SUPERVISION REPORT

2025

BANCO DE ESPAÑA
Eurosistema

SUPERVISION REPORT 2025

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Foreword by the Governor

José Luis Escrivá

A transparent and accessible *Supervision Report* to ensure accountability

Each year, the Banco de España publishes its *Supervision Report* to provide an account of its supervisory activities. Banking supervision is an essential task performed by nearly one-third of our staff. It seeks to ensure a robust and resilient financial system and promote transparent and fair relations between banks and their customers.

This publication presents a comprehensive overview of our supervisory work, as always, with the public interest at its core. We monitor the overall solvency of the system and of individual institutions (jointly with the European Central Bank in the case of the largest institutions), while also ensuring fair bank-customer relations and the smooth functioning of payment systems.

Alongside an account of our supervisory activities, the *Supervision Report* sets out key data for the banking sector, showing that it is financially resilient, with comfortable capital and liquidity ratios, and well-positioned to play its key economic role as financial intermediary.

In this edition, we have reinforced our commitment to transparency and accountability by overhauling the report's content to make it clearer and more accessible. This will help the public better understand the supervisory function and its impact and judge how effective it is.

We have revised our editorial approach to present the information in a clearer and more structured way, without compromising rigour, so that the report is easier to read and understand. The graphics play a more central role in conveying and reinforcing the content.

This approach has produced a more balanced report written in plainer language, with features that make the information easily accessible, like the “Digest” highlighting the key takeaways and a reader-friendly executive summary. All of these changes are intended to enhance the publication and make it more meaningful to the wider public. Making a complex function such as supervision easier to grasp is also a way of strengthening public trust in our institution.

Being more accessible to the public and explaining what we do and why we do it will remain at the heart of our work, in line with our commitment to transparency in our Strategic Plan 2030. While we recognise there is still room for improvement, the *Supervision Report 2025* marks a significant step forward in this direction.

José Luis Escrivá

Governor of the Banco de España

Message from the Deputy Governor
Soledad Núñez

Supervision that builds trust

Knowing your savings are safe, taking out a mortgage to buy a house, seamlessly paying by card or receiving an instant transfer all depend, among other factors, on a sound financial system, transparent and prudent banks and an efficient payments system.

One of the Banco de España's main tasks is to ensure a stable financial system and generate a climate of trust. Indeed, nearly one-third of our staff – 944 professionals – are engaged in these supervisory and oversight tasks, showing how important they are for both the banking sector and society at large.

Each year, the Banco de España publishes its *Supervision Report*, setting out the supervisory work carried out and its key outcomes. It is an exercise in accountability which explains how that work ensures the financial system functions smoothly, thereby helping build a climate of trust for savers and consumers.

The banking sector closed 2025 on a strong footing, with improved credit quality and, hence, a lower non-performing loans ratio (its lowest level since 2008), alongside record-high profitability (ROE of 14%) and strong capital ratios.

Despite this favourable starting position, the banking sector is facing a series of challenges that are already affecting its day-to-day management. Persisting macroeconomic uncertainties and geopolitical tensions call for caution, while digitalisation means cyber security and operational resilience must be bolstered. In addition, climate and non-climate-related environmental risks, such as water scarcity and the loss of biodiversity, should be increasingly integrated into decision-making and analysis. To tackle these challenges, sound macro data are required in order to integrate them into risk management and define credible roadmaps.

As a result, the supervisory priorities for the biggest credit institutions – the significant institutions – have been to strengthen their resilience to possible macro-financial shocks, enhance technology and climate risk management and assist the sector's digital transformation.

We have also adopted a proportionate approach to supervising less significant institutions that is more in keeping with their size and risk profile. While room for improvement was identified, overall, these institutions are in a solvent position.

Supervisory work has resulted in capital surcharges for significant and less significant institutions being reduced slightly, reflecting an improved risk profile and their positive performance.

The significant decrease in the number of recommendations and requirements sent to institutions compared with 2024 (down by approximately 30%) is another indication that supervisory action – underpinned by ongoing supervisory dialogue to anticipate risks and remedy weaknesses – is bearing fruit.

The stress tests conducted in 2025, at both European level (European Banking Authority and European Central Bank) and at the Banco de España, confirm that institutions remain resilient under adverse scenarios. At macroprudential level, the banking sector stress tests also reflect that overall it is solvent enough to withstand different adverse scenarios.

In addition to ensuring that institutions are financially sound and are not taking on too much risk, supervising their conduct plays a key role in making sure that customers are treated fairly.

Amid growing digitalisation, the emergence of new operators and rising fraud, preventive and cross-cutting actions to enhance the sector's practices, boost transparency and protect financial consumers were stepped up in 2025.

The Banco de España adopted 262 sanctioning measures to address the shortcomings and weaknesses identified and launched the ongoing specific monitoring of influencer-led advertising campaigns.

Conduct supervision does not only correct non-compliance; it also prevents practices that may be detrimental to financial consumers and lessens potential harm to customers. The result is more responsible banking that lives up to society's expectations.

Digitalisation has not just increased the opportunities for the sector, but also its risks. Institutions should be ready for cyber attacks and technological disruptions originating from any source. In this area, supervisory work has ensured that payment services, such as transfers and card payments, continue to operate securely even in stress events.

The *Supervision Report 2025* depicts a financial system that is well-placed to adapt to the current challenges, one that is the result of rigorous supervision that is tailored to a changing environment. We will continue to modernise the supervisory model by using advanced analytical tools and artificial intelligence and by reforming banking supervision to make it more streamlined and efficient.

Soledad Núñez

Deputy Governor of the Banco de España

Executive summary of the *Supervision Report*

In 2025 the Banco de España continued to supervise and oversee the financial system to safeguard its stability. This function is key to limiting the impact of potential banking crises, helping the system run smoothly and guaranteeing banks treat their customers fairly, thereby protecting savings and facilitating banks' continued lending to households and firms. Almost a third of the Bank's staff (944 professionals) perform supervisory functions, which highlights the importance of this activity.

The *Supervision Report* details the actions conducted in 2025 and their outcomes, which reflect a financial system that is well placed to deal with adverse environments. However, caution remains the order of the day in light of the persistent geopolitical and economic tensions that might impact banking activity (credit, market, operational and financing risks).

Banking supervision is organised around three areas: microprudential supervision, focused on each institution's solvency and risk management; macroprudential supervision, geared to safeguarding the overall stability of the financial system; and supervision of institutions' conduct, which bolsters transparency and customer protection.

The Bank also oversees payment systems and services to strengthen their resilience so that essential operations, such as transfers and card payments, are performed securely even in the event of failures or incidents.

All this boosts confidence in the financial system and underpins economic growth.

Actions and outcomes

Microprudential supervision is performed off and on-site and is key to ensuring that institutions are sound and solvent. This entails checking that they have the capital necessary to manage the risks they take and fulfil their obligations.

The Banco de España works alongside the European Central Bank in supervising significant institutions – those that are largest or most important – and directly oversees less significant institutions. It also supervises other entities that are part of the financial system, such as payment and electronic money institutions, appraisal companies and mutual guarantee societies.

The supervisory priorities for 2025 focused on strengthening institutions' resilience to macro-financial and geopolitical shocks and boosting the digital transformation and institutions' preparedness for technological challenges. A further priority aimed to bolster climate-related and environmental risk management and improve institutions' risk data aggregation and risk reporting capabilities.

High levels of capital and liquidity meant that at the end of 2025 the banking sector was well placed to cope with tensions without jeopardising its solvency. This results in lower risk for customers and the economy and more readily available financing.

At year-end, profitability was at historical highs, although its growth had moderated; capital ratios stood at record levels since the establishment of the Single Supervisory Mechanism in 2014 and comfortably above regulatory requirements; and the non-performing loans ratio had fallen to a level not seen since 2008 (2.4%). Asset quality improved, underpinned by the Spanish economy's sound performance, and liquidity was at high levels, with a liquidity coverage ratio of close to 172%, well above the minimum requirement (100%).

In line with these favourable developments and in the context of the ongoing off-site supervision, the European Central Bank lowered the capital add-ons for significant institutions (namely the mandatory Pillar 2 requirement and the voluntary Pillar 2 guidance), which are aimed at managing potential crises. These add-ons are lower than the euro area average, indicating that Spanish banks have a better risk profile.

Against this backdrop, the Bank issued 48 requirements and recommendations (down 31% on 2024), reflecting the improvement in the sector, fostered by supervisory action. Even so, strengthening credit and operational risk control functions is advisable.

In tandem with the ongoing off-site supervision, 38 on-site inspections and internal model investigations were launched at significant credit institutions from Spain and the rest of the euro area, 22 of which were led by the Banco de España. They addressed areas such as asset quality, liquidity, governance, operational risk and IT risk and concluded that, while progress had been made, there were also areas that required closer monitoring.

As a result of their favourable performance, less significant institutions' mandatory and non-binding capital requirements were lowered slightly.

Although weaknesses were identified in credit risk controls, these institutions continue to grow prudently, with moderate non-performing loan ratios and appropriate coverage.

In 2025 the Bank launched 18 on-site inspections of less significant institutions and sent ten recommendation and requirement letters, which mainly highlighted weaknesses in governance, credit risk control and solvency.

Specific actions were taken following the October 2024 flash floods and the blackout on 28 April 2025. The flash floods did not have a significant impact on credit quality, while the blackout caused sporadic disruptions to ATMs and digital channels.

Turning to the **supervision of institutions' conduct,** the Banco de España stepped up its preventive and cross-cutting actions to anticipate risks and improve practices with the aim of strengthening public confidence in the financial system and contributing towards its stability.

These actions focused on, among other areas, responsible lending, fraud prevention and embedding consumer protection across institutions' governance arrangements and corporate culture, analysing, for example, the appropriateness of selling policies and the management of conduct risks in distribution channels.

A total of 72 supervisory actions were carried out and 212 letters were sent requiring institutions discontinue or rectify inappropriate practices, mostly related to advertising, as well as 49 recommendation letters. These actions reduce risks for customers and foster well-informed decision-making.

The Banco de España's **macroprudential policy** seeks to bolster banks' resilience so that they can continue to supply credit to households and businesses, even in adverse conditions, thereby contributing to the stability of the economy and the financial system as a whole. To do so, it can use tools such as macroprudential capital buffers.

In this respect, in 2025 the Bank raised the countercyclical capital buffer from 0.5% to 1%, which will apply from October 2026. In addition, the main Spanish banks – Santander, BBVA, CaixaBank and Sabadell – maintained their systemically important institution status, entailing further capital buffers. Systemically important institutions are those which, in the event of solvency problems, may have adverse effects on the financial system and the economy, globally or domestically.

Macroprudential and microprudential stress tests showed that solvency would remain at robust levels even under severe scenarios.

As part of its supervisory work, in 2025 the Bank imposed **sanctions** of €49 million for prudential, conduct and unauthorised financial activity-related breaches, thus helping to protect customers and bolster the system by discouraging inappropriate behaviour.

Market infrastructure and payment systems were also supervised closely to prevent risks and make them more secure and efficient. The Bank assessed the cyber resilience of financial infrastructures, identifying areas for improvement, and completed three evaluations of retail and wholesale payment systems. It also authorised the launch of Iberpay's verification of payee project. This service is intended to boost protection against fraud in transfers.

A total of five reports on securities infrastructures were issued. They included one on BME Clearing's access to the Eurosystem's overnight credit facility for central counterparties and another authorising Securitize as the first distributed ledger technology-based securities settlement system in Spain.

Lastly, the Bank participates in the main international and European financial regulation and supervision fora and bodies with the aim of exerting a substantive influence on their discussions and decisions. In 2025 it contributed to the analysis of risks in non-bank financial intermediation, to the implementation of the European regulatory package and to the simplification of the rules and requirements applicable to credit institutions.

Chapter 1

Supervision and oversight at the Banco de España

1 Supervisory and oversight functions of the Banco de España

The Banco de España is entrusted with the supervision of credit institutions and other financial entities or institutions linked to the financial system operating in Spain, given their importance for the economy.

This mandate plays a crucial role in mitigating the impact of banking crises, ensuring the sound operation of payment systems and improving the efficiency of the financial system. In doing so, the Banco de España safeguards the stability of the financial system and the wider economy, protecting savings and facilitating the flow of credit to households and businesses (Figure 1.1).

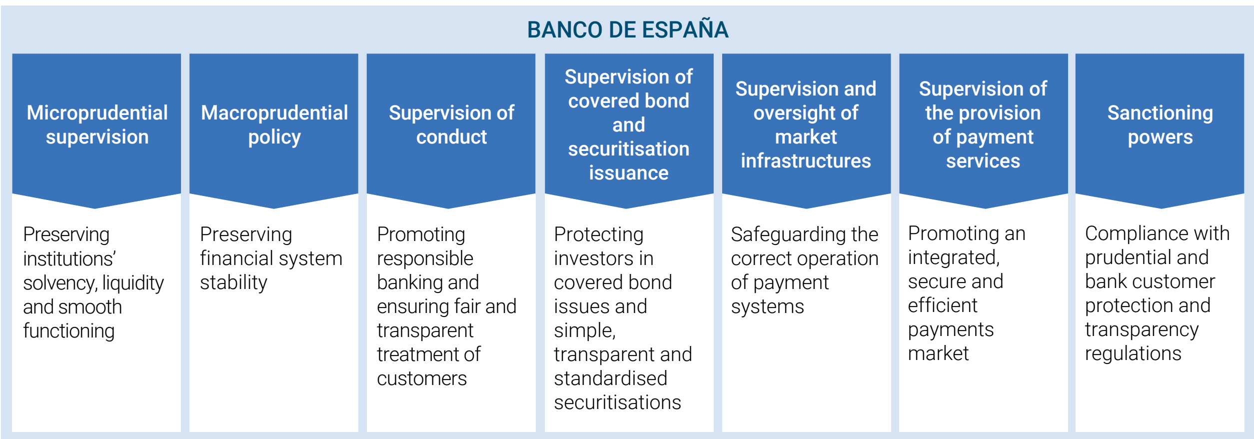
— Microprudential supervision seeks to preserve the solvency, liquidity and sound functioning of institutions, and ensure that they comply with prudential regulations, which establish the limits and requirements designed to make them more robust with a view to safeguarding financial stability. This task involves assessing individual institutions or groups of institutions.

  Under the framework of the Single Supervisory Mechanism (SSM), the European Central Bank (ECB) directly supervises significant credit institutions (SIs), based on their size and importance to the economy, with the active cooperation of the Banco de España. Small or medium-sized institutions, that is, less significant institutions (LSIs), are directly supervised by the Banco de España.

