relates to Chart 3.5 in Section 3.1.2)

- a The CET1 ratio is calculated as the ratio of CET1 to RWAs. CET1 is broken down into its main components. Equity instruments include share buybacks and other changes in equity instruments eligible as CET1. Other CET1 components include, among other items, gains accumulated in previous years, minority interests and adjustments to CET1 stemming from prudential filters. RWAs can be calculated as the product of total assets and density, where density is calculated as the ratio of RWAs to total assets. Thus, in the chart, the change in the CET1 ratio is broken down into the change in the main components of CET1, in total assets and in density. There is a residual mixed effect stemming from the breakdown that is allocated proportionately to the absolute value of the changes in the factors depicted. The green (yellow) bars denote positive (negative) contributions from components.
- b The Basel III capital requirements were introduced in 2014 and the information about the CET1 ratio became available for the first time that year.

Chart A2.3.1.2.2

Distribution by bank of the CET1 ratio. Consolidated data (a)

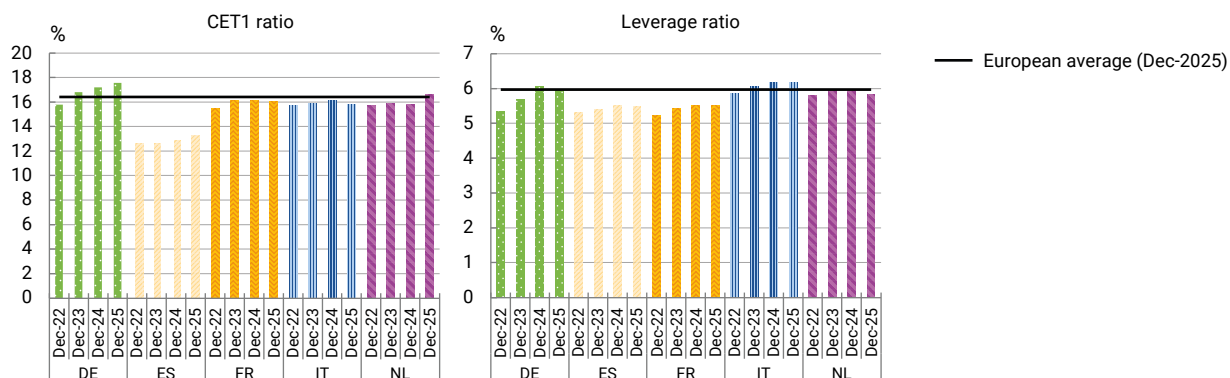


SOURCE: Banco de España. Latest observation: December 2025.

- a The chart shows the density of the CET1 ratio for Spanish banks (weighted by total consolidated assets). The density function is estimated using a kernel estimator, which provides a non-parametric estimate, yielding a continuous, smoothed graphical representation of the function.

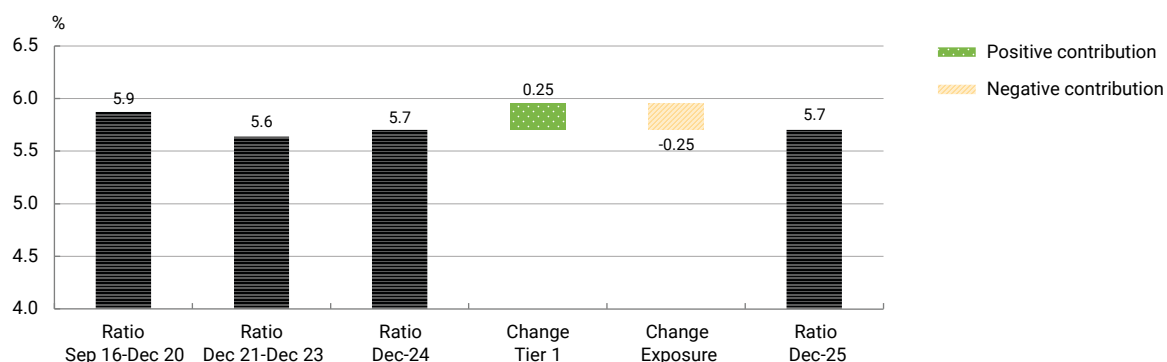
Chart A2.3.1.2.3

European comparison of the CET1 and leverage ratios. Consolidated data



SOURCE: EBA. Latest observation: December 2025.

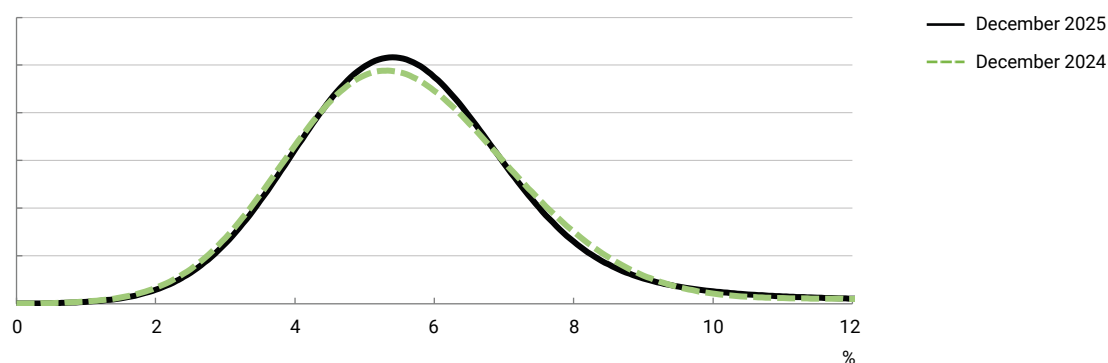
Chart A2.3.1.2.4

Breakdown of the change in the leverage ratio. Consolidated data (a)

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

a The leverage ratio is calculated as the ratio of Tier 1 capital to total exposure. In the chart, the change in the leverage ratio is broken down into the change in Tier 1 capital and total exposure. There is a residual mixed effect stemming from the breakdown that is allocated proportionately to the absolute value of the changes in the factors depicted. The green (yellow) colour of the bars denotes positive (negative) contributions from components. Reporting of the leverage ratio began in September 2016.

Chart A2.3.1.2.5

Distribution by bank of the leverage ratio. Consolidated data (a)

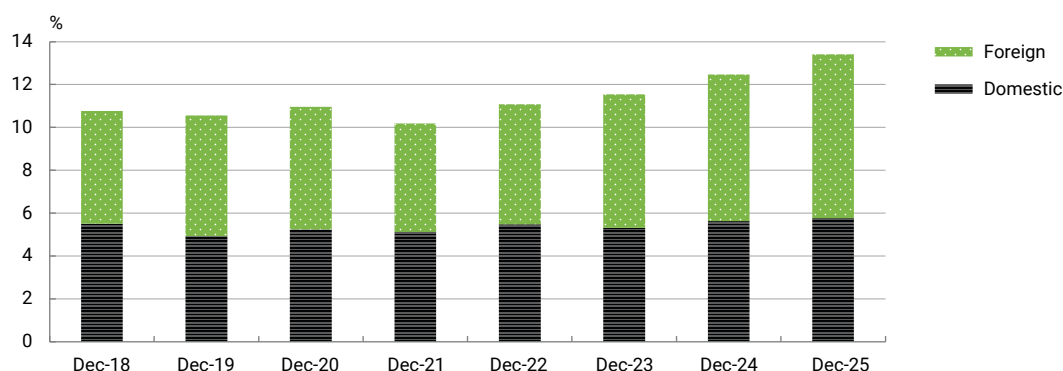
SOURCE: Banco de España. Latest observation: December 2025.

a The chart shows the density of the leverage ratio for Spanish banks (weighted by total consolidated assets). The density function is estimated using a kernel estimator, which provides a non-parametric estimate, yielding a continuous, smoothed graphical representation of the function.

