



Presentation by the Governor

José Luis Escrivá



A number of the tasks entrusted to the Banco de España involve ensuring the proper functioning of various elements of the financial system, all of which are crucial for citizens to access various services whilst maintaining confidence in the system itself.

The most well-known of these functions is the preservation of credit institutions' solvency and sound functioning, thus safeguarding savings that citizens and companies entrust to them. However, our work also includes the prevention of potential crises that might jeopardise the entire financial system and, consequently, citizens' savings.

Furthermore, we must ensure that payment systems and services function properly, so that all payment transactions are successfully completed. And, lastly, we must ensure an appropriate relationship between financial institutions and their customers to avoid misconduct.

In order to guarantee the achievement of these objectives, we carry out microprudential supervision and develop macroprudential policy, oversee compliance with regulations on payment services and market infrastructures, and supervise institutions' conduct. For us, this supervision is so crucial that nearly one in three Banco de España employees is dedicated to it.

In this Report, we provide an account of all the supervisory and oversight work we have carried out throughout 2024 in each of the areas I have mentioned because, in tandem with fulfilling its assigned functions, it is equally important for our institution to provide a detailed account of how it has done so and the measures it has taken.

As a result of this work, we have observed that the profitability of the Spanish banking sector improved in 2024, as the increase in net interest income and fee income exceeded that of costs and provisions. Capital ratios remained stable, comfortably exceeding regulatory requirements, yet far from the European average. The profits obtained last year were not used to narrow this gap with Europe.

Stress tests also showed that the Spanish banking sector would maintain adequate levels of aggregate solvency in both baseline and adverse scenarios. These tests are one of the tools we have in place to prevent potential individual and global problems and, therefore, they are fundamental to microprudential and macroprudential supervision.

We perform our supervisory work in a context of both internal and external changes. Among the internal changes, I would highlight two that occurred in 2024. First, the approval of the new framework for setting the countercyclical capital buffer, which establishes the CyCB target at 1% for intermediate risk and was gradually activated from 1 October, with a view to reaching the 1% target from October 2025. Second, with the aim of improving all the functions we perform, an assessment was carried out on the conduct supervision area, the outcome of which was very positive, since it received valuable recommendations for improving the customer protection task.

As for the external context, we live in a rapidly changing environment, especially due to the development of new technologies, which are not only modifying the competitive landscape for financial institutions but also regulations, one example of which is the European DORA regulation on operational resilience. Consequently, we are adapting our resources to this new context.

It is worth noting that this work is performed in an international context, where collaboration with other institutions enables us to be more effective. The Single Supervisory Mechanism, which celebrated its tenth anniversary in 2024, the Financial Stability Board and the European Banking Authority are some of the bodies we work

with to ensure that we fulfil our functions. This Report contains all the relevant international activity that we also wish to provide a record of.

Lastly, this work is also framed within a context of changes within our own institution.

I trust you find this Report an interesting read.

José Luis Escrivá

Governor of the Banco de España