  The Banco de España also supervises other types of institutions that, although not credit institutions, provide services linked to the financial system, such as appraisal companies, currency-exchange bureaux, electronic money institutions or mortgage lenders.

— Macroprudential policy aims to safeguard the stability of the financial system as a whole, strengthening its resilience and reducing its vulnerabilities to mitigate the impact of systemic

Figure 1.1
Purpose of the Banco de España's supervisory and oversight functions



SOURCE: Banco de España.

risks. This requires an aggregate analysis of the banking sector, beyond institutions' individual solvency, as some cyclical or structural risks and imbalances may only become visible when viewed collectively.

The Banco de España uses macroprudential tools, such as measures relating to capital or credit standards, to improve the financial sector's resilience, limit spillover effects and prevent the build-up of risks.

To this end, the Banco de España participates in the Spanish macroprudential authority (AMCESFI, by its Spanish acronym), which seeks to identify, prevent and mitigate the emergence of systemic risk factors and thus help safeguard the stability of Spain's financial system.

— The supervision of institutions' conduct is key to ensuring that they treat customers in a fair and transparent manner. From a preventive standpoint, the Banco de España monitors compliance with transparency and customer protection regulations, thus strengthening institutions' corporate culture and promoting a responsible banking model to protect public trust in the banking system.

— In addition, the Bank oversees the sound functioning of payment systems in Spain, including the National Electronic Clearing System (SNCE, by its Spanish initials) operated by Iberpay, and monitors securities infrastructures jointly with the National Securities Market Commission (CNMV, by its Spanish initials).

It also oversees operational resilience across payment system operators and other actors in the payment chain, guaranteeing the continuity of payment instruments such as transfers and card payments in the event of service disruptions or other unforeseen circumstances.

The Bank supervises the provision of payment services, monitoring that payment service providers comply with their specific regulatory framework, particularly as regards operational and security risk requirements.

— It is also tasked with supervising covered bond issuance and compliance with the legal framework for simple, transparent and standardised securitisation, with a view to strengthening investor protection.

— Sanctioning powers are a key complement to supervision and are exercised, inter alia, to guarantee regulatory compliance and fair treatment of customers. Sanctioning proceedings are conducted in the area of prudential supervision, transparency and customer protection.

— Since June 2024, the Banco de España has been responsible for supervisory, inspection and sanctioning functions in relation to the obligations established for issuers of electronic money tokens (EMTs) and asset-referenced tokens (ARTs). ARTs are crypto-assets that maintain a stable value by referencing to one or several values or asset, such as a basket of currencies or commodities, while EMTs are pegged to the value of one official currency. The CNMV is entrusted with supervising compliance with the European regulation on markets in crypto-assets (MiCAR).

2 Participation in international banking regulation and supervision bodies

In 2025, the Banco de España contributed actively to the work of key international banking regulation and supervision bodies, seeking to influence debates and decisions with direct implications for Spain.

— At the international level, it participates in the Financial Stability Board (FSB), which is responsible for promoting global financial stability. One of its priorities is to assess the risks stemming from the non-bank financial intermediation sector, that is, the activities, infrastructures and financial institutions (insurance companies, investment funds, pension funds, etc.) that channel savings and financing outside the traditional banking sector.

  In addition, the Bank is a member of the Basel Committee on Banking Supervision (BCBS), which develops global standards for the prudential regulation of banks with a significant presence in several countries. Its work has focused, inter alia, on analysing digital innovation risks.

  It also takes part in other fora such as the International Financial Consumer Protection Organisation (FinCoNet), which fosters the sharing of experience, methodologies and best practices among financial conduct supervisors, and the Committee on Payments and Market Infrastructures (CPMI), which has continued working on the implementation of the G20 roadmap to enhance cross-border payments in terms of speed, transparency and access.

— At the European level, the Banco de España is a member of the European Banking Authority (EBA), which seeks to preserve financial stability in the European Union (EU), promote a transparent and fair market for consumers of financial products and services, and safeguard the integrity, efficiency and proper functioning of the banking sector.

  The Banco de España contributed in 2025, inter alia, to the development of standards arising from the latest review of the EU banking rules (the “banking package”), which includes amendments to the CRR III Regulation and the CRD VI Directive. The aim is to facilitate implementation of the Basel III regulations, updating the capital and supervisory requirements to ensure a more robust and resilient banking sector.

  In addition, proposals were made to simplify and improve the efficiency of the regulatory and supervisory framework, consumer protection initiatives were fostered and progress was made on implementing the artificial intelligence (AI) regulation within the financial system.

— The Banco de España also participates in the European Systemic Risk Board (ESRB), which is tasked with the macroprudential oversight of the EU financial system, and in the ECB’s Financial Stability Committee (FSC), which works to prevent and mitigate systemic risk in the euro area in coordination with other national authorities.

3 Organisation of supervision and oversight at the Banco de España

Supervision is a comprehensive task that is performed in a coordinated manner by various areas of the Banco de España. Over the past year, the organisational logic and set-up has been streamlined, with the reallocation of supervisory responsibilities among directorates general, for example, by including the supervision of payment institutions (PIs) and electronic money institutions (ELMIs) within the Directorate General Banking Supervision.

Figure 1.2
Organisation of supervision and oversight at the Banco de España

DIRECTORATE GENERAL	SCOPE OF BANCO DE ESPAÑA'S SUPERVISION AND OVERSIGHT FUNCTIONS
BANKING SUPERVISION	• Ongoing (off-site) supervision, on-site inspections and internal model investigations of credit institutions. Joint work with the European Central Bank (ECB) in the case of significant institutions (SIs). Supervision of institutions outside the scope of the Single Supervisory Mechanism (SSM). • Horizontal risk analyses. Inspections on market risk and structural liquidity and interest rate risk. • Preparation and monitoring of the annual supervisory planning and participation in both the SSM supervisory strategic planning and the second line of defence. • Formulation of supervisory policy and development of supervisory methodology. Supervision of covered bond issuance and simple, transparent and standardised securitisations (STS). • Supervision (off-site and on-site) to ensure that payment service providers and issuers of electronic money, EMTs and ARTs comply with regulations • Establishment of supervisory policy to guarantee secure and reliable payment services. Participation in licencing and registration for new operators.
INSTITUTIONAL AND EUROPEAN RELATIONS AND TRANSPARENCY	• Coordination, support and advice for the Banco de España's participation in Supervisory Board meetings and other SSM events.
FINANCIAL STABILITY, REGULATION AND RESOLUTION	• Analysis of financial system risks and vulnerabilities, drawing up macroprudential policy proposals and conduct of stress tests. • Coordination of the macroprudential function with the ECB and other organisations and fora, such as the Spanish macroprudential authority (AMCESFI), the European Banking Authority (EBA) and the Basel Committee on Banking Supervision (BCBS), inter alia.
STRATEGY, PEOPLE AND DATA	• Drawing up regulations and circulars on regular reporting by regulated institutions and management of databases with detailed information on their credit operations reported by obliged institutions (Central Credit Register -CCR- at the national level and AnaCredit at EU-level). • Minimum reserve ratio calculation and verification and collection of financial statistics.
FINANCIAL CONDUCT AND BANKNOTES	• Supervision of institutions' conduct and their compliance with regulations on transparency and fair treatment of customers. Identification and analysis of risks that could affect institutions' conduct, and drawing up the related regulations and circulars.
OPERATIONS, MARKETS AND PAYMENT SYSTEMS	• Promotion and oversight of the smooth functioning of financial market infrastructures and payment instruments. Supervision of Iberpay and oversight of payment chain actors' compliance with digital operational resilience requirements.
GENERAL SECRETARIAT	• Suitability assessments of senior officers at supervised institutions. Participation in the assessment in the case of SIs. Maintenance of the Register of Directors and Senior Officers, the Register of Institutions and the Register of Payment Institution Agents in Spain. • Handling the granting and withdrawal of licences for institutions to operate, oversight of vetted access to activity and name reservation, and performance of sanctioning proceedings.

SOURCE: Banco de España.

In addition, a cross-cutting approach has been encouraged through initiatives such as the creation of multidisciplinary groups to develop AI and apply it to supervisory tasks.

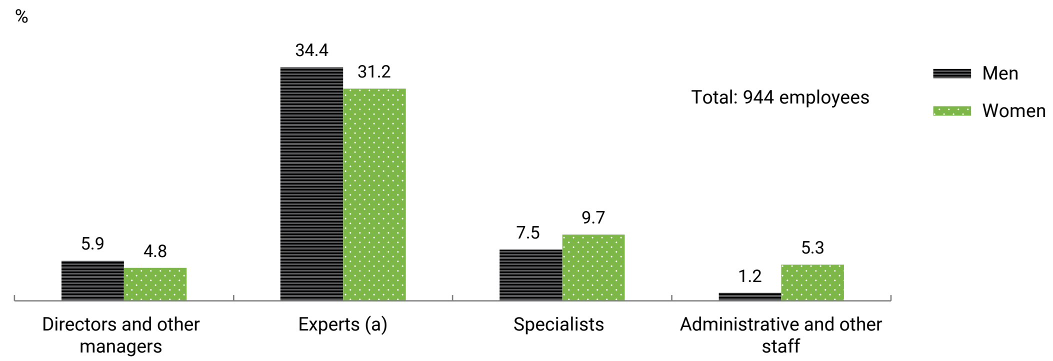
Figure 1.2 gives an overview of how the supervision and oversight functions are organised. For more detailed information, see the Banco de España’s website.

4 Supervisory and oversight staff

At 31 December 2025, the Banco de España had 944 employees performing supervisory and oversight functions, slightly more than a year earlier. This represents close to one third of its total staff, reflecting the importance of this function for financial stability and the correct provision of banking services to the general public.

— The majority of these employees (59%) are from the Directorate General Banking Supervision, which is responsible for the bulk of these functions, followed by the Directorate General Financial Stability, Regulation and Resolution and the Directorate General Strategy, People and Data, each accounting for 13% of staff members.

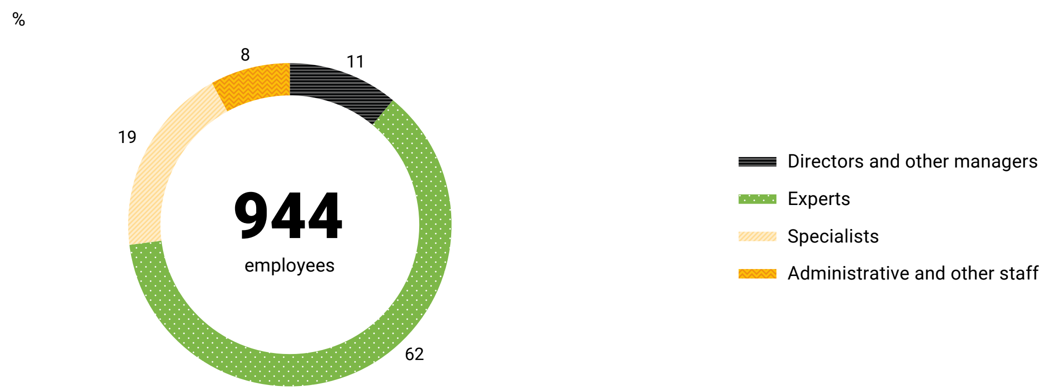
Chart 1.1
Supervisory and oversight staff, by gender and professional category. As at 31 December 2025



SOURCE: Banco de España.

a Also includes inspectors, senior economists, lawyers, inspection auditors and IT auditors.

Chart 1.2
Supervisory and oversight staff, by professional category. As at 31 December 2025



SOURCE: Banco de España.

In line with the gender split observed in 2024, 51% of these employees are women and 49% men. While overall gender balance is maintained, there are differences across professional categories, with greatest parity at the managerial level. The “Administrative staff and other” category shows a marked imbalance, with a higher representation of women, as does that of “Experts”, where men predominate. See Charts 1.1 and 1.2.

Chapter 2

Spanish banking system. Supervisory model. Suptech activities

1 Spanish banking system

The Spanish banking system fared positively in 2025 and at year-end all the solvency indicators signalled that banks were well positioned to deal with tensions without jeopardising their solvency and viability. However, caution remains the order of the day in light of the possible adverse impact on banking activity of certain persisting economic and geopolitical risks.

The banking system comprises credit institutions (banks, savings banks and cooperatives) whose key functions are to take deposits from and lend and provide banking services to their customers, primarily households and firms. Credit institutions play a key role in the economy and are a cornerstone of the financial system. In consequence, they operate under a robust European regulatory framework and are supervised by the European Central Bank (ECB) and the Banco de España under the Single Supervisory Mechanism (SSM).

— The SSM classifies credit institutions as significant institutions (SIs) and less significant institutions (LSIs) based on their size and economic importance for their country. The Banco de España directly supervises LSIs and actively collaborates with the ECB in the supervision of SIs (see Section 2 for more details).

— Broadly speaking, both consolidated groups of credit institutions, which can include one or more of those institutions, and individual institutions that are not part of a consolidated group are subject to supervision.

— In December 2025 a total of 135 groups and individual credit institutions operated in Spain through permanent establishments. They can be categorised into three types (Charts 2.1.a and 2.1.b):

  - Ten groups of Spanish SIs, some of which carry out notable international activity. They account for the vast majority of the system's assets.

  - 56 Spanish LSIs or groups of LSIs. This category comprises individual credit institutions that are not part of any consolidated group of credit institutions and groups that may include one or more credit institutions.

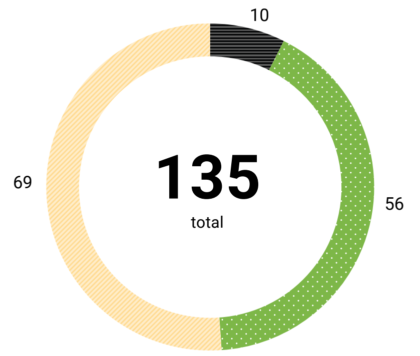
  - 69 groups comprising other subsidiaries and/or branches of foreign credit institutions, mostly from European Union countries. Of the credit institutions in this category, 30 are foreign SIs.