A2.3.1.3 Consolidated balance sheet

Chart A2.3.1.3.1

Ratio of banks' domestic sovereign and foreign debt holdings to total assets. Consolidated data

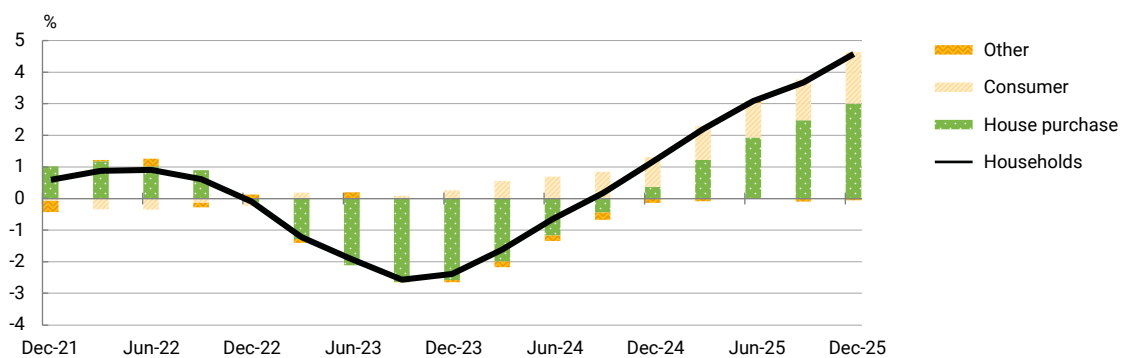


SOURCE: Banco de España. Latest observation: December 2025.

A2.3.1.4 Lending

Chart A2.3.1.4.1

Contributions to the year-on-year rate of change in lending to households. Business in Spain. Individual data (a)

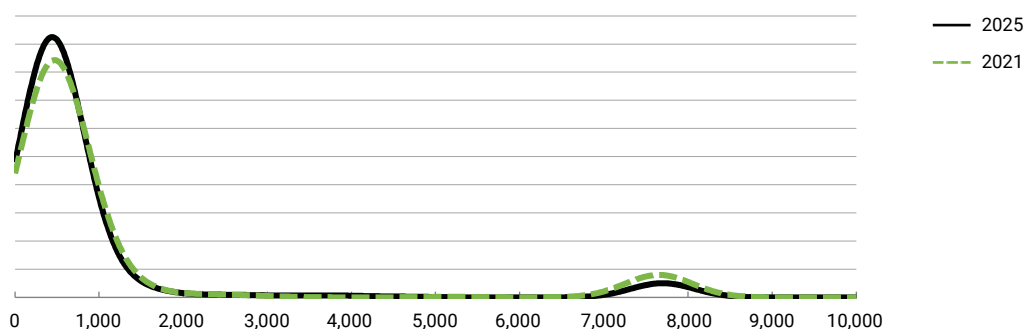


SOURCE: Banco de España. Latest observation: December 2025.

a Lending by deposit institutions' branches in Spain.

Chart A2.3.1.4.2

Distribution by bank of the Herfindahl-Hirschman sectoral concentration index in the portfolio of loans to firms and the self-employed (a)

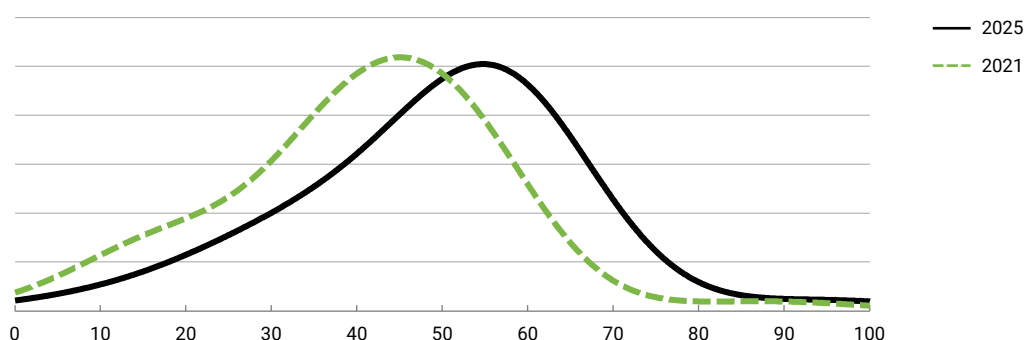


SOURCE: Banco de España. Latest observation: December 2025.

- a The chart shows the density of the Herfindahl-Hirschman sectoral concentration index (NACE) for Spanish banks (weighted by each bank's total lending to firms and the self-employed). The density function is estimated using a kernel estimator, which provides a non-parametric estimate, yielding a continuous, smoothed graphical representation of the function.

Chart A2.3.1.4.3

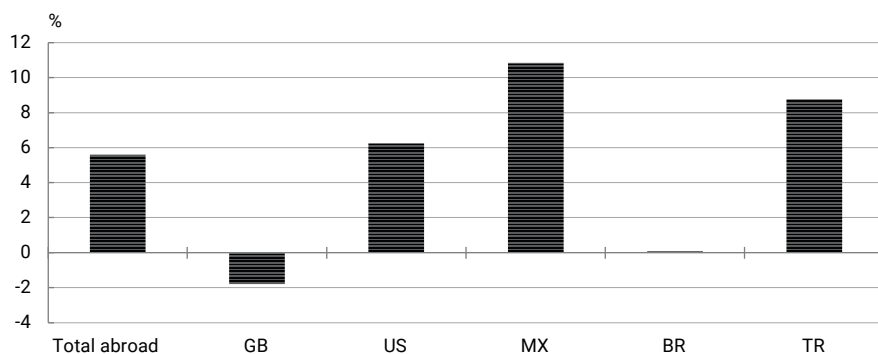
Distribution by bank of the share of lending to large corporations in total lending to firms and the self-employed (a)



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

- a The chart shows the density of the share of lending to large corporations for Spanish banks (weighted by each bank's total lending to firms and the self-employed). The density function is estimated using a kernel estimator, which provides a non-parametric estimate, yielding a continuous, smoothed graphical representation of the function.

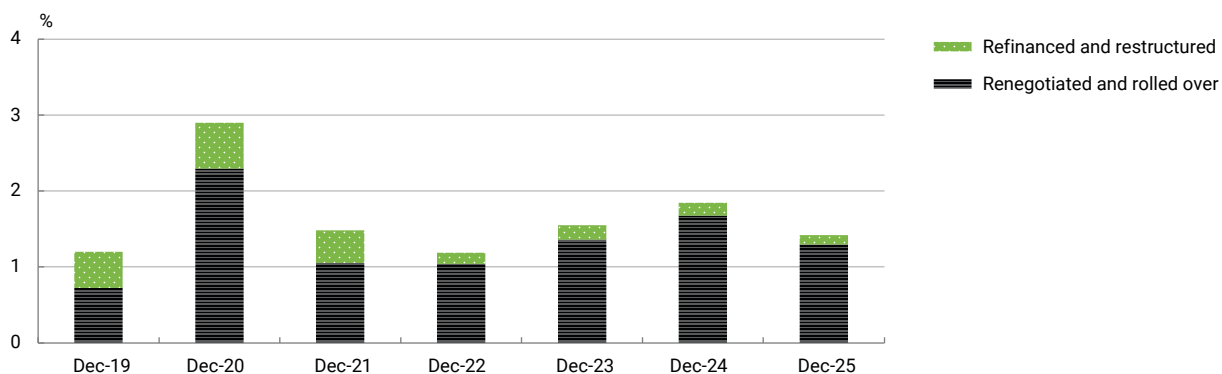
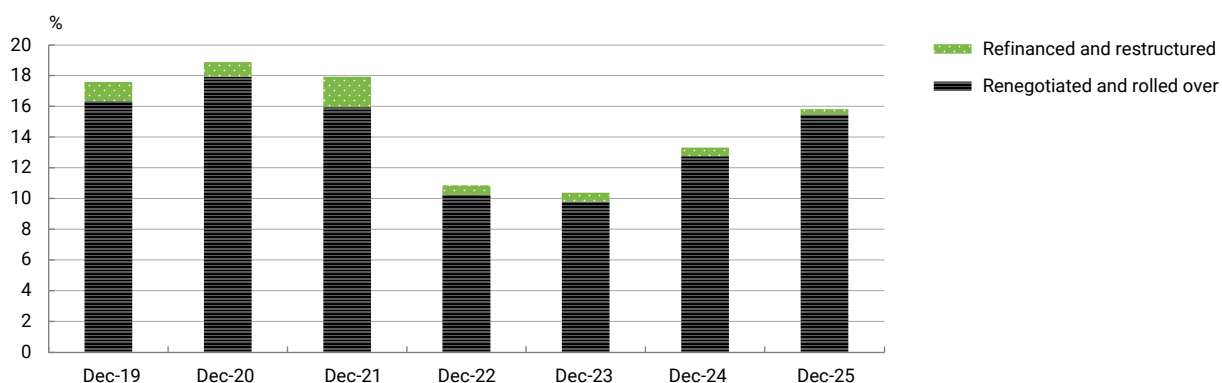
Chart A2.3.1.4.4

Year-on-year rate of change in loans to households, firms and the self-employed abroad. December 2025 (a)

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

a Business abroad is determined based on the counterparties' residence. A breakdown is provided of the main countries where Spanish banks perform their business abroad.

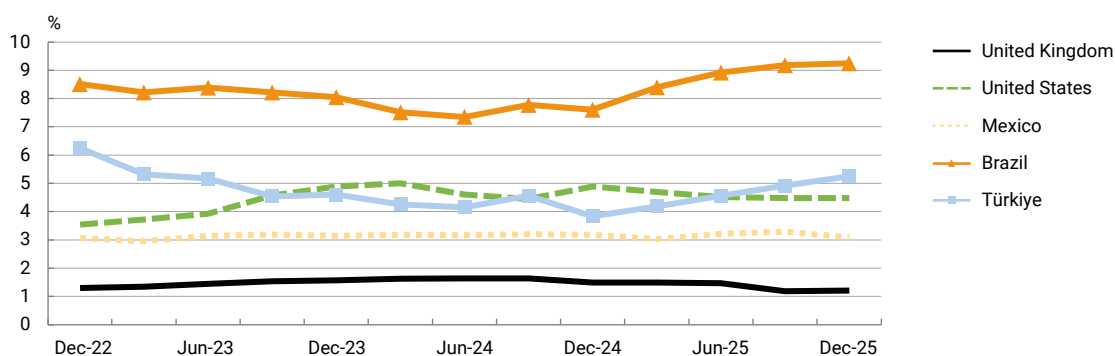
Chart A2.3.1.4.5

Cumulative 12-month flows of refinancing, restructuring, renegotiations and roll-overs (a)**A2.3.1.4.5.a Households. Business in Spain. Individual data****A2.3.1.4.5.b NFCs and sole proprietors. Business in Spain. Individual data**

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

a The cumulative 12-month flow is calculated as the sum of the monthly flows from January to December as a percentage of the portfolio in December of the previous year.

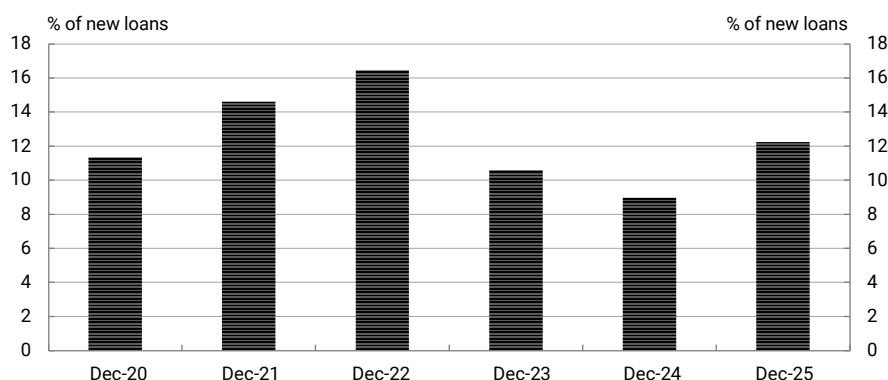
Chart A2.3.1.4.6

NPL ratios of lending to households, firms and the self-employed abroad (a)

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

a Business abroad is determined based on the counterparties' residence. A breakdown is provided of the main countries where Spanish banks perform their business abroad.

Chart A2.3.1.4.7

Ratio of new securitisation transactions backed by loans originated in Spain to new lending in Spain

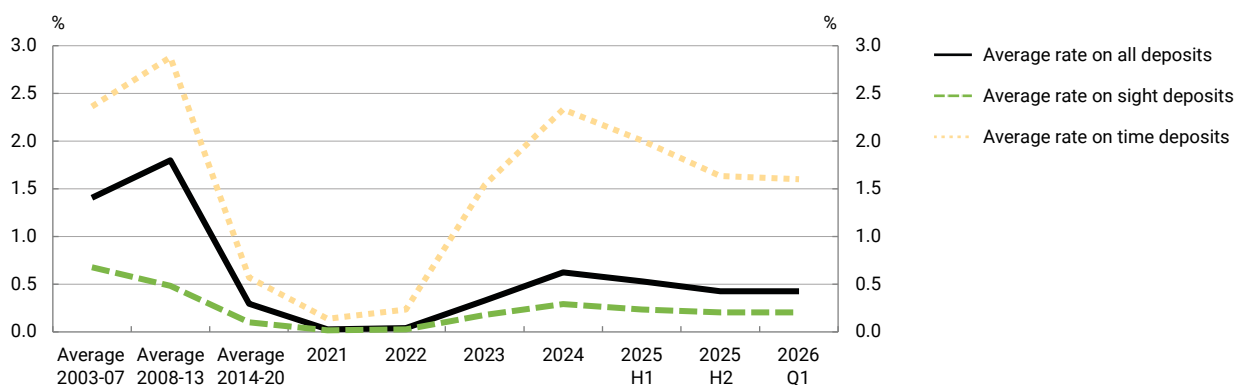
SOURCE: Banco de España. Latest observation: December 2025.

a The sample used to construct this chart includes those banks which originated at least one securitisation transaction backed by loans arranged in Spain during the period January 2020-December 2025. The bar relating to December in year t is constructed by using information from the period of calendar year t . The analysis is based on consolidated data at bank group level. The bars are calculated by dividing the amount of the new securitisations originated by the amount of new lending to households and firms.