  - As in previous years, the number of groups and the share of assets are broadly stable

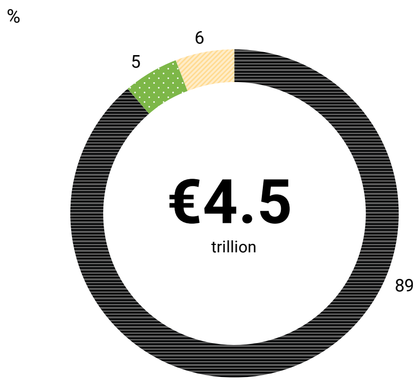
Table 2.1 breaks down, by legal form, the individual credit institutions (whether or not they are part of a group) registered with Banco de España at 31 December 2025. The register includes the Official Credit Institute (ICO, by its Spanish initials), as a publicly owned credit institution.

Chart 2.1
Banking institutions operating in Spain in 2025

2.1.a Number of groups



2.1.b Market share by asset volume



Spanish significant institutions — Less significant institutions (LSIs) — Subsidiaries and/or branches of foreign banking groups

SOURCE: Banco de España.
NOTE: LSIs include individual credit institutions that do not belong to any consolidated group and groups that can include one or more individual credit institutions.

Table 2.1
Total number of institutions registered with the Banco de España

Data at 31 December

	2024	2025
Credit institutions	**188**	**187**
Banks	46	43
Savings banks	2	2
Credit cooperatives	61	60
ICO (Official Credit Institute)	1	1
Branches of EU credit institutions	74	78
Branches of non-EU credit institutions	4	3

SOURCE: Banco de España.

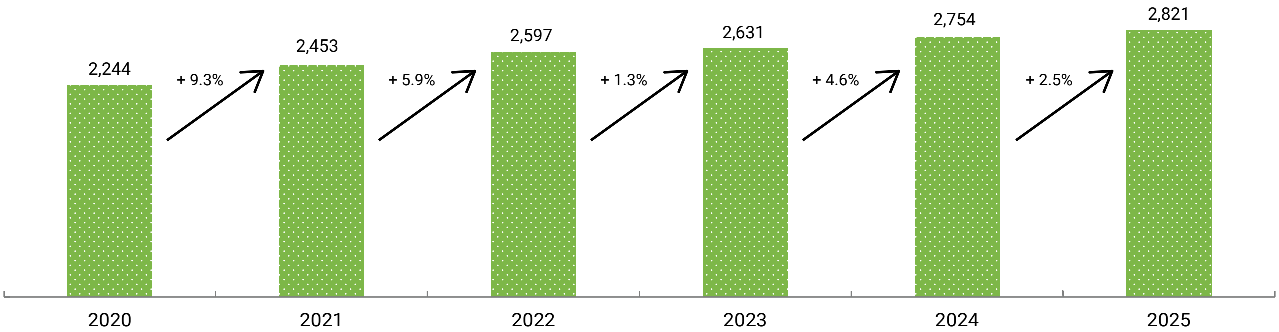
There are 187 individual credit institutions in total. Of the Spanish credit institutions, 35 are SIs and 66 are LSIs. More than half of the foreign institutions are SIs.

At December 2025, the Spanish banking sector managed €4.5 trillion in consolidated assets. Business abroad accounted for a significant portion (some 41%) of this activity, giving an idea of the relevance of several groups' international business.

Chart 2.2
Consolidated loans and receivables

2.2.a Loans and receivables (a)

% growth of loans and receivables; figures in €bn



SOURCE: Banco de España (supervisory statistics on credit institutions).

a Loans and advances included in accounting portfolios subject to impairment tests in accordance with IFRS 9 (amortised cost and fair value through other comprehensive income portfolios). Held-for-trading and fair value through profit or loss portfolios, in addition to cash balances with central banks and other sight deposits with credit institutions, are therefore excluded.

— In line with the Spanish banking system's marked retail banking profile, loans and receivables – mainly loans and advances to households and firms – account for a large share of these assets (around 63%).

— Chart 2.2 depicts the consolidated loans and receivables of the Spanish banking system since 2020. They grew slightly in 2025 (2.5%), mainly driven by business in Spain.

— Thus, the change in trend that began in late 2024, when lending in Spain began to pick up after almost two years of declines, has taken hold. Between the pandemic and then, the increase in loans and receivables had mainly been underpinned by lending abroad.

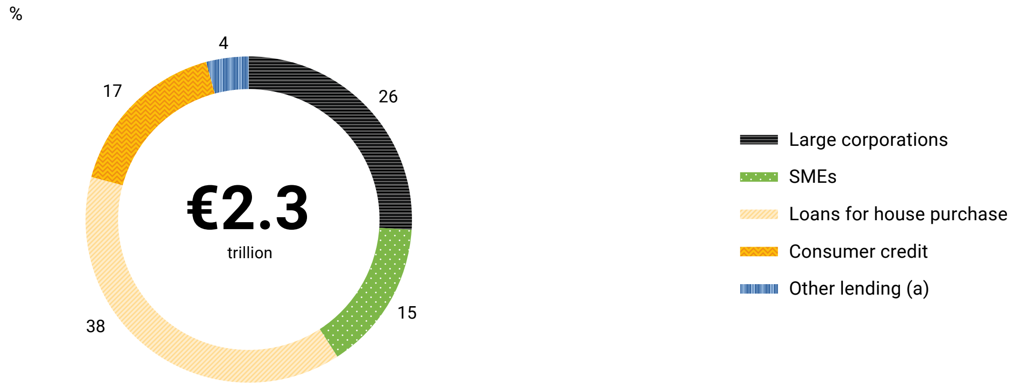
— Loans to the non-financial private sector – most notably residential mortgages to households, followed by loans to large corporations – account for 80% of these loans and receivables (Chart 2.3).

Despite the global geopolitical uncertainty, the Spanish banking system's asset quality improved in 2025, aided by the favourable macroeconomic environment in Spain (Chart 2.4).

— The non-performing loan (NPL) ratio declined moderately but steadily, reaching its lowest level since 2008 (2.4% in December 2025). Meanwhile, the stage 2 ratio, that is, the share of loans with a significant increase in credit risk since initial recognition, decreased more relevantly (5.9% in December 2025), continuing the trend of 2024.

— Lower private debt, higher employment and a lower interest rate environment (around 2%) were among the factors behind the improvement in asset quality. In addition,

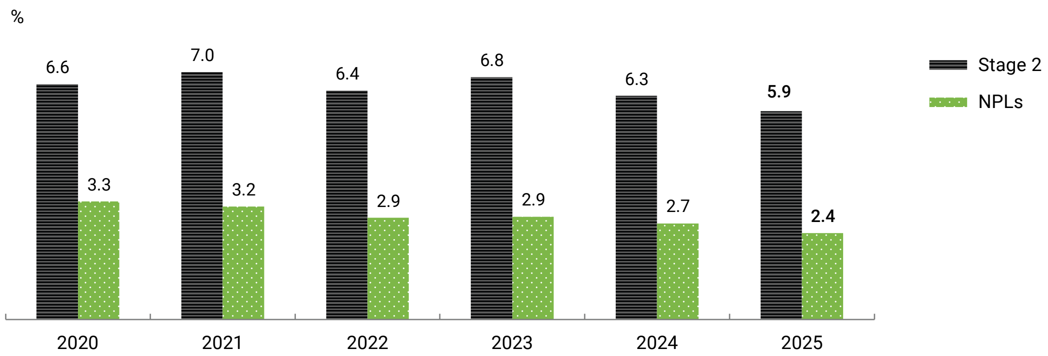
Chart 2.3
Loans to the non-financial private sector



SOURCE: Banco de España.

a "Other lending" includes lending to households different from loans for house purchase and consumer credit, and lending to sole proprietors and to non-profit institutions serving households.

Chart 2.4
Non-performing loan (NPL) and stage 2 ratios (a)



SOURCE: Banco de España (supervisory statistics on credit institutions).

a In accordance with IFRS 9, NPLs (or stage 3 loans) are loans with credit impairment; stage 2 loans are those with a significant increase in credit risk since their initial recognition; and all other loans are considered to be performing (stage 1) loans.

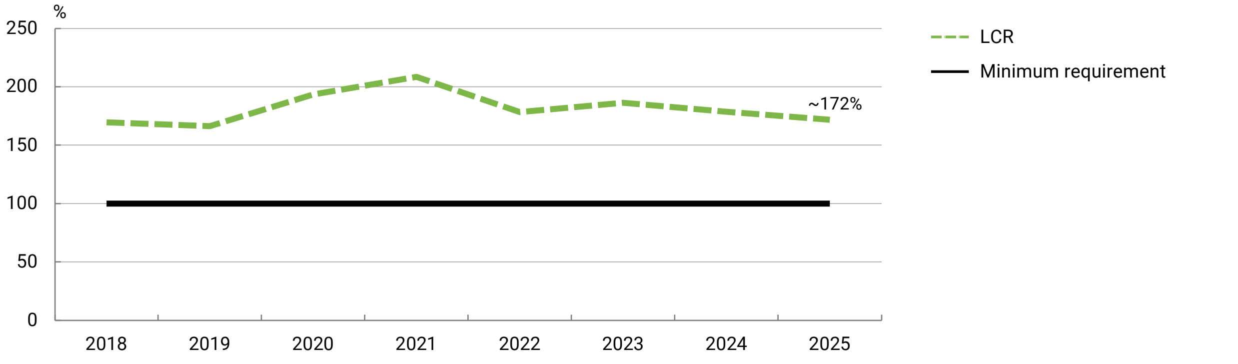
banks continued to manage problem assets, including by selling portfolios of NPLs and write-offs.

— However, certain economic and geopolitical risks persist that could affect employment, curb growth and reduce borrowers' ability to pay. As a result, vigilance remains the order of the day.

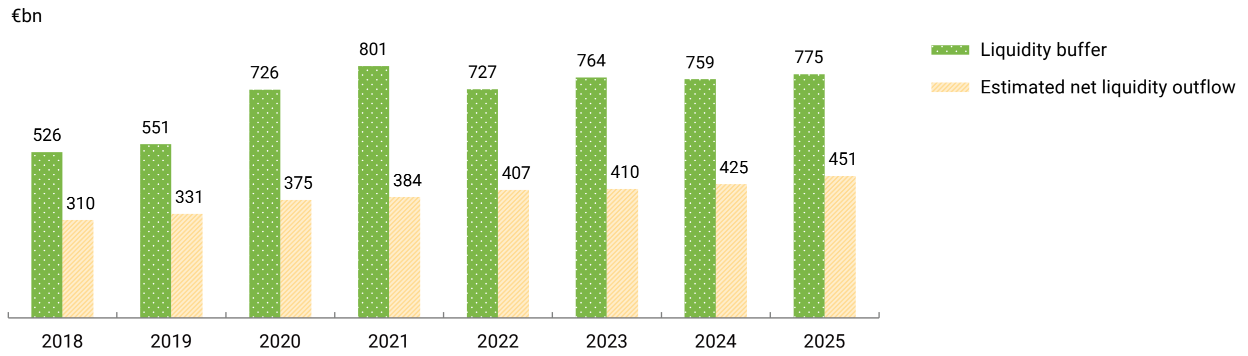
Spanish institutions' liquidity position remains sound, although the liquidity coverage ratio (LCR) decreased slightly in 2025 (Chart 2.5).

Chart 2.5
Credit institutions' short-term liquidity shield

2.5.a Liquidity coverage ratio (LCR)



2.5.b High-quality liquid assets and expected net outflows over 30 days (a)



SOURCE: Banco de España (supervisory statistics on credit institutions).

a The LCR is calculated by dividing high-quality liquid assets by expected net outflows of cash over 30 days.

— The LCR declined slightly, standing at around 172% in December 2025 (179% in December 2024), well above the minimum regulatory requirement of 100%. This reflects that the banking sector has more high-quality liquid assets (those which can be immediately converted into cash without any significant loss of value) than it would need to meet its liquidity needs under a 30-calendar day regulatory crisis scenario.

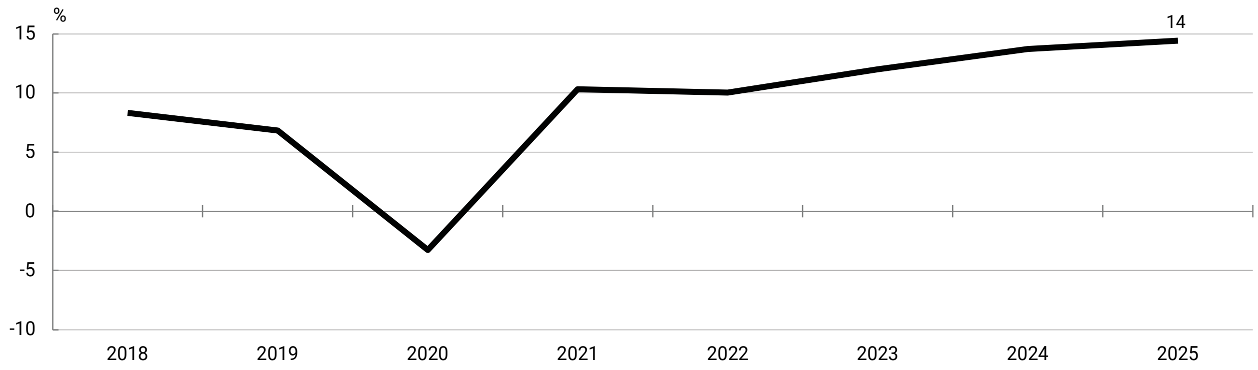
— Traditional deposit-taking was once again the main source of bank liquidity.

— Lending in Spain has grown since 2024, draining liquidity only moderately. This liquidity effect has been partially offset by the increase in deposits, particularly time deposits, which has kept liquid assets at the same level, with a small rise in net cash outflows.

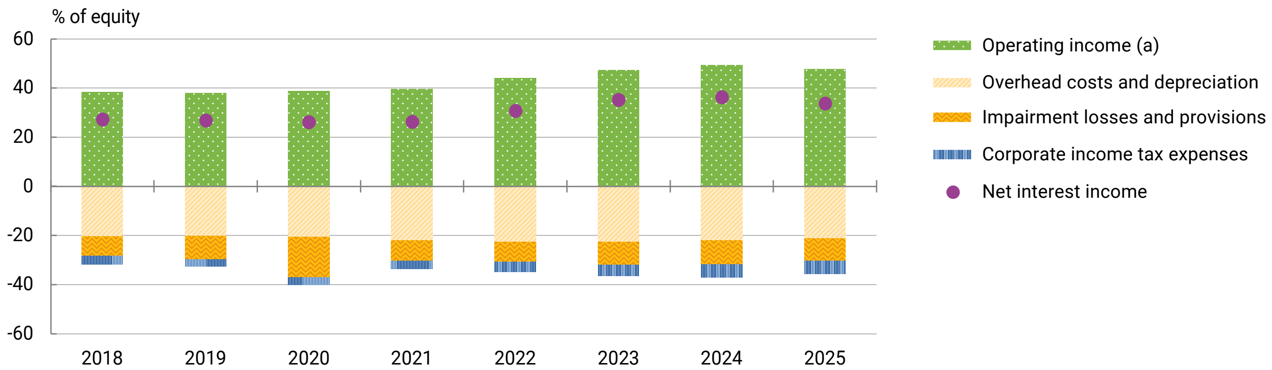
In 2025 Spanish banks' profitability continued to increase, reaching an all-time high, although it grew at a more moderate pace than in prior years because of lower interest rates (Charts 2.6 and 2.7).