A2.3.1.5 Financing conditions and liquidity

Chart A2.3.1.5.1

Average rates for household and NFC deposits. Business in Spain. Individual data (a) (b)

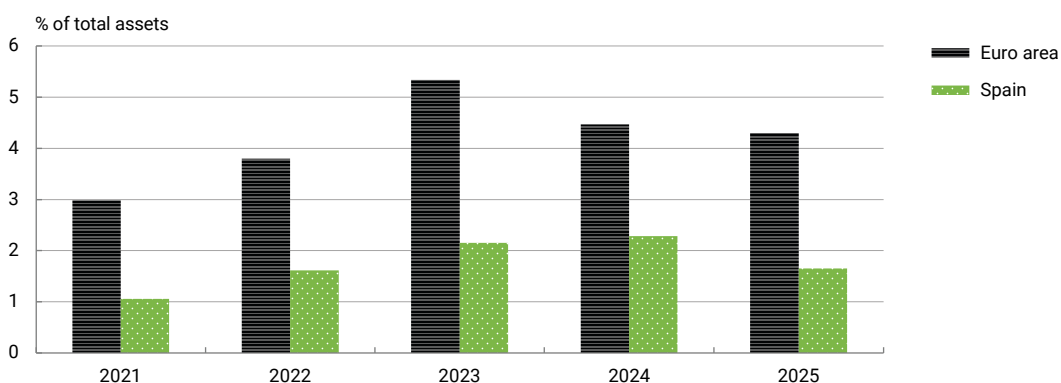


SOURCE: Banco de España. Latest observation: March 2026.

- a** Transactions carried out by deposit institutions' branches in Spain are considered.
b The interest rate in each period is the average monthly interest rate. Monthly interest rates, in turn, are calculated as the average of the sight and time deposit rates weighted by the respective deposit volumes.

Chart A2.3.1.5.2

Debt issues on the primary market. Significant institutions (a)



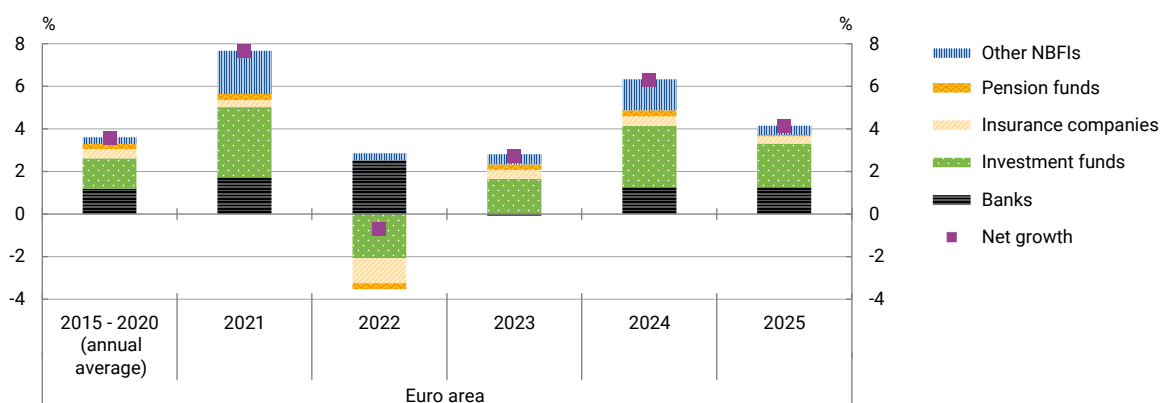
SOURCE: CSDB, SHS-G and LSEG Workspace. Latest observation: 31 December 2025.

- a** Data for the euro area exclude the activity of Spanish banks. Issues of AT1, T2, non-preferred senior debt, senior unsecured debt and secured debt are included. For issues of the foreign subsidiaries of Spanish groups only the amount of the issues of outstanding debt whose holder does not form part of the consolidated group are included. Calculated as a percentage of total consolidated assets.

A2.3.2 Non-bank financial intermediary sector

Chart A2.3.2.1

Contribution of each sector to financial asset growth in the euro area. Non-consolidated data (a) (b)

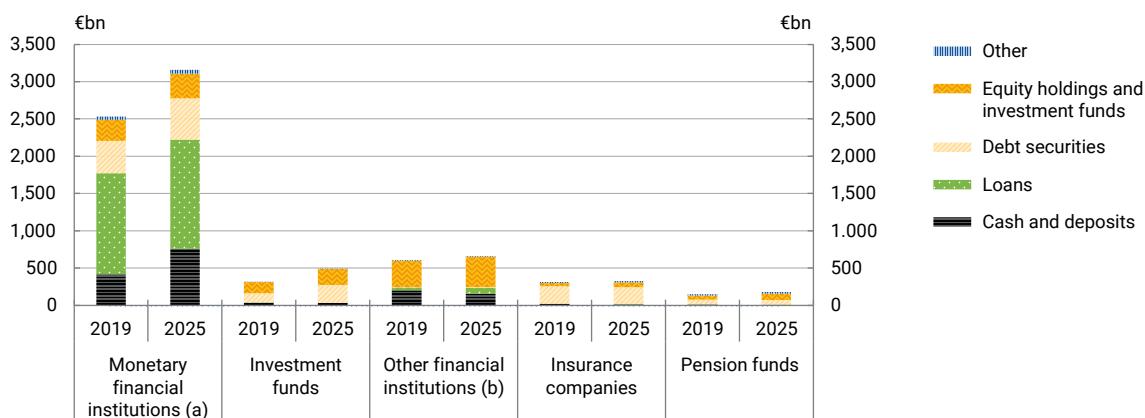


SOURCES: Banco de España and ECB. Latest observation: December 2025.

a, b Note A2.3.2.4 in Annex 2.

Chart A2.3.2.2

Breakdown of assets by institutional sector. Spain

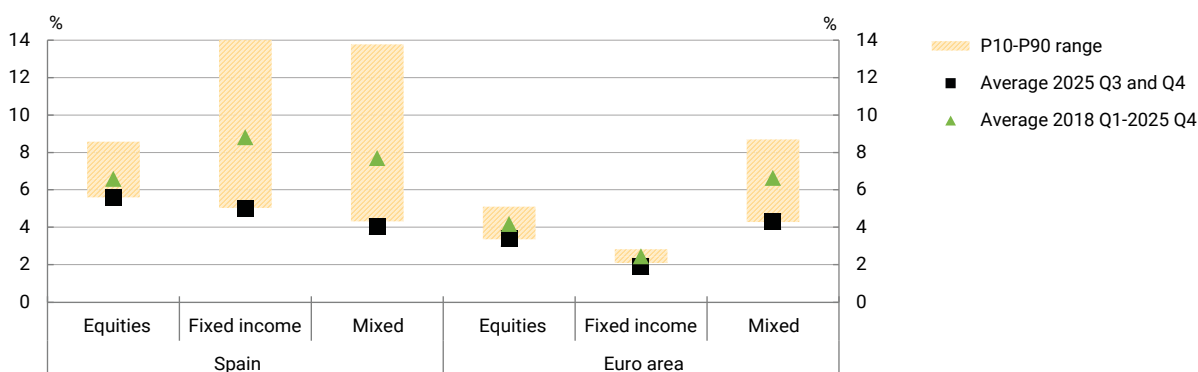


SOURCES: Banco de España and ECB. Latest observation: December 2025.

a Deposit institutions and money market funds.

b Other financial intermediaries, financial auxiliaries and captive financial institutions and money lenders.

Chart A2.3.2.3

Liquidity ratio by investment profile between 2018 Q1 and 2025 Q4. Spain and euro area (a) (b)

SOURCES: CNMV and Lipper Refinitiv for Asset Management. Latest observation: December 2025.

a The liquidity ratio is calculated as the ratio of deposits plus cash to total assets, for each fund type and region.

b For Spain, CNMV data are used for the universe of funds domiciled in Spain up to 2025 Q3. Lipper Refinitiv data are used for funds domiciled in the euro area. Open-ended investment companies are excluded.

Note A2.3.2.4 (relates to Chart 3.16 in Section 3.2 and Chart A2.3.2.1)

- a** In 2025 Q4 total non-consolidated assets of banks, investment funds, insurance companies, pension funds and other NBFIs in Spain amounted to €3,244 billion, €515 billion, €331 billion, €181 billion and €659 billion, respectively. The corresponding values for the euro area amounted to €39,774 billion, €22,715 billion, €9,074 billion, €3,486 billion and €26,027 billion, respectively.
- b** "NBFI sector" includes money market funds, non-monetary investment funds, insurance companies, pension funds and other NBFIs. In turn, "Other NBFIs" includes specialised lending institutions, venture capital firms, securities dealers, financial vehicle corporations, central counterparty clearing houses, real estate investment trusts, securities agencies, collective investment institution management companies, mutual guarantee societies, financial group head offices, appraisal companies, payment institutions, holding companies, special-purpose entities that issue securities and other specialised financial institutions.

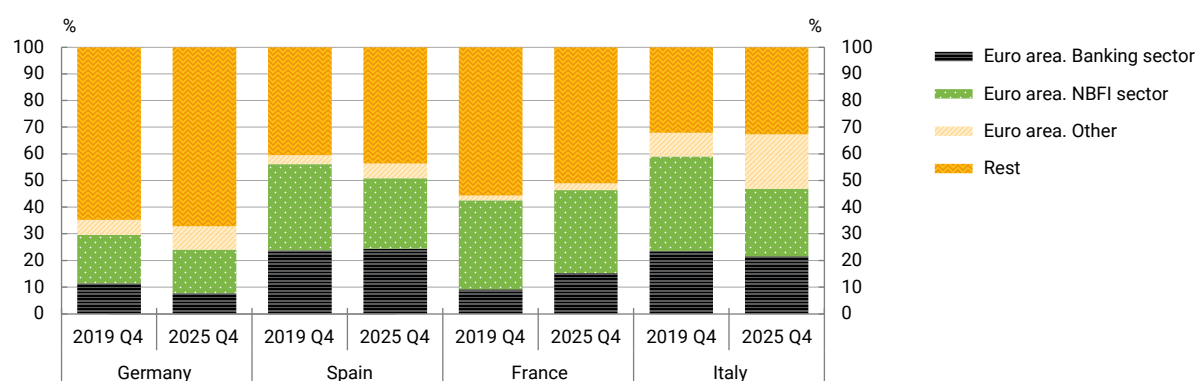
Note A2.3.2.5 (relates to Chart 3.17 in Section 3.2)

- a** The variable "Assets potentially affected by large-scale redemptions" is defined as the percentage of funds' assets that could be affected by high investor redemptions. 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 Q4-2025 Q4) for funds with the same investment profile. In such cases, only the share of redemptions exceeding 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.
- b** The percentages and the median have been calculated based on the historical series of the variable "Assets potentially affected by large-scale redemptions" for each fund type and geographical area.

A2.3.3 Systemic interconnections

Chart A2.3.3.1

Composition of sovereign debt holdings by holding sector (a)



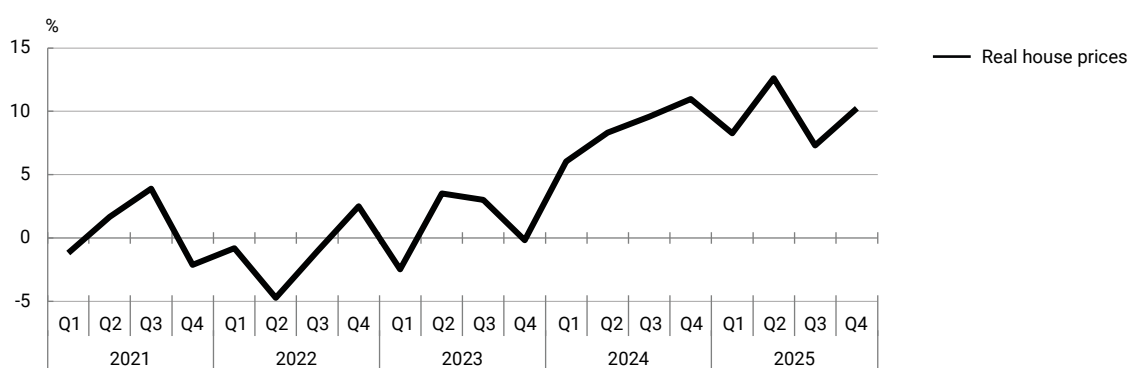
SOURCE: ECB (Securities Holdings Statistics by Sector). Latest observation: 2025 Q4.

a Breakdown of each country's sovereign debt holdings shared between euro area banks, the euro area NBFI sector and other euro area and non-euro area investors.

A2.4.1 The real estate market in Spain

Chart A2.4.1.1

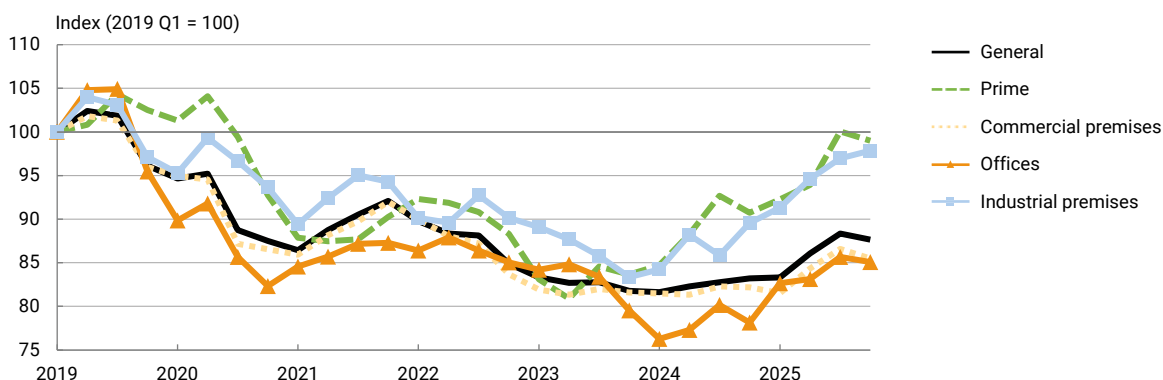
House price growth indicator (a)



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

a Real house prices correspond to the house price index deflated by the consumer price index. Annualised quarter-on-quarter rate of change.