Chart 2.6
Profitability of the Spanish banking system

2.6.a ROE (Return on equity)



2.6.b Income statement key components



SOURCE: Banco de España (supervisory statistics on credit institutions).

a Operating income is the sum of net interest income, net fee and commission income, net income from financial operations, net foreign exchange differences and other net operating income.

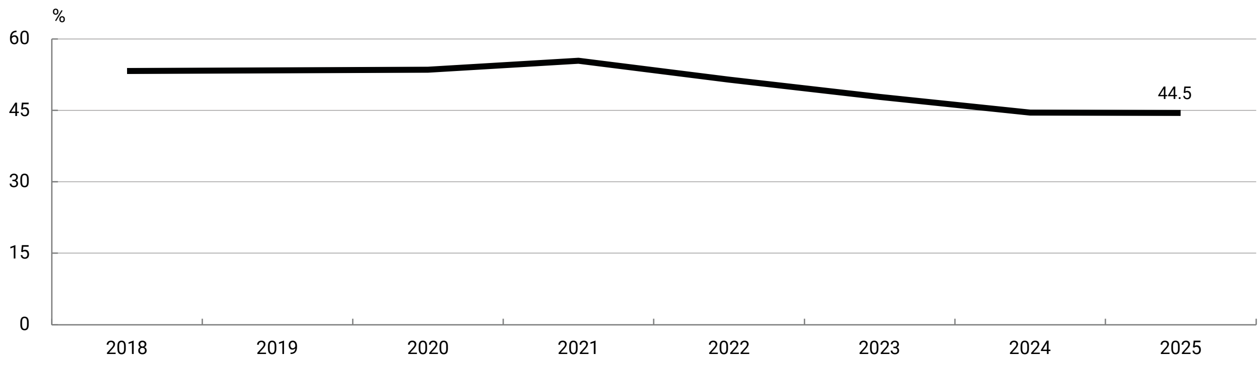
— The sector recorded aggregate return on equity (ROE) of 14% in December 2025 (13.7% in December 2024), well above the average for SSM SIs (10.1%).

  This was driven by higher fee and commission income and lower provisioning needs for loan impairment and other contingencies, such as operational or conduct events (for instance, mortgage arrangement fees). These factors offset the fall in net interest income and the slight increase in overhead costs.

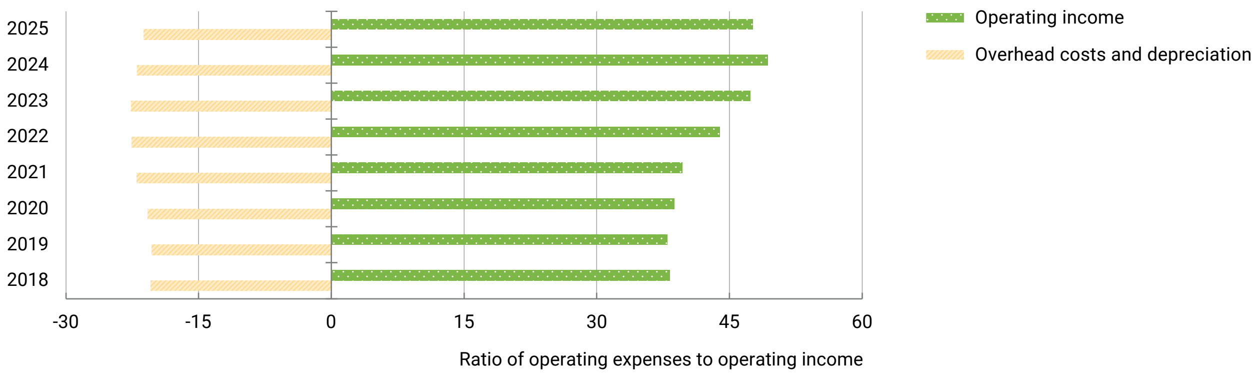
— The cost/income ratio was broadly unchanged, at 44.5%. Prominent in the slight rise in overhead costs was the increase in digital transformation costs.

Chart 2.7
Credit institutions' cost/income ratio

2.7.a Cost/income ratio



2.7.b Breakdown of cost/income ratio (% of equity)



SOURCE: Banco de España (supervisory statistics on credit institutions).

Spanish credit institutions' capital ratios stand at their highest levels since the establishment of the SSM and above regulatory requirements, demonstrating sound loss-absorbing capacity (Chart 2.8).

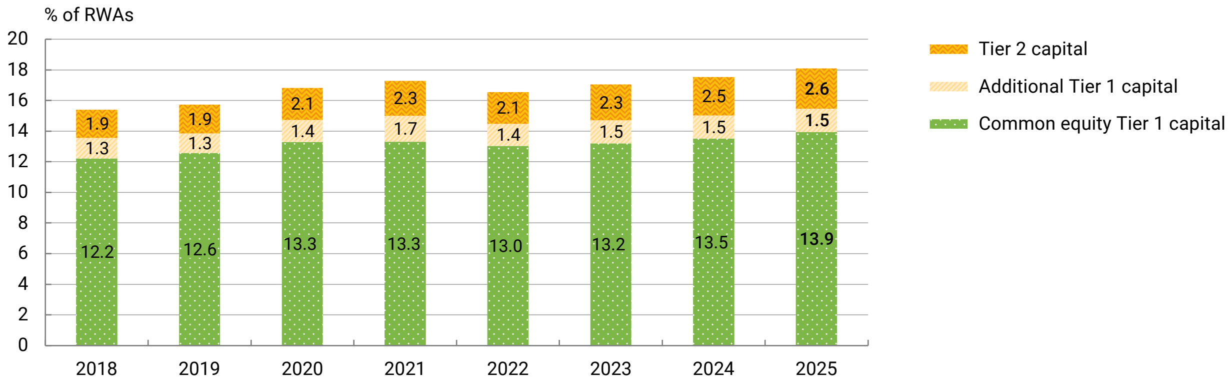
— Spanish banks' common equity tier 1 (CET1) ratio reached an all-time high (13.9%) in December 2025, although it remains below that of their European peers (average of 16.2%). This ratio measures bank solvency as the highest quality capital (shares, reserves, retained earnings) in proportion to risk-weighted assets (RWAs).

— Its positive performance in 2025 is attributable to significant retained earnings and a smaller increase in RWAs.

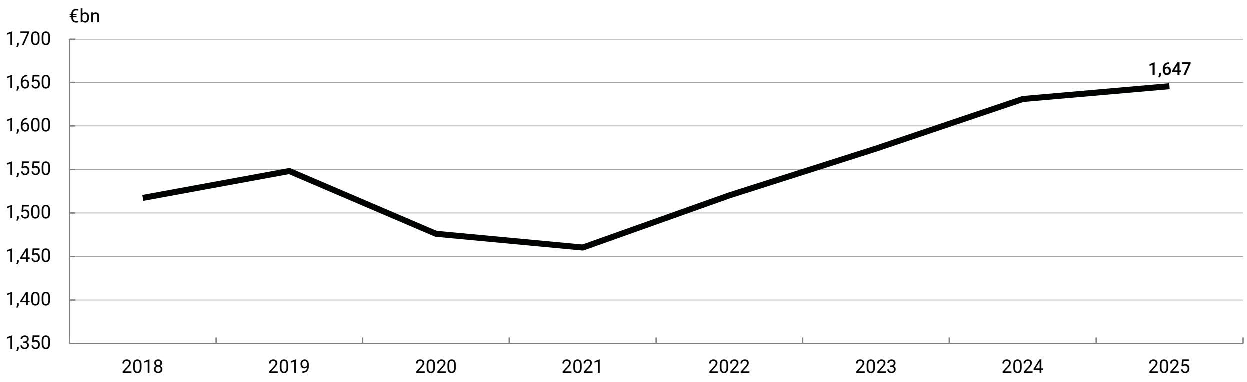
— Capital remuneration, in the form of both dividends and share buybacks, also reached record highs in absolute and relative terms.

Chart 2.8
Capital ratios (capital/risk weighted assets (RWAs))

2.8.a Breakdown of capital ratios



2.8.b RWAs



SOURCE: Banco de España (supervisory statistics on credit institutions).

— The gap in the CET1 ratio compared with European peers is significantly smaller in terms of the management buffer (that is, total capital surplus above the requirements) because of Spanish banks' lower requirements arising from their specific risk profile (lower Pillar 2 requirement (P2R), macroprudential buffers and Pillar 2 guidance (P2G))

2 Supervisory model

2.1 Supervisory model

Since 2014 microprudential supervision of euro area banks has been coordinated under the SSM. Responsibilities are shared between the ECB and the national competent authorities (NCAs), such as the Banco de España, to ensure consistent and effective oversight of the banking sector.

— The SSM is a common framework for the supervision of euro area credit institutions, which are classified as significant institutions (SIs) and less significant institutions (LSIs) based on their size and importance.

— The ECB directly supervises SIs. LSIs are supervised by their NCAs, in Spain by the Banco de España. Nevertheless, the ECB supervises LSIs indirectly to ensure that the criteria applied are consistent across the banking union (see Figure 2.1 for more details).

Figure 2.1
Distribution of supervisory powers over credit institutions

	Tasks assigned to the European Central Bank (ECB) within the Single Supervisory Mechanism	Tasks assigned to the national competent authorities (NCAs) within the Single Supervisory Mechanism
Supervision of significant institutions (SIs)	Direct supervision of SIs.	Support to the ECB for supervision of SIs: participation in joint supervisory teams and on-site inspections.
Supervision of less significant institutions (LSIs)	Indirect supervision of LSIs.	Direct supervision of LSIs.
Common procedures	Common procedures are the responsibility of the ECB, with proposals from the NCAs: the granting and withdrawal of authorisation for credit institutions, and authorisations for the acquisition/sale of qualifying holdings in a credit institution.	Preparation of proposals for SIs and LSIs.
Penalties	SIs: sanctioning powers in the event of non-compliance with directly applicable EU law, except for non-financial penalties and penalties for natural persons. LSIs: sanctioning powers in the event of non-compliance with an ECB decision or regulation.	SIs: sanctioning powers, upon instruction by the ECB, for non-compliance with national legislation transposing EU directives, for infringements attributable to their directors and managers, and for the purpose of imposing non-financial penalties. LSIs: sanctioning powers for all other cases of non-compliance, in some cases upon instruction by the ECB.

SOURCE: Banco de España.

Microprudential supervision of credit institutions is conducted through two complementary channels: ongoing (off-site) supervision and on-site supervision.[1] For more information, see **"The supervisory model in Spain"** on the Banco de España website.

— One of the main off-site supervisory activities is the supervisory review and evaluation process (SREP), whose conclusions incorporate the information compiled in all supervisory tasks. This provides a complete picture of a bank's situation, governance and risk management and control. It also enables supervisors to assess whether a bank has sufficient capital and liquidity to cover its risks.

— The SREP ends with a letter detailing the most important conclusions,[2] urging the affected banks to correct the shortcomings identified and submit plans to remedy them. Joint supervisory teams subsequently check that these remedial measures and plans are implemented.

— Regular stress tests are also conducted to assess banks' preparedness to cope with adverse scenarios (the impact on their solvency is analysed) and other critical situations, such as a liquidity crisis.

The Banco de España is involved in all the decisions taken by the ECB that may affect all, some or just one of the credit institutions supervised by the SSM. It does so through the Director General Banking Supervision, who sits on the Supervisory Board, and the Governor, who is a member of the ECB Governing Council.

— In 2025 the ECB adopted 2,567 decisions, 500 of which affected Spanish institutions: 271 were decisions addressed specifically to those institutions and a further 229 were horizontal decisions for all SSM supervised institutions (Chart 2.9).

— Compared with 2024, the number of ECB decisions and actions concerning Spanish institutions was up almost 13%. There was a notable increase in decisions on supervisory perimeter aspects, primarily authorisations for the acquisition of qualifying holdings; general reviews; and SREP decisions and actions, including those related to stress tests.

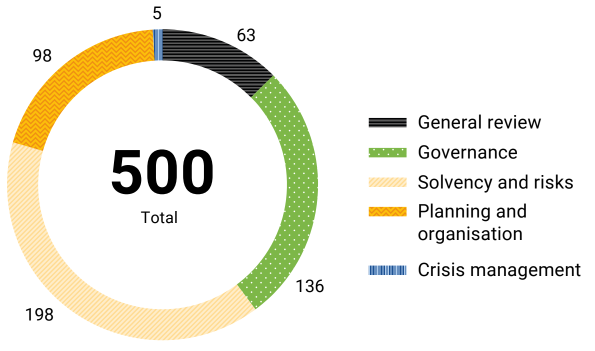
In 2025 the Banco de España, together with the other European supervisors, worked diligently to reform and simplify banking supervision, with a view to making it more streamlined and efficient and focused on the most important risks.

1 Ongoing off-site supervision refers to regular analysis of each bank's financial position (solvency, profitability, liquidity and asset quality), while on-site supervision involves inspections at the banks' headquarters for a more exhaustive review.

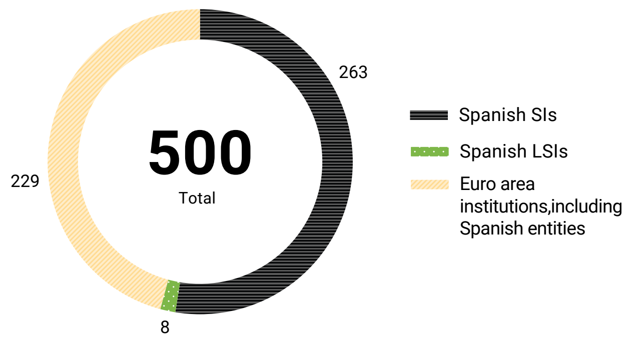
2 In this letter, the supervisor may require that banks hold a volume of capital above the minimum legal requirement; add P2G, which indicates the level of capital the supervisor expects the bank to maintain, in addition to its binding capital requirements, to withstand crisis situations; and include qualitative requirements and recommendations on any other matter where it considers there is room for improvement.

Chart 2.9
Breakdown of ECB decisions and actions affecting Spanish institutions

2.9.a By category



2.9.b By type of institution



SOURCE: Banco de España.

— The reforms, which will be fully implemented in 2026, affect key processes such as the SREP, stress tests and procedure simplification. They also incorporate changes that will allow for clearer and more transparent banking supervision that is tailored to the current challenges without sacrificing robustness.

— In addition, the SSM is working on introducing a regulatory change to apply the principle of proportionality more effectively and consistently in the regulatory framework applicable to small and non-complex credit institutions. Although the current legal framework formally recognises this principle, these institutions continue to face requirements that are disproportionate to their nature, size and complexity.

Outside the remit of the SSM, the Banco de España supervises other types of institutions that provide services or pursue activities linked to the financial system, such as electronic money institutions, appraisal companies and currency-exchange bureaux. The full list can be found in Figure 4.1 in Chapter 4 of this report

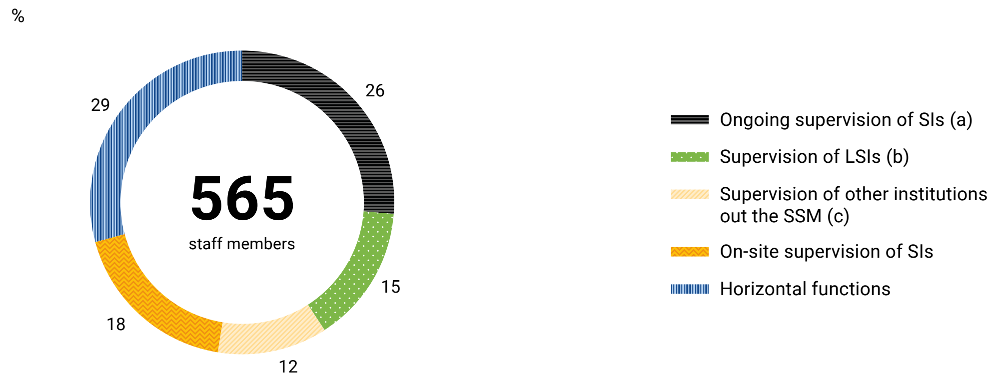
— The institutions on this list are heterogeneous, so the challenges posed vary and the supervisory objectives are adapted to their specific circumstances and situation.

— These institutions are also supervised through a combination of ongoing off-site monitoring and on-site inspections. Both are adapted to the specific features of each institution and to the type of activity they carry out.

2.2 Supervisory staff

Chart 2.10 describes the allocation of staff to the main microprudential supervisory tasks within the Banco de España. Fifteen new members joined during 2025, taking the number of supervisory staff to 565 at year-end.

Chart 2.10
Microprudential supervisory staff, by function (565 members)



SOURCE: Banco de España.

a SI: Significant institutions.
b LSI: Less significant institutions.
c SSM: Single Supervisory Mechanism.

Just under half supervise SIs (26% off-site and 18% on-site), while 29% perform horizontal support functions and the remainder supervise LSIs and institutions outside the SSM.

3 Suptech activities

Priorities under the Banco de España's Strategic Plan 2030 include technological innovation to extract more value from data and make the most of state-of-the-art artificial intelligence (AI) tools. The Strategic Plan's "Leveraging AI and new technologies" initiative is aligned with and based on the supervisory technology (suptech) strategy in banking supervision.

— The suptech initiative is geared to boosting supervisory work and facilitating better informed decision-making. It is based on the use of technologies such as machine learning (which enables systems to learn from data and improve over time) and big data (which makes it possible to analyse large volumes of information to reach conclusions that could not be drawn via traditional methods).

— An independent evaluation of the suptech initiative was conducted in 2023. Overall the experts' opinion was favourable, but they did identify some areas for improvement. Their recommendations led to an action plan and materialised in a suptech roadmap with four pillars. The main progress made in 2025 in each pillar is detailed below.

1 **Developing new suptech tools and enhancing the use of existing ones.** AI use to analyse company news was expanded to incorporate the identification of operational risk events and new visualisations, including data on issuance.[3]

The Directorate General Banking Supervision is working closely with the Banco de Espana's new Applied Technology Laboratory and Experimentation Department (DELTA), which specialises in the development of AI solutions and the adoption of new technologies at the Bank. In addition, technological capabilities for developing AI solutions have been vastly improved and staff have been equipped with AI tools to boost advanced data analysis and efficiency.

The Directorate General also continues to collaborate with the Digital Transformation Office on process automation.

2 **Fostering a culture of innovation** across the Banco de España through an interdepartmental process involving all Banco de España staff to identify areas where AI can add value. Inspectors and analysts participated in the joint design of the solutions that they will use, expanding their technological know-how and ensuring that the solutions are tailored to their work processes, thus benefiting the institution as a whole.

More than 140 ideas were identified in this process, 15 of which were defended before an Assessment Committee composed of members of the Banco de España's governing

3 Both tools were explained in Figure 2.5 of the *Supervision Report 2024*.

bodies and external experts. Two strategic projects were selected in the banking supervision field. These solutions aim to enhance the Bank's comprehensive view of institutions by strengthening data-based supervision and reducing manual tasks. The aim is to let supervisors focus on analysis and decision-making.

3 **Comprehensive training in suptech and AI skills for all staff.** Given that the digital transformation goes hand in hand with the development of in-house talent, training initiatives were stepped up in 2025, with emphasis placed on the banking supervision area.

   The Directorate General collaborated with the Banco de España's new Data and AI academies to give specialised training in machine learning and suptech tools at the Bank, at the ECB and in courses organised by the Association of Supervisors of Banks of the Americas (ASBA) for its members.

   An internal hackathon, in which supervisors and other Banco de España staff participated to design innovative solutions, was also organised. Multidisciplinary teams analysed advertising for financial instruments to improve the supervision of institutions' conduct, thus fostering creativity, internal collaboration and hands-on learning of new AI techniques. This initiative yielded useful prototypes for supervision and boosted the participants' digital skills, demonstrating the value of open innovation within the Bank.

4 In line with our objective to foster **national and international cooperation,** a document was prepared for ASBA detailing the key principles for designing a suptech roadmap. Collaboration is part of the Banco de España's AI strategy. In this respect, progress has been made via agreements with, for example, the Barcelona Supercomputing Center; the Directorate General has participated in various Eurosystem working groups; and headway is being made on agreements with other central banks to work together on AI systems.

Box 2.1 explains in detail the generative AI programme organised in collaboration with the European Commission, which also included a hackathon to develop innovative solutions and prototypes. This programme, which featured innovation events with experts from other international authorities and strategic sessions for senior management, has helped the Banco de España give impetus to the development of the suptech roadmap's four pillars.

Box 2.1

ADVANCED GENERATIVE ARTIFICIAL INTELLIGENCE TRAINING PROGRAMME

In 2025 the Banco de España, in collaboration with the European Commission, conducted an advanced generative artificial intelligence (AI) training programme.[1] Generative AI is designed to create original content (text, images or software code) by drawing on patterns learned from large volumes of existing data. Unlike other AI models that only classify, predict or analyse, generative AI produces new information by combining what it learned when it was trained.

The aim of this programme was to boost innovation across the Banco de España, implementing the recommendations from the 2023 external evaluation of the use of technological innovation in the prudential supervisory function.

The programme's four pillars are detailed below:

Pillar 1. Advanced training: In early 2025 a four-week intensive course was given to over 40 experts from the Banco de España and other national competent authorities. The speakers were top experts who gave theoretical and practical explanations of key concepts such as:

- *Embeddings:* a way of converting text or images into vectors so that the machine understands them.
- *Transformers:* a type of model that enables the AI to consider context.
- *Agent architecture:* systems that combine various AI models so that they work together and resolve more complex tasks

Pillar 2. Development of proof of concept: A generative AI prototype – that is, an initial version of an idea that could become an actual tool in the future – was developed. This project, conducted alongside the team that provided the training, allowed participants to put the knowledge gained into practice in a case study on audit reports. Two types of tools were compared: proprietary AI (tools created by, and licensed from, vendor companies) and open-source models, which are free of charge and can be tailored to any organisation.

Pillar 3. Collaborative innovation workshop: A two-day innovation workshop was organised with the assistance of the European University Institute. Five teams with members from different countries and fields participated. They collaborated to create prototypes, using state-of-the-art technologies, such as generative AI, network analysis (which maps the relationships between different components as if they were the nodes and threads of a spider's web) and geographic information systems (digital tools that analyse maps and location data). This workshop helped strengthen collaborative ties between different supervisors.

Pillar 4. Strategic meeting with senior management: A meeting was held between Banco de España senior management and international experts to analyse the challenges and opportunities that AI poses for the financial sector and the impact of AI on supervisory functions. Key issues were analysed, including the most disruptive technologies in finance, how to combat disinformation, ethical questions and the creation of innovation ecosystems.

This programme reflects the Banco de España's commitment to innovation, developing its staff's capabilities and collaborating with European institutions.

1 As part of a technical assistance project funded by the European Union and managed by the European Commission's Reform and Investment Task Force.

Chapter 3

Microprudential supervision of credit institutions

1 Supervision of significant credit institutions

1.1 Introduction

Significant institutions (SIs) are the largest and most impactful institutions in the European, and Spanish, financial system. They are directly supervised by the European Central Bank (ECB), with key support from the Banco de España, as the national supervisor.

The supervisory process begins with the definition of the supervisory priorities, which are determined based on the risks identified and are the basis of the focus of supervisory activities.

— This approach steers efforts towards the areas of greatest potential risk, enhancing supervisory effectiveness and efficiency by concentrating on material issues and making optimal use of the available resources.

— The priorities for SIs are established for a three-year time horizon based on analysis of the economic and financial environment, regulatory developments and the key risks and vulnerabilities in the banking sector.

— The supervisory priorities for 2025-27 aim to enhance the financial system's resilience to macro-financial threats and geopolitical shocks, address shortcomings in banks' management of climate-related risks and risk data aggregation, and strengthen digitalisation.

Based on these priorities, the annual plan[1] is drawn up and implemented through two types of supervisory actions: ongoing (off-site) supervision, most notably the Supervisory Review and Evaluation Process (SREP), and on-site supervision.

— The Banco de España participates in the ongoing supervision of the ten groups of Spanish SIs, primarily as part of the joint supervisory teams (JSTs) that bear this responsibility. It is also involved in five other JSTs that supervise SIs from other Single Supervisory Mechanism (SSM) countries operating in Spain through subsidiaries or branches.

— The Banco de España also takes part in on-site inspections and investigations of internal capital models. These are mainly carried out by Banco de España teams, but in some cases are performed by mixed teams involving the ECB and other SSM national authorities, helping to foster a common supervisory culture.

— This collaboration is deepened through Spanish supervisors' engagement in working groups and expert networks, which foster the sharing of views and best practices between national supervisory authorities and the ECB.

1 For further details on the supervisory priorities in 2025, see Section 2.2 of Chapter 2 of the Supervision Report 2024.

1.2 Supervisory focal points in 2025

Figure 3.1 presents the focal points for each supervisory priority in 2025, together with the main findings from the actions taken. Detailed descriptions of all of the supervisory actions undertaken in 2025 can be found in Sections 1.3, 1.4 and 1.5.

Figure 3.1
Supervisory priorities for SIs in 2026-28

1 Strengthening resilience to macro-financial and geopolitical shocks

SUPERVISORY PRIORITIES 2025 27	SUPERVISORY FOCAL POINTS IN 2025	KEY FINDINGS
Credit and counterparty risk: Strengthening credit risk management	Analysis focused on: • Automotive sector: horizontal reviews • Consumer credit and lending to SMEs: on-site inspections	• Automotive sector: weaknesses in the early identification of risks • Consumer credit: internal models and shortcomings in the application of IFRS 9
	Work continued on internal models (approvals) and on the follow up on findings from previous reviews (lending to NFCs and internal provisioning models)	
	Work begins on the identification of good lending practices	
Operational resilience: Remediation of shortcomings in ICT risk and compliance with DORA	Follow-up on the 2024 cyber resilience stress test (all Spanish SIs)	Challenge: continuous adaptation to **increasingly complex environments**
	Compliance with DORA	Compliance in progress. Key risk: **significant reliance on certain third-party service providers**
	ICT risk on-site inspections	Broadly speaking, the inspections result in more robust security and cyber risk frameworks
Geopolitical risk: Incorporating these risks across management areas	Horizontal review of risk cultures and risk appetite frameworks, and their **incorporation of the geopolitical component**	Good practices detected in identification, metrics, stress, RAF alignment and reporting
	Regular supervision, focused on banks with the largest international presence	Efforts to strengthen the management and integration of emerging risks must continue
	Incorporation of geopolitical risk in the EBA's 2025 stress test scenarios	

SOURCE: Banco de España.

Figure 3.1
Supervisory priorities for SIs (cont'd)

SUPERVISORY PRIORITIES 2025 27	SUPERVISORY FOCAL POINTS IN 2025	KEY FINDINGS
2 Remediation of shortcomings in climate-related risks and data aggregation		
Business strategies and managing climate-related and environmental risks	Remediation of shortcomings in climate-related risks and data aggregation	• Progress towards sound and advanced practices, although some shortcomings • Further integration of non-climate environmental risks is required
	Beginning of supervisory dialogue with SIs on transition plans (progress, challenges and areas for improvement)	**Challenge: Develop plans with clear timelines and milestones**
	Review of compliance with Pillar 3 disclosure requirements	In horizontal assessment stage
	Organisation of "Green Friday" and "Transition Friday" events with the industry, focusing on decarbonisation	An effective awareness-raising channel
RDARR (risk data aggregation and risk reporting)	Verification of compliance with supervisory expectations (ECB) and remediation of shortcomings	Insufficient progress and the **remediation process remains complex**
3 Digital transition and use of new technologies		
Digital transition: Strengthening the business model and the efficient management of risks arising from the use of innovative technologies	Monitoring the development of digitalisation strategies and implementation of technological platforms and solutions. Impact on business and internal governance	• There has been progress and no material incidents, but ongoing monitoring is required • Enhanced strategies: initiatives aligned with the business and integrated into the bank's overall vision **Challenges identified:** • Managing change in a climate of cost discipline • Aligning developments with the business and coordinating them at group level • Indicators to gauge the strategy's success
	Analysis of the main risks in key technologies: cloud and AI	**Risks identified:** • Concentration and geopolitical risks due to reliance on a handful of ICT service providers • Capacity to develop contingency plans • Rational use of AI • Need for skilled professionals

SOURCE: Banco de España.