Chart A2.4.1.2

Real price indices for the commercial real estate sector (a) (b)

SOURCES: Colegio de Registradores and Banco de España. Latest observation: December 2025.

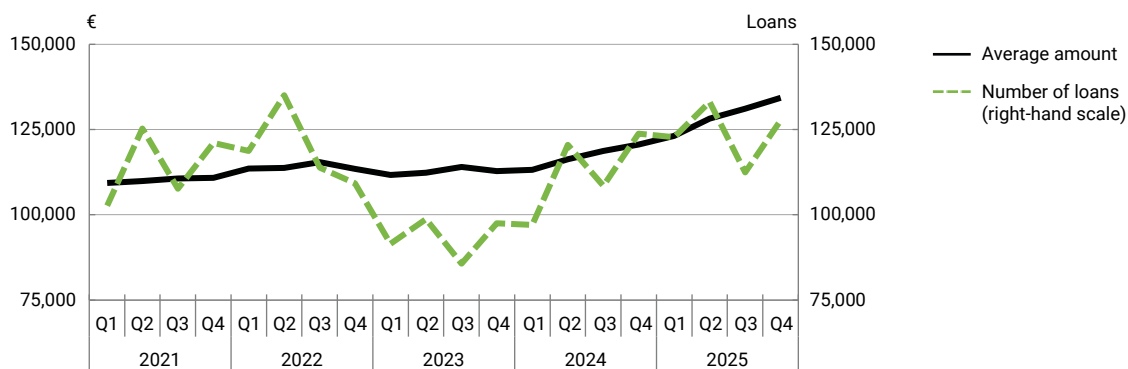
- a** Obtained drawing on estimates using a hedonic regression model for each stratum. The aggregate index is the average weighted by the relative share of transactions in each segment (4% for offices, 78% for commercial premises and 18% for industrial premises). In 2025 properties in prime locations, i.e. those located in central areas of the main large cities (Barcelona, Bilbao, Madrid, Málaga, Palma and Valencia), represented 5% of transactions conducted in the commercial real estate segment. Real price indices obtained by applying the seasonally adjusted implicit deflator for final consumption expenditure in the total economy to the nominal indices.
- b** The historical coverage of the microdata frequently used to calculate these series has improved considerably compared with those used in previous FSRs. This revision has enhanced the quality of the estimated series since their inception.

Note A2.4.1.3 (relates to Chart 4.3 in Section 4.1)

- b** Drawing on four indicators of house price imbalances: (i) the house price gap; (ii) the house price-to-household disposable income ratio gap; (iii) the ordinary least squares (OLS) model that estimates house prices based on long-term trends in household disposable income and mortgage rates; and (iv) the error correction model that estimates house prices based on household disposable income, mortgage rates and fiscal effects. All variables expressed in real terms relative to the consumption deflator. The long-term trends for indicators (i) to (iii) are calculated using a statistical one-sided Hodrick-Prescott filter with a smoothing parameter equal to 400,000. All four indicators have an equilibrium value of zero.
- c** The synthetic indicator for the real estate market is constructed drawing on 20 individual warning indicators classified into four categories: (1) households' financial position (debt, total financial burden, interest burden, gross saving rate, saving rate not earmarked for debt service); (2) credit conditions (loans for real estate activities relative to GDP, loans for construction relative to GDP, new housing loans relative to GDP, probability of default based on LTV, LTP, LSTI ratios and maturity); (3) valuation (annual change in real house prices, indicators of imbalances and affordability indicators (mortgage payments relative to gross disposable income and house price relative to gross disposable income)); and (4) real activity (housing approvals, house purchases and mortgages relative to number of households, construction workers registered with social security as a share of total registered, difference between housing starts and change in households). For more details, see Pana Alves, Carmen Broto, María Gil and Matías Lamas. (2023). *"Risk and vulnerability indicators for the Spanish housing market"*. Documentos Ocasionales, 2314, Banco de España. The synthetic index ranges from 0 to 1. Higher (lower) values indicate the presence of higher (lower) imbalances.

Chart A2.4.1.4

New mortgage loans: number and average amount. Quarterly frequency (a)

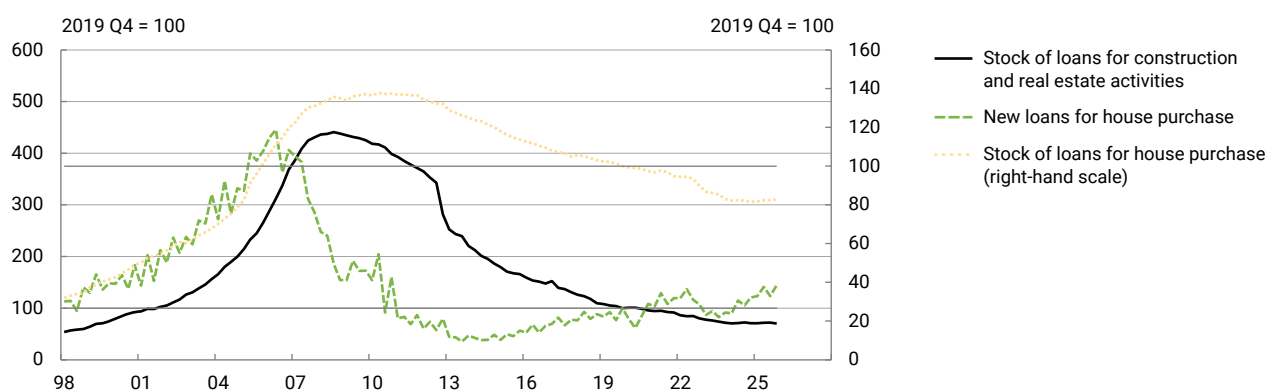


SOURCE: Colegio de Registradores. Latest observation: December 2025.

a Mortgages extended by financial institutions to households for the purchase of urban properties. Values expressed in nominal terms.

Chart A2.4.1.5

Bank credit to the real estate sector in real terms. Index (a)

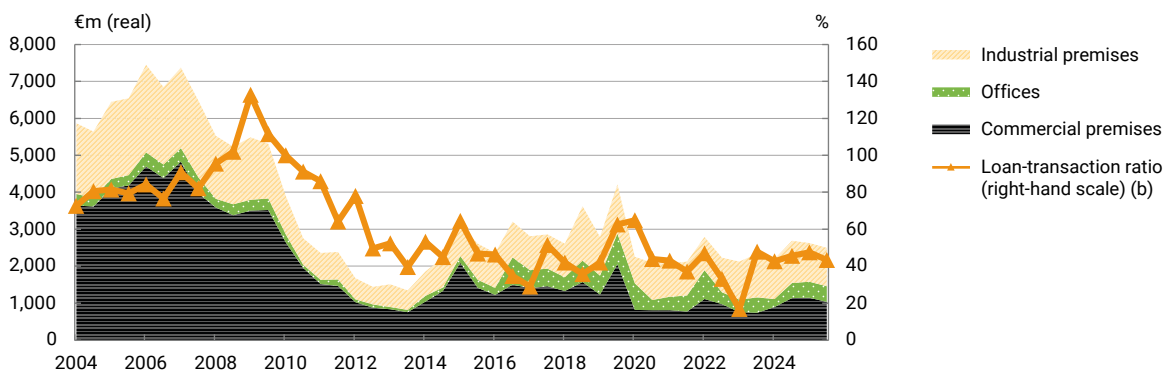


SOURCE: Banco de España. Latest observation: December 2025.

a The three series are depicted in real terms and using 2019 Q4 as the base year in each case.

Chart A2.4.1.6

Real flow of mortgage loans secured by commercial property (a)



SOURCES: Colegio de Registradores and Banco de España. Latest observation: December 2025.

- a Real magnitudes obtained by applying the seasonally adjusted implicit deflator for final consumption expenditure in the total economy to nominal volumes.
- b The loan-transaction ratio is calculated as the total flow of mortgage loans secured by commercial real estate relative to the total volume of commercial real estate purchases.

Note A2.4.1.7 (relates to Chart 4.5 in Section 4.1)

- a The LTP ratio considers the purchase price of the dwelling. Average values weighted by the principal of each mortgage.
- b The LTV ratio is the amount of the mortgage principal relative to the appraisal value of the property at the time of purchase. Average values weighted by the principal of each mortgage.

Note A2.4.1.8 (relates to Chart 4.6 in Section 4.1)

- a The LTI ratio is estimated for each mortgage as the ratio of the initial mortgage principal to the household's net annual income. Values weighted by the principal of each mortgage.
- b The LSTI ratio for each mortgage is estimated as the ratio of the total annual cost of servicing the mortgage loan (including principal and interest payments), calculated according to the terms of the loan agreement (time to maturity, outstanding principal and interest rate), to the household's net annual income. Values weighted by the principal of each mortgage.

Note A2.4.1.9 (relates to Chart 4.7 in Section 4.1)

- a All the ratios shown are calculated at the origination date of the new mortgage. The LSTI ratio is calculated as the amount of a borrower household's mortgage instalments (including principal and interest payments) relative to their disposable income. The DSTI ratio is calculated as the total amount of a borrower household's mortgage and other outstanding instalments (including principal and interest payments) relative to their disposable income. The LTI ratio is calculated as the amount of a borrower household's mortgage principal relative to their disposable income. The DTI ratio is calculated as the total amount of a borrower household's outstanding debt (including the mortgage principal and the outstanding principal on other loans) relative to their disposable income.
- b All new mortgage loans are weighted by the principal at the origination date.
- c New mortgage loans are classified as "high risk" when they exceed any of the following thresholds typically established by macroprudential authorities and used in the related literature: LSTI above 30%, DSTI above 30%, LTI above 5 or DTI above 5.

Note A2.4.1.10 (relates to Chart 4.9 in Section 4.1)

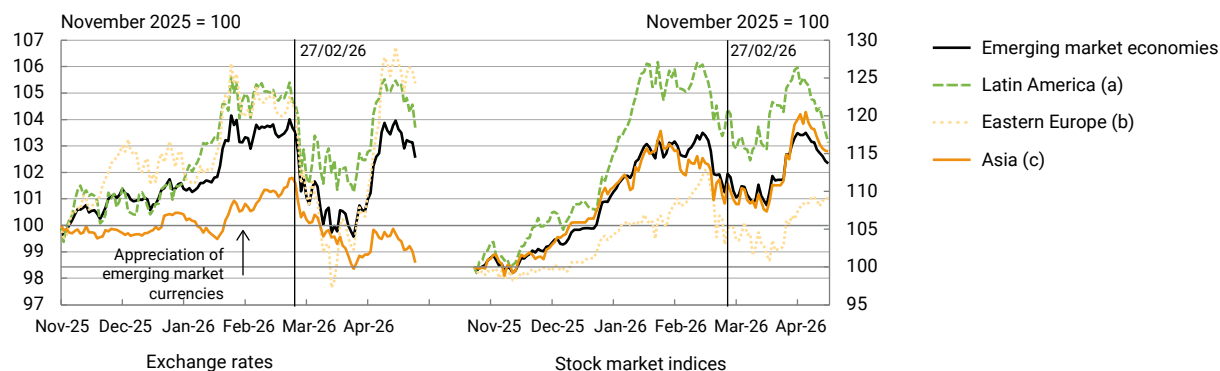
- a** The chart depicts the interquartile range (difference between the 75th and 25th percentiles) and the median of the average interest rate spread applied by deposit institutions, weighted by the loan amount. The spreads are calculated over the IRS swap curve, which estimates the risk-free interest rate at the corresponding maturity, for new mortgage loans to households in the half-year period indicated, based on information in the confidential returns. Floating-rate loans and those with an initial rate fixation period of up to one year are considered variable-rate loans. All others are classified as fixed-rate loans. The spread is calculated for new loans in four maturity intervals (floating and initial rate fixation periods of up to one year, between one and five years, between five and ten years, and over ten years). Each interval is compared with the IRS rate at the midpoint of the interval. For floating-rate loans with a rate fixation period of up to one year the 1-year IRS rate is used, and for loans with a fixation period of over ten years the 25-year IRS rate is used (25 years being the average term of new mortgages with a term of over ten years).

A2.4.2 Financial markets

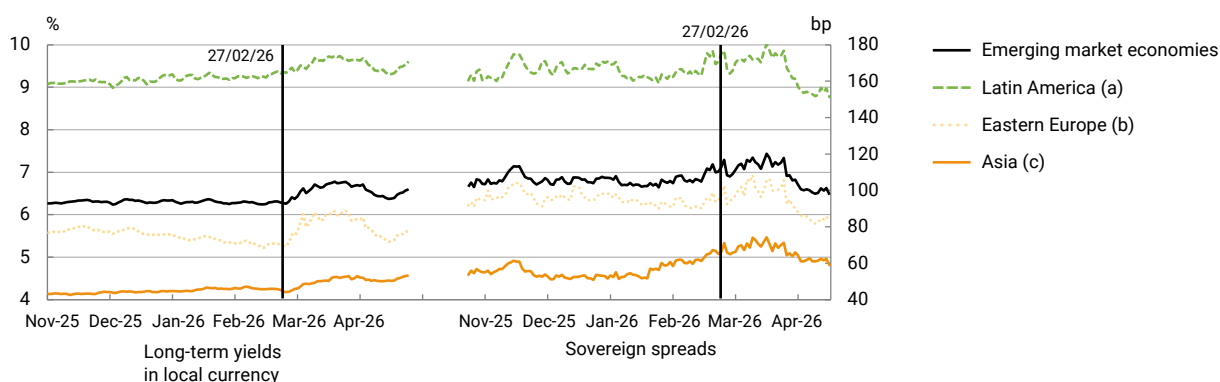
Chart A2.4.2.1

Emerging market economies

A2.4.2.1.a Exchange rates and stock market indices



A2.4.2.1.b Cost of internal and external debt



SOURCE: LSEG Datastream. Latest observation: 29 April 2026. 27 February 2026 is the last market close prior to the Middle East conflict.

a Average for Brazil, Chile, Colombia, Mexico and Peru.

b Average for Czech Republic, Poland and Hungary.

c Average for China, South Korea, the Philippines, India, Indonesia, Malaysia and Thailand.