1.3 Ongoing (off-site) supervision

Ongoing supervision aims to build an in-depth understanding of each bank's situation and risks, and to assess the adequacy of its management. The SREP plays a central role, providing a comprehensive analysis of banks' solvency, liquidity and governance.

- The ECB applies a common methodology aligned with the European Banking Authority (EBA) guidelines (EBA/GL/2022/03), which helps ensure comparability across institutions and supports the analysis of common trends at the European level.

- The SREP model is based on a risk tolerance framework (RTF) and a multi-year assessment (MYA):

  - The RTF determines the degree of supervisory focus on the different risk areas, ensuring alignment with the bank's risk profile.

  - The MYA gives JSTs greater flexibility to distribute supervision of the different areas across a multi-year cycle, prioritising actions according to each bank's characteristics and vulnerabilities.

- The SREP findings bring together the information obtained from all the supervisory tasks. This information is used to update each institution's risk profile and build a clear picture of its situation, governance, the quality of its risk management and the adequacy of its capital and liquidity.

- The process concludes with the supervisory assessment summarised in a "rationale", which is shared with each bank together with the requirements and areas for improvement.

- This encompasses the capital and liquidity decisions, including both requirements (Pillar 2 Requirements, or P2R) and guidance (Pillar 2 Guidance, or P2G) for additional own funds. Although guidance is not binding, it plays an important role in prudent capital planning, representing the additional capital that the ECB expects banks to maintain to absorb losses under adverse scenarios.

- Where potential areas for improvement in the banks' risk management are identified, qualitative requirements and recommendations may also be issued under the SREP.

As a result of the 2025 SREP, the ECB set the capital levels for Spanish SIs for 2026 as follows:

- The weighted average capital requirement (P2R) stood at 1.74%, 2 basis points (bp) lower than that set for 2025. This additional capital requirement – intended to cover risks – was unchanged for four banks, lowered for five and raised for one, with no material changes.

- The capital guidance (P2G) averaged 0.73%, down by 10 bp. Specifically, the P2G was lowered for eight banks and unchanged for two, owing to improved results in the 2025 stress test.

— The average capital add-ons for Spanish banks were lower than for those under the SSM framework as a whole (P2R of 2.1% and P2G of 1.1%), reflecting the supervisors' view that Spanish SIs have a lower risk profile.

Chart 3.1 shows the quantitative and qualitative requirements and recommendations sent to Spanish SIs as a result of the 2025 SREP. Beyond the capital-related items, they were mainly linked to governance, credit risk and, to a lesser extent, operational risk.

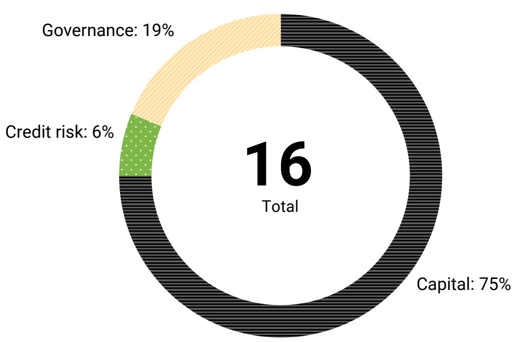
— Overall, the 16 requirements and 32 recommendations (48 in total) represented a 31% reduction compared with the 70 issued in the previous year, reflecting continued improvement fostered by supervisory action.

— Emphasis was placed on strengthening the risk control function and ensuring its active involvement in all material management decisions. Accordingly, supervisors highlighted the need for banks to assess exceptional transactions ex ante, to properly identify and quantify risks, to exercise effective oversight of the first line of defence (the areas that take on and manage risk on a day-to-day basis) and to enhance reporting to the governing bodies.

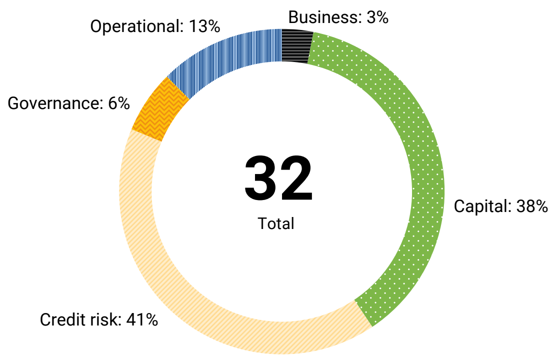
— As regards credit risk, supervisors emphasised the need for institutions to establish adequate provisions for non-performing exposures in accordance with the criteria laid down in the supervisory expectations.[2] Further recommendations were geared towards improving risk management and control frameworks and the estimation of loan loss provisions.

Chart 3.1
Breakdown of the 48 requirements and recommendations for Spanish SIs resulting from the 2025 SREP

3.1.a Requirements (total of 16)



3.1.b Recommendations (total of 32)



SOURCE: Banco de España.
NOTE: No requirements were issued concerning business model or operational risk, nor recommendations related to interest rate risk in the banking book (IRRBB).

2 Established in the "Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposure", published in March 2018, and the "Communication on supervisory coverage expectations for NPEs", of 22 August 2019.

— With regard to operational risk, the recommendations focused on measures to mitigate the risks arising from service interruptions, which affect both the bank's reputation and customer confidence.

Emphasis was placed on the need to strengthen business continuity plans – whether related to information and communications technologies (ICT) or not – enhance the control framework to ensure the accuracy and reliability of regulatory reporting, and improve internal controls to enable the proactive management of operational risk losses.

1.3.1 Other ongoing (off-site) supervisory actions

In 2025 ongoing supervision also included other relevant actions, most notably those related to the supervisory priorities as follows.

The first supervisory priority for 2025 was to strengthen banks' resilience to macro-financial and geopolitical shocks. While SIs' balance sheets and risk profiles were robust, persistent international tensions and uncertainty surrounding the economic outlook called for continued prudence.

— With regard to credit and counterparty risk, the supervisory work sought to improve the early identification of deteriorating asset quality and ensure prudent levels of provisioning. Banks were also expected to strengthen their efforts to address the shortcomings identified in previous supervisory exercises.

- Horizontal reviews of lending to the automotive sector were conducted, with deficiencies observed regarding the early identification of risks.

- A broad-based review was launched to identify good practices and areas for improvement in credit standards.

- Work continued on granting permission to use internal models to determine regulatory capital, as well as on the follow-up to previous reviews, in particular those concerning non-financial corporate portfolios and adjustments to internal provisioning models (IFRS 9).

  This review included an assessment of institutions' treatment of emerging risks, most notably climate-related and geopolitical risks. On end-2024 data, these adjustments were found to be material for expected loss coverage, with climate-related and geopolitical risks accounting for around one-third of all model adjustments (overlays).

— As regards operational resilience, the aim was to strengthen efforts to address the weaknesses identified in ICT risk, particularly in the management of third-party providers and cybersecurity – the preservation of confidentiality, integrity and availability of information and/or information systems through the cyber medium – and to drive compliance with the legal requirements stemming from the Digital Operational Resilience Act (DORA).

- Supervisors followed up on the recommendations stemming from the 2024 thematic cyber resilience stress test, which involved all Spanish SIs. One of the key challenges is that banks must continuously adapt to increasingly complex cybersecurity frameworks.

- Compliance with DORA was assessed. While banks have taken measures to adapt procedures following the regulation's entry into force in January 2025, some aspects remain pending. One key element is the management and mitigation of risks stemming from significant reliance on certain third-party service providers.

- Other relevant DORA-related work included the development of the new framework for reporting major ICT-related incidents and cyber threats, the annual publication of the list of critical third-party ICT providers (see Box 3.1) and the design and implementation of the advanced cybersecurity testing framework, while the banks subject to these requirements were also identified.

— As regards geopolitical risk, given the cross-cutting nature of geopolitical shocks (armed conflicts, shifts in tariff policies, etc.), supervisory action focused on ensuring that banks incorporate this risk across their management areas.

- The first phase, launched in 2024, of the overall review of banks' risk culture and risk appetite frameworks (RAFs) was completed, focused on identifying good and bad practices both in relation to RAFs in general and in terms of reflecting the geopolitical component.

- In this phase, which involved three Spanish SIs, a number of good practices related to the management of geopolitical risk were identified.

  These included, in particular, procedures for identifying geopolitical risks that could affect the bank, assessing their potential impact on other types of risk, establishing metrics to facilitate their monitoring and reporting to management – as well as their inclusion in stress testing – and monitoring geopolitical developments that may have an impact on the institution.

- Regular monitoring of this risk is undertaken at banks with a larger international footprint.

- In addition, in 2025 geopolitical risk was explicitly incorporated into the EBA's stress test scenarios, while a thematic stress test is planned for 2026.

The second priority focused on strengthening climate-related and environmental risks and improving institutions' risk data aggregation and risk reporting capabilities. Both are essential to ensuring proper prudential assessment and more robust decision-making.

— Climate and environmental risk:

- Supervisors continued to follow up on the weaknesses formally communicated to banks in previous supervisory exercises. The adoption of sound and advanced practices has increased overall, although shortcomings remain in terms of incorporating environmental, social and governance (ESG) criteria into:
  - The formal definition of risks assumed by banks (RAF).
  - Variable remuneration.
  - The valuation of collateral (i.e. of collateral used to back loans).
  - The internal capital adequacy assessment process (ICAAP) via stress scenarios.
- Improvements are also needed in the identification and management of non-climate environmental risks.
- Informal bilateral supervisory dialogue with SIs was initiated – and will continue into 2026 – to assess banks' capacity to develop transition plans. The definition of such plans, including clear timelines and milestones, remains a challenge. A thematic review is planned for 2027.
- The assessment of SIs' quantitative and qualitative ESG risk disclosures continued, pursuant to regulations on market disclosures under Pillar 3 (market discipline) of the Basel III framework, transposed into the applicable legislation.
- Workshops were held with industry stakeholders, such as "Green Fridays" and "Transition Fridays", to raise awareness of the decarbonisation process.

— Risk data aggregation and risk reporting:

- The remediation of the shortcomings identified in the 2024 thematic review on risk data aggregation and risk reporting (ECB Guide) was reviewed, adopting a proportionate approach based on the specific situation of each SI.
- For institutions with material shortcomings, supervisors assessed progress in the implementation of action plans and the achievement of key milestones for alignment with the ECB Guide.
- Overall, progress remains insufficient, with a slow pace of improvement owing to factors such as governance weaknesses, fragmented IT infrastructure, extensive use of manual processes and high remediation costs.

The third supervisory priority focused on strengthening institutions' digitalisation. Banks were expected to reinforce their strategies and implementation plans to mitigate and manage risks, including those arising from the use of new technologies, while capitalising on their potential to enhance business models.

— Supervisors monitored the definition of digitalisation strategies, as well as their alignment with the banks' business strategies and internal governance frameworks. The implementation of the associated technological platforms and solutions was also monitored. Progress was observed at some banks in the roll-out of new digital platforms, with no significant adverse incidents.

— This process will require continued monitoring in the coming years. The main challenges are:

1 Appropriately managing the change amid widespread cost discipline and considerable technological developments.

2 Ensuring proper alignment with the business strategy.

3 Extending the strategy across the banking group in a coordinated manner.

4 Developing adequate indicators to better measure and monitor the strategy's success.

— In relation to new technologies, supervisory actions primarily focused on analysing risks arising from cloud migration (to both public and private clouds) and the use of artificial intelligence (AI). The main objectives are:

1 To address reliance on a handful of cloud service providers based outside the European Union (EU) (concentration and geopolitical risks).

2 To strengthen banks' ability to develop contingency plans to ensure the continuity of critical services in the event of potential cloud service interruptions.

3 To define what constitutes rational use of AI.

4 The allocation of adequately skilled human resources for the deployment of new technologies, risk control and senior management positions.

— Supervisors themselves face the challenge of maintaining appropriately skilled specialists in a rapidly evolving technological environment.

1.4 On-site inspections

The Banco de España participated in 38 on-site inspections and internal model investigations launched in 2025 at Spanish SIs (30 in total) and at SIs in other SSM countries (8 in total). The Banco de España led 22 of these, including 18 at Spanish SIs and 4 at institutions in other jurisdictions (Italy, Finland and the Netherlands) (Table 3.1).

Table 3.1
On-site supervision at significant institutions. Number of inspections launched in 2025 involving the Banco de España

	2025		
	On-site inspections	Model investigations	Total
At Spanish credit institutions	17	13	30
Led by the Banco de España	11	7	18
Led by the ECB	2	1	3
Led by other national competent authorities	4 (a)	5 (b)	9
At credit institutions of other SSM countries	6	2	8
Led by the Banco de España (c)	3	1	4
TOTAL	**23**	**15**	**38**

SOURCE: Banco de España.

a Banco de Portugal, Autorité de Contrôle Prudentiel et de Résolution (ACPR) and Commission de Surveillance du Secteur Financier (CSSF).
b Bundesbank, Banco de Portugal and ACPR.
c The Banco de España led three inspections and one model investigation in Italy, Finland and the Netherlands and participated in inspection teams at Italian, German and Irish institutions.

These supervisory actions reflected the supervisory priorities for the year, in particular the priority aimed at strengthening banks' readiness for changes in the financial and geopolitical environment.

— The inspection plan placed significant emphasis on the management and quality of credit granted to small and medium-sized enterprises and consumer lending to households (three inspections), as well as on interest rate, liquidity and market risks (four inspections) and risk control governance and data processing (three inspections).

— In addition, three ICT risk inspections were undertaken at Spanish SIs, focusing on infrastructure, ICT project and change management, security and business continuity plans. Two further inspections addressed non-ICT operational risk.

— The inspection planning also reflected other areas of interest identified by the JSTs, including the calculation of regulatory and economic capital (two inspections).

— In 2025 climate-related risks were included in the scope of inspections addressing other risks.

— The most relevant weaknesses identified during inspections in 2025 can be summarised as follows:

- **Credit risk:** weaknesses related to internal model parameters for loan loss provisions and their validation, together with the need to reinforce the monitoring and control of loans and their classification based on credit risk.

- **Interest rate, liquidity and market risks:** shortcomings in models used to estimate customer behaviour, particularly in relation to sight deposits, and the need to reinforce risk controls.

- **IT risk:** weaknesses related to the protection of IT assets, vulnerability and incident management and security testing of critical applications.

— Most internal model investigations (Table 3.1) focused on credit risk models and aimed to review model changes arising from new regulatory requirements, along with the remediation of findings from previous missions.

1.5 Stress tests

The EBA coordinates the European stress tests, which are conducted every two years. 51 SIs subject to the ECB's direct supervision took part in the 2025 edition, accounting for around 75% of euro area bank assets. Among them were six Spanish groups: Bankinter, BBVA, CaixaBank, Sabadell, Santander and Unicaja.

The ECB complemented this exercise with a similar test on 45 SIs under its supervision that were not included in the EBA tests, which accounted for around 7% of banking sector assets. These included the Spanish institutions Abanca, Banco de Crédito Social Cooperativo, Ibercaja and Kutxabank. In total, 96 SIs within the European banking supervision framework were examined.

— The adverse scenario envisaged a severe economic downturn fuelled by geopolitical tensions, trade fragmentation, protectionist policies and persistent supply shocks, resulting in strong increases in energy and commodity prices, temporary inflationary pressures, tighter financial conditions and market corrections. However, the envisaged prices increases were more moderate and short-lived compared with the 2023 test (which estimated high and persistent inflation), partly owing to weak demand.

— Under the adverse scenario, the fully loaded CET1 capital ratio (i.e. calculated assuming that the relevant regulation is fully implemented) of the SIs supervised by the ECB (which include the Spanish SIs) fell by 329 bp, while for Spanish SIs the decline was smaller (179 bp). As a result, the capital gap between all ECB-supervised and Spanish SIs narrowed from 190 bp at the start of the exercise to 41 bp by the 2027 horizon (Chart 3.2.b).

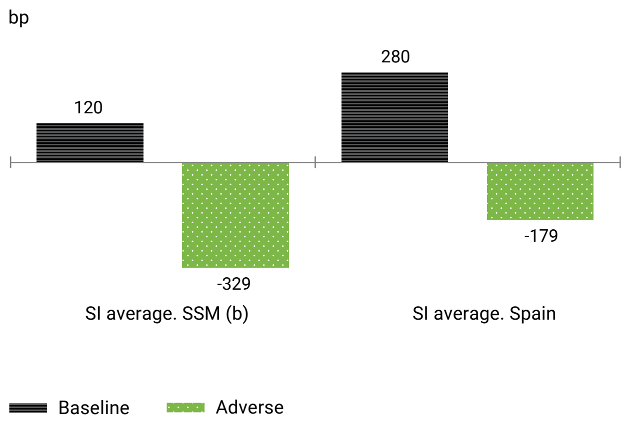
— Spanish SIs withstood the adverse scenario better than European ones on average, thanks to higher net interest income (particularly from business abroad) and better performance of overhead costs. These factors offset their higher credit impairment losses.

— As in previous exercises, no minimum capital thresholds were set, and the outcome of the adverse scenario was taken as a benchmark for determining the P2G level. Moreover, the qualitative aspects observed during the test are taken into account in the SREP and may affect the setting of capital requirements, particularly in the area of governance.

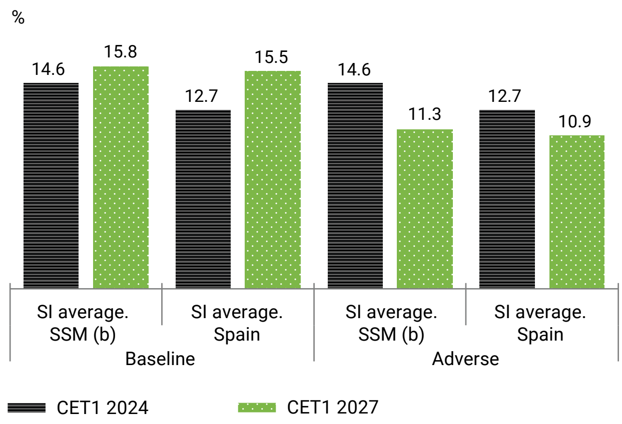
Geopolitical risk was incorporated into the 2025 test through the inclusion of supply chain disruptions and trade tensions. In the years when there is no EU-wide EBA stress test, the ECB/

Chart 3.2
European stress test 2025

3.2.a Change in CET1 ratio (a)



3.2.a CET1 ratio under the baseline and adverse scenarios (a)



SOURCE: Banco de España, drawing on ECB data.

a Fully loaded CET1, i.e. calculated assuming that the relevant regulation is fully implemented.
b European significant credit institutions supervised by the ECB.

SSM conducts thematic stress tests, with the 2026 thematic stress test set to focus on geopolitical risk.

— The main aim will be to assess credit institutions' ability to conduct stress tests incorporating geopolitical risk, through a reverse test included in the ICAAP. Institutions will define a scenario that leads to a pre-specified CET1 capital depletion of at least 300 bp.

1.6 The Single Supervisory Mechanism's supervisory priorities for 2026-28

Within the SSM, **two strategic priorities** have been established for SIs for the period 2026-28 (Figure 3.2).

The first priority is to strengthen banks' financial resilience in the face of heightened global trade tensions, geopolitical risks and overall uncertainty.

— Institutions should adopt and maintain sound credit standards to prevent the accumulation of new non-performing loans and pricing or cost-management issues.

— Supervisors will pay particular attention to how banks implement the new standardised approach for calculating their capital requirements, to ensure closer alignment with banks' actual risks. These methods are more risk-sensitive and were developed in response to the global financial crisis (Basel III final framework).

Figure 3.2
Supervisory priorities for SIs in 2026-28

1 Strengthening SIs' resilience to geopolitical risks and macro-financial uncertainties

- Ensure prudent risk-taking and sound credit standards
- Ensure adequate capitalisation and consistent implementation of CRR III (a)
- Ensure prudent management of climate and nature-related risks

2 Strengthening SIs' operational resilience and fostering robust ICT capabilities

- Implement robust and resilient operational risk management frameworks
- Remedy deficiencies in risk reporting capabilities and related information systems
- Medium to long-term priority strategy focusing on SIs' digital and, in particular, AI-related strategies, governance and management

SOURCE: SSM supervisory priorities for 2026-28.

a The third major reform of the Capital Requirements Regulation.

— The thematic stress test scheduled for 2026 will assess geopolitical risk scenarios affecting each bank based on their risk profile, which is shaped, among other factors, by their international presence. It will also assess how these scenarios could impact their solvency.

— Institutions should continue to strengthen their management of climate and nature-related risks.

The second priority involves strengthening operational resilience to mitigate emerging risks and prevent disruptions to critical operations and services, as well as fostering robust ICT capabilities at SIs.

— SIs have demonstrated remarkable resilience to cyber attacks and severe disruptions, such as the 2025 power outages. However, protecting critical infrastructure from existing risks requires developing mitigation measures and effective contingency plans.

— Moreover, heavy reliance on a small number of third-party service providers, many of which are based outside the EU, increases the complexity of outsourcing arrangements and makes SIs more vulnerable to geopolitical tensions.

— Therefore, institutions need to continue their efforts to address identified shortcomings and fully comply with the European Digital Operational Resilience Act (DORA).

— In addition, the focus will be on the remediation of remaining shortcomings in risk reporting capabilities and relevant reporting systems.

— Finally, the medium to long-term supervisory strategy for SIs' digitalisation initiatives will take a more targeted approach, particularly centred around the generative AI applications implemented by institutions.

2 Supervision of less significant credit institutions

2.1 Introduction

The Banco de España is responsible for the direct supervision of Spanish less significant institutions (LSIs), while the ECB exercises indirect supervision to ensure that supervisory activities meet common quality standards and deliver consistent results across countries. The Banco de España also supervises branches of non-EU institutions and the Official Credit Institute (ICO).

The supervision of LSIs combines ongoing off-site activities – including the SREP – with on-site inspections. In addition, ongoing activities include, among other actions, regularly assessing institutions' economic and financial situation, reviewing recovery plans – which credit institutions must prepare and keep up to date – and checking compliance with the requirements and recommendations issued as a result of the supervisory activities.

— In 2025 supervisory activity was marked by increased application of the proportionality principle. This resulted in the introduction of a multi-year approach in the SREP methodology.

— For most LSIs, the multi-year approach involves an overall risk assessment each year and an in-depth assessment of every element/risk over a three-year period. For institutions considered to be "high impact" or "high risk",[3] a full SREP for all elements/risks is performed annually.

— The aim of this approach is to increase the efficiency of supervision and, at the same time, reduce the supervisory burden for institutions by adjusting it to their risk profile and/or impact on the financial system.

— 18 on-site inspections were initiated in 2025.

— The Banco de España may also carry out supervisory actions on the branches in Spain of LSIs from other SSM and EU countries for financial stability reasons, although direct prudential supervision is the responsibility of the home supervisor.

2.2 Supervisory focal points in 2025

The supervisory process begins by defining the supervisory priorities for LSIs. This supports a stronger risk-based approach and improves the effectiveness and efficiency of supervision.

3 "High-impact" institutions are institutions that are not classified as SIs but have a material impact on the local financial system, owing to their size, importance for the local economy or cross-border activity, or the complexity and nature of their activity. "High-risk" institutions have a higher risk profile and require greater supervisory intensity.

— Priorities are set following a process similar to that of SIs, but with a one-year time horizon instead of the three years used for SIs.

— These priorities are fleshed out in an annual plan approved by the Executive Commission of the Banco de España. For 2025 priorities were set in the areas of credit risk, operational risk, governance, climate risk, business model, structural interest rate risk and liquidity risk. For more information, see Section 2.2 of Chapter 2 of the *Supervision Report 2024*.

— Figure 3.3 details the main risks and focal points of supervisory attention in 2025 and the general outcome of the actions carried out.

— Box 3.2 at the end of this chapter addresses the importance of credit cooperatives, especially in less populated Spanish regions, and the geographical constraints that limit their investment opportunities.

Two ad hoc activities were carried out owing to two extraordinary events: the flash floods caused by the DANA (Spanish acronym for an upper-level low pressure system that becomes isolated from the jet stream) in October 2024, which severely impacted parts of the Valencia region, and the blackout on 28 April 2025 which affected the entire Iberian Peninsula.

— Targeted monitoring of credit quality was conducted at the institutions potentially most affected by the consequences of the flash floods. To this end, detailed information was requested on the performance of certain credit risk metrics and on the volume of official aid received by the affected population.

- There were no signs of a significant deterioration in credit quality, probably owing to the direct aid, ICO loans and moratoria granted.

- In 2025 on-site inspections were launched at the four most affected institutions to review the management of risks affected by the consequences of flash-floods.

— Following the blackout, banks were asked to complete a questionnaire to assess the impact on their activity, and the measures implemented to mitigate its effects were monitored.

- The information received showed that the impact was limited and that banking activity continued normally in many areas, although some services, such as ATMs or digital channels, were interrupted.

- Institutions should ensure the continuity of critical business functions even under very adverse scenarios. To this end, they should identify critical processes, assess the associated risks, design continuity and recovery plans and perform regular tests to ensure their effectiveness.

Figure 3.3
Supervision of LSIs in 2025

RISK	SUPERVISORY FOCAL POINTS IN 2025	FINDINGS OF SUPERVISORY ACTIONS
Credit risk	**Institutions operating mainly in retail and commercial banking:** • Lending practices • Control and classification of loans • Calculation of loss provisions	**General findings:** • Credit: controlled growth • NPLs: contained • Coverage: adequate **There is room for improvement in risk control**
Business model	**Non-retail or commercial banking institutions:** • The sustainability of their strategies • Capacity to adapt to changing conditions	• A group of institutions with highly diverse business models • **Overall resilience and profitability, although some institutions were asked to provide an action plan**
	For institutions operating in retail and commercial banking: • Quarterly monitoring of profitability indicators • Review of budget compliance	• The challenge is to maintain adequate profitability levels in a declining interest rate and highly competitive environment • **Many cooperatives face geographical constraints that restrict their activities and limit investment opportunities**
Operational risk	Quarterly monitoring of ICT risk and conduct risk	**Need to strengthen ICT risk management:** • Need to impove banking platforms • Better control of outsourcing
Governance	**Analysis focused on:** • The composition and functioning of governing bodies • The organisational structure, with a focus on internal control functions: risk management, regulatory compliance and internal audit	**Main weaknesses:** • Scope for improvement in the separation and independence of the risk and audit functions • Independent directors play a limited role in oversight • Potential to improve the composition and functioning of board committees
Climate and environmental risk	Follow-up of the 2024 review of **ten banks'** approaches to integrating climate-related and environmental risks into credit risk	**Scope for improvement:** • Customer onboarding: need to improve practices • Loans and pricing: better integration of climate-related risk • Risk classification: insufficiently responsive • Valuation of collateral: reflect physical and transition risks **New regulation:** progress required towards compliance with new regulations (Directive (EU) 2024/1619 and EBA/GL/2025/01)
Liquidity risk	Quarterly monitoring of liquidity indicators	**Ample liquidity with ratios well above regulatory minimums**
Interest rate risk in the banking book (IRRBB)	Quarterly monitoring of the impact of interest rate increases and decreases on institutions' income (profit) and economic value	Adequate risk management at most institutions Enhanced monitoring required when the impacts approach or exceed certain limits

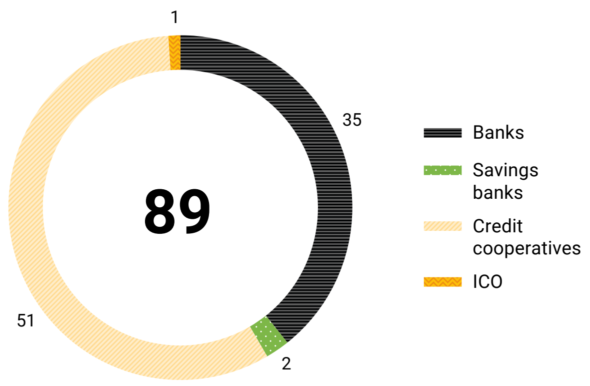
SOURCE: Banco de España.

The supervisory activities carried out in 2025 resulted in 89 letters being sent to LSIs and the ICO (Chart 3.3). The number of letters sent fell by 22.6% compared to 2024, when it reached 115.

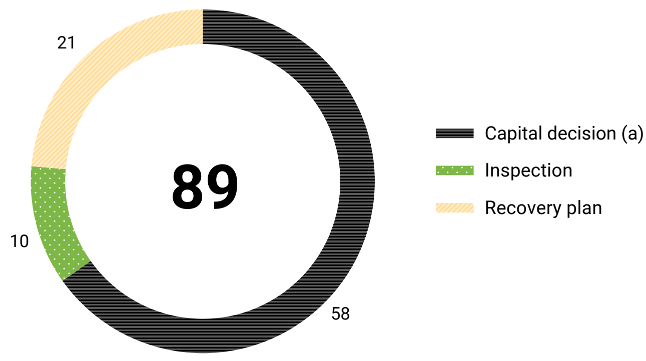
— Capital decisions arising from the SREP account for 67% of letters, while another 24% concern recovery plans and the remainder relate to inspections.

Chart 3.3
Letters addressed to LSIs and the ICO in 2025

3.3.a By type of institution



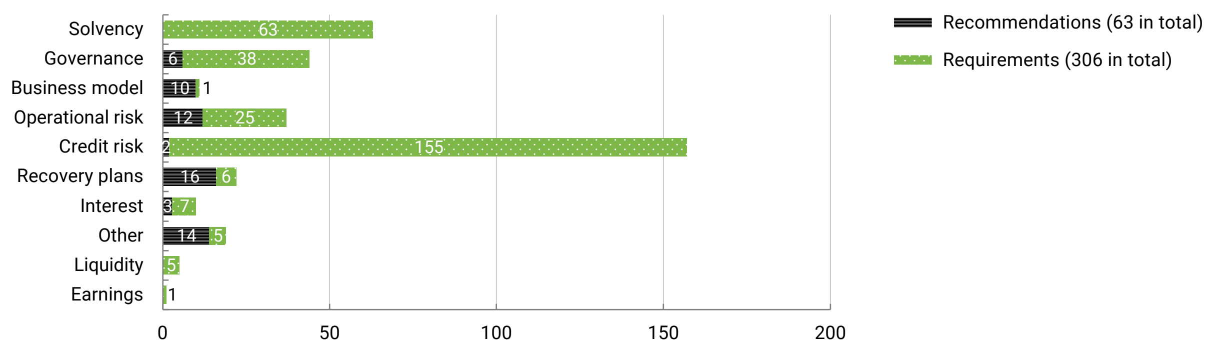
3.3.b By origin



SOURCE: Banco de España.

a The 58 capital decision letters were addressed to the 57 LSI institutions or groups (with one addressed to a subsidiary of one of those groups) and to the ICO.

Chart 3.4
Distribution by subject matter of the requirements and recommendations for LSIs in 2025



SOURCE: Banco de España.
NOTE: "Other" mainly includes climate risk-related requirements or recommendations.

— Chart 3.4 details the distribution by subject matter of the 369 requirements and recommendations (compared with 528 in the previous year) included in the 89 letters addressed to LSIs, the most relevant content of which is set out in Section 2.3.

— Credit risk-related requirements were particularly prominent, followed to a lesser extent by those related to solvency and governance. Among recommendations, those on aligning with the Banco de España's supervisory expectations on climate risks (included in the "Other" section of Chart 3.4) stand out.

— Recommendations (non-binding) and requirements (binding) are supervisory instruments that enable risks to be anticipated and weaknesses to be corrected through continuous and proportionate dialogue with supervised institutions.

2.3 Quantitative and qualitative requirements and recommendations in the capital decision

As mentioned above, off-site ongoing supervision focuses chiefly on tasks related to the SREP and the capital decision resulting from this process.

— The process follows the common SSM methodology and integrates all the information gathered during the various supervisory activities: ongoing monitoring, thematic reviews, inspections, meetings with institutions' senior management, etc. This provides a complete and consistent view of each institution's risk profile and serves as the basis for setting the corresponding capital decision.

— As part of the multi-year approach, in 2025 an in-depth review of credit risk was performed, focusing in particular on how such risk is controlled at commercial banks. For institutions with other business models, such as custodian banking or private banking, the analysis focused on business model sustainability. In addition, high impact institutions, whether due to their size or risk profile, were subject to a full SREP covering all risks.

— Following this multi-year approach, in 2026 the analysis of all institutions will focus on governance and operational risk.

The 2025 SREP resulted in slightly lower capital add-ons than in 2024, both in terms of the binding requirement (P2R) and the non-binding guidance (P2G), reflecting positive evolution.

— The weighted average P2R stood at 1.61%. Among LSIs, required capital levels increased for eight institutions, decreased for 12 institutions and held steady for the remaining institutions.

— The average P2G declined to 0.8% following the analysis of the results of the national stress tests (see Section 2.6) and of the stress tests included in institutions' ICAAP and ILAAP reports. It decreased for 33 LSIs, increased for four and remained stable for the rest.

— There was no need for P2R or P2G add-ons for excessive leverage risk.

Annual letters sent to institutions containing the SREP conclusions include requirements and recommendations to remedy the deficiencies or areas for improvement identified.

— Some weaknesses in credit risk controls were detected although, overall, institutions' business growth remains prudent, with sound indicators, contained non-performing loans and adequate coverage levels. The main deficiencies found were:

  • Issues in the risk control function (second line of defence), especially as regards its independence, as well as the scope and definition of its tasks; a lack of resources in the different lines of defence.

- Need to improve policies, procedures and reports in relation to credit origination and credit risk monitoring. Also, insufficient diversification of credit portfolios and errors in the application of large exposure limits.

- Incorrect application of accounting criteria for classifying loans; deficiencies in controls to monitor differences between non-performing loans according to prudential and accounting criteria.

- Weaknesses in plans to reduce non-performing loans and foreclosed assets, such as projection errors and the need for clearer descriptions of foreclosed asset developments and reductions.

  The Banco de España requires institutions with a non-performing ratio above 5% or an extended non-performing ratio above 7% to send or update plans to reduce non-performing loans and/or foreclosed assets. It also reminds them that they must closely monitor non-performing exposure developments and whether the plan's projections are materialising.

— In the area of operational risk, requirements focused on strengthening IT risk management. They mainly called for improving banking platforms, strengthening control over risks arising from outsourced services and correcting errors in the preparation of reporting templates. In addition, recommendations were made to improve the estimation of legal risk.

— In the area of governance, weaknesses were identified relating to management succession planning, the quality of regulatory reporting, the resources allocated to the compliance function and the composition and powers of board committees.

— In relation to business model sustainability, the weaknesses concerned the action plans to improve recurring income and efficiency, strategic plan monitoring and reporting of potential significant deviations from the budget.

— With regard to interest rate risk, as in 2024, the recommendations and requirements focused on tighter control and closer monitoring.

  Measures to reduce exposure were also required in cases where the impact of interest rate movements on net interest income and/or economic value exceeds certain regulatory thresholds (an impact above 15% of economic value or 5% of net interest income).

— Lastly, the need to improve the quality or projections included in ICAAP/ILAAP reports, compliance with supervisory expectations on climate change risks – especially in relation to credit risk – and financial autonomy was highlighted.

2.4 On-site inspections

In 2025, 18 on-site inspections were initiated under the 2025 supervisory plan and ten requirement and recommendation letters were sent:

— Of the inspections launched in 2025, eight focused on credit portfolio, governance, internal control and solvency; six on governance and internal control; three concerned governance and implementation of CRR III (the third major reform of the Capital Requirements Regulation, which regulates prudential requirements for credit institutions in Europe); and one looked at IT risk.

— The letters sent to banks following finalised inspections mainly identified weaknesses in three areas: governance and internal control, credit risk management and control, and solvency.

- In relation to governance and internal control, the weaknesses related to the composition and functioning of the management bodies and board committees, the role of independent directors and the independence and scope of the risk control function (second line of defence) and the internal audit function (third line of defence). Weaknesses were also detected in specific aspects of the remuneration policy and in internal audit coverage and the follow-up to its findings.

- With regard to credit risk management and control, deficiencies were detected both in credit origination and risk monitoring, and in accounting classification and provisioning policies.

- With regard to solvency, the weaknesses concerned the quantification of the risk-weighted assets (RWAs) used to calculate solvency ratios.

2.5 Other activities

Of the remaining supervisory activities in 2025, two types merit particular mention: the regular monitoring of institutions' economic and financial situation and the review of the recovery plans they submit.

— The first involves analysing the economic and financial performance of each institution and their risk indicators drawing on regulatory reporting, with the aim of identifying potential problems across the different risk categories at an early stage.

— This also includes the economic and financial monitoring of EU LSIs' branches in Spain (which are not subject to prudential or liquidity requirements) and branches of non-EU institutions. In both cases, their performance is monitored on a regular basis. In addition, branches of non-EU institutions are also assessed for compliance with prudential regulatory requirements from which they have not been exempted.

- Recovery plans are documents in which institutions set out how they would restore their financial viability following a severe crisis. The regulatory framework allows both the frequency with which these plans must be submitted and the minimum content requirements to be adjusted, depending on the institution's potential impact on financial markets, financing conditions and the economy as a whole (principle of proportionality).

- 21 plans were reviewed in 2025, six full scope and 15 simplified.

- Information on each bank's compliance with outstanding requirements and recommendations is updated on a quarterly basis with a view to ensuring the effectiveness of supervisory activity. The main results of this analysis are submitted to the Executive Commission of the Banco de España, when reporting on the status of compliance with the supervisory plan.

- The Banco de España also took part in an EU credit institution's supervisory college, contributing to joint decisions on capital and liquidity requirements, and participated in three further supervisory colleges and two resolution colleges for central counterparties.

2.6 Stress tests

The stress tests conducted by the Banco de España on a large number of LSIs show a high level of solvency, well above regulatory requirements under both the baseline and the adverse scenarios.

The exercise takes a top-down approach by applying the Banco de España's own Forward-Looking Exercise on Spanish Banks (FLESB) methodological framework. This framework draws on both regulatory and supervisory reporting and on Banco de España estimations of institutions' financial performance using various standardised risk models.

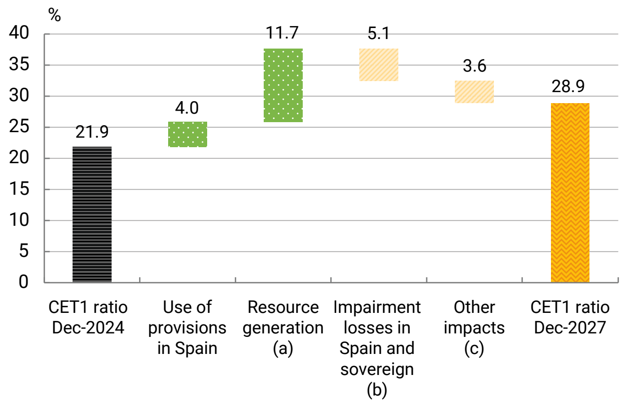
- These stress tests are used to assess the LSI's capacity to withstand the materialisation of different macroeconomic and financial risks. As in previous years, they were carried out in line with the FLESB methodological framework, which combines in-house assumptions and models with highly granular regulatory information. This makes it possible to project institutions' balance sheets and profit and loss accounts and to analyse their solvency under different scenarios.

- The results were used as a reference in the SREP, in particular to determine the P2G.

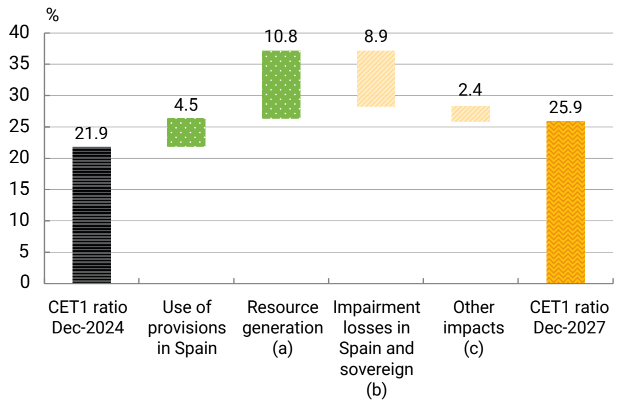
- The baseline and adverse scenarios analysed in 2025 are those developed for the 2025 EU-wide stress test coordinated by the EBA. The baseline scenario is consistent with that in the Eurosystem's December 2024 macroeconomic projections, while the adverse scenario, described in Section 1.5, assumes a severe crisis with a significant impact on global supply.

Chart 3.5
Banco de España stress tests on LSIs

3.5.a Baseline scenario



3.5.b Adverse scenario



SOURCE: Banco de España.

a The generation of loss-absorbing resources is determined by net operating income in Spain. As a percentage of 2024 risk-weighted assets (RWAs).
b Impairment losses on loans and foreclosed assets in business in Spain and impact on capital of the potential impairment of the group's sovereign exposures. As a percentage of 2024 RWAs.
c Other consolidated gains and losses, tax and exchange rate effects, distribution of profit and changes in RWAs.

— The aggregated results of the exercise (Chart 3.5) illustrate how the capital ratio at the end of the horizon changes under the baseline and adverse scenarios.[4] In 2025, under the adverse scenario, capital increased by the end of the exercise, supported by net interest income, which proved highly robust in an environment of relatively high interest rates.

— Overall, the LSIs analysed would maintain a solid degree of resilience, even under the adverse scenario. These favourable results are largely underpinned by the high level of solvency reached at the end of 2024 (a fully loaded CET1 ratio of 21.9%, up by 200 bp over the year) and by the strong net interest margins under both scenarios considered.

2.7 Supervisory priorities for 2026

In 2025, the Executive Commission of the Banco de España approved the supervisory priorities and the supervisory plan for 2026. Priorities have been set in the following areas:

— **Operational risk:** in 2026, the focus will be on the sound implementation of the DORA, via a horizontal review which will assess operational resilience, ICT third-party provider risk management and the development of strategies to leverage and adapt to the use of artificial intelligence.

4 The exercise follows the static balance sheet principle, as in the tests conducted by the EBA, and, unlike the macroprudential exercise described in Chapter 6, does not consider the possible additional adverse effects on credit risk of potential latent impairment arising from the economic effects of the COVID-19 health crisis.

— **Governance/remuneration:** further work will be undertaken to address shortcomings previously identified in the internal control function and a horizontal review will be carried out across all LSIs.

— **Credit risk:** emphasis will be placed on reviewing standards for new lending, especially in sectors in which such standards may be loosening. Likewise, the monitoring work will focus on how the shortcomings identified in commercial banks' capital decision letters are addressed