A2.5.1 Geopolitical risks

Note A2.5.1.1 (Referring to Chart 5.3.a in Section 5.1)

- a The surcharge would be temporary (up to 150 days) unless extended by law. The 10% and 15% tariffs are not applied consistently across countries, as the actual impact depends on the relative share of tariff-exempt goods in their exports. The main exceptions include the products covered by Section 232 (e.g. steel and aluminium) that are already subject to other levies; USMCA-compliant goods, in the case of Canada and Mexico; and certain products under Annex II.

A2.6.1 The countercyclical capital buffer

Note A2.6.1.1 (relates to Chart 6.1 in Section 6.1)

- b The output gap represents the percentage difference between observed GDP and its quarterly potential level. Values calculated at constant 2010 prices. See Pilar Cuadrado and Enrique Moral-Benito. (2016). "[Potential growth of the Spanish economy](#)". Documentos Ocasionales, 1603, Banco de España. The credit-to-GDP gap is calculated as the difference, in percentage points, between the observed ratio and the long-term trend calculated using a statistical one-sided Hodrick-Prescott filter with a smoothing parameter equal to 25,000. This parameter is calibrated to the financial cycles historically observed in Spain. See Jorge E. Galán. (2019). "[Measuring credit-to-GDP gaps. The Hodrick-Prescott filter revisited](#)". Documentos Ocasionales, 1906, Banco de España. The bank credit-to-GDP gap is calculated identically to the credit-to-GDP gap, but only taking into account bank lending. The grey vertical bands denote periods of economic crisis in Spain: the last systemic banking crisis and the economic crisis triggered by the COVID-19 health crisis.

The Banco de España publishes various types of documents providing information on its activity (economic reports, statistics, research papers, etc.), which can be consulted in the Institutional Repository at <https://repositorio.bde.es/?locale=en>.

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SYMBOLS AND ABBREVIATIONS

AEAT	Spanish tax authorities	ISIN	International Securities Identification Number
AI	Artificial intelligence	LCR	Liquidity coverage ratio
AT1	Additional Tier 1	L-h	Left-hand
ATAs	Average total assets	LSEG	London Stock Exchange Group
BBMs	Borrower-based measures	LSI	Less significant institution
BCBS	Basel Committee on Banking Supervision	LSTI	Loan service-to-income ratio
BCP	Basel Core Principles	LTI	Loan-to-income ratio
BIS	Bank for International Settlements	LTP	Loan-to-price ratio
bn	Billion	LTV	Loan-to-value ratio
bp	Basis points	m	Million
CBI	Banco de España Integrated Central Balance Sheet Database	MiCA	Markets in Crypto-assets Regulation
CBO	US Congressional Budget Office	MREL	Minimum Requirement for own funds and Eligible Liabilities
CBQ	Banco de España Central Balance Sheet Data Office Quarterly Survey	MTBE	Macroeconometric Model of the Banco de España
CCR	Banco de España Central Credit Register	MTP	Medium-Term Fiscal-Structural Plan
CCyB	Countercyclical capital buffer	NACE	Statistical classification of economic activities in the European Community
CDS	Credit default swap	NBER	National Bureau of Economic Research
CET1	Common Equity Tier 1	NBFI	Non-bank financial intermediary
CLO	Collateralised loan obligation	NDERs	Narrowly defined effective rates
CMU	Capital markets union	NFC	Non-financial corporation
CNMV	National Securities Market Commission	NGEU	NextGenerationEU
COE	Cost of equity	NPL	Non-performing loan
COVID-19	Coronavirus disease 2019	NSFR	Net stable funding ratio
CPI	Consumer Price Index	OAS	Option-adjusted spread
CRD	Capital Requirements Directive	OECD	Organisation for Economic Co-operation and Development
CRR	Capital Requirements Regulation	OIS	Overnight Index Swap
CSDB	Centralised Securities Database	OPEC	Organization of the Petroleum Exporting Countries
DFR	Deposit facility rate	OPEC+	Expanded Organization of the Petroleum Exporting Countries
DGS	Deposit Guarantee Scheme	O-SII	Other systemically important institution
DI	Deposit institution	P	Percentile
DORA	Digital Operational Resilience Act	PD	Probability of default
DSTI	Debt service-to-income ratio	P/E	Price-to-earnings ratio
DTI	Debt-to-income ratio	PMI	Purchasing Managers' Index
EBA	European Banking Authority	pp	Percentage points
ECB	European Central Bank	PRA	Prudential Regulation Authority
EEA	European Economic Area	Q	Quarter
ESG	Environmental, social and governance	q-o-q	Quarter-on-quarter
ESMA	European Securities and Markets Authority	RAUI	Retrieval-augmented uncertainty indicator
ESRB	European Systemic Risk Board	Repo	Repurchase agreement
€STR	Euro short-term rate	r-h	Right-hand
EU	European Union	ROA	Return on assets
EURIBOR	Euro Interbank Offered Rate	ROE	Return on equity
FLESB	Forward-looking exercise on Spanish banks	RWAs	Risk-weighted assets
FSB	Financial Stability Board	SCR	Solvency Capital Requirement
FSR	Financial Stability Report	SHSG	Securities Holdings Statistics Group
GDP	Gross domestic product	SI	Significant institution
GOP	Gross operating profit	SLI	Specialised lending institution
GOS	Gross operating surplus	SME	Small and medium-sized enterprise
G-SIB	Global systemically important bank	SNP	Senior non-preferred
G-SII	Global systemically important institution	SRI	Systemic risk indicator
GVA	Gross value added	SRM	Single Resolution Mechanism
H	Half-year	SSM	Single Supervisory Mechanism
HICP	Harmonised Index of Consumer Prices	sSyRB	Sectoral systemic risk buffer
HQLAs	High quality liquid assets	SyRB	Systemic risk buffer
ICO	Instituto Oficial de Crédito (Official Credit Institute)	T2	Tier 2
ICT	Information and communications technology	tn	Trillion
ID	Data obtained from individual financial statements	VAR	Vector autoregression
IEEPA	International Emergency Economic Powers Act (US)	WEO	World Economic Outlook
IMF	International Monetary Fund	Y	Year
INE	Instituto Nacional de Estadística (National Statistics Institute)	y-o-y	Year-on-year
IRB	Internal ratings-based	000s	Thousand
IRS	Interest-rate swap		

ISO COUNTRY CODES

AT	Austria	CY	Cyprus	GB	United Kingdom	LT	Lithuania	PT	Portugal
AU	Australia	CZ	Czech Republic	GR	Greece	LU	Luxembourg	RO	Romania
BE	Belgium	DE	Germany	HR	Croatia	LV	Latvia	SE	Sweden
BG	Bulgaria	DK	Denmark	HU	Hungary	MT	Malta	SI	Slovenia
BR	Brazil	EE	Estonia	IE	Ireland	MX	Mexico	SK	Slovakia
CA	Canada	ES	Spain	IT	Italy	NL	Netherlands	TR	Türkiye
CH	Switzerland	FI	Finland	JP	Japan	NO	Norway	US	United States
CL	Chile	FR	France	KR	South Korea	PL	Poland		
CN	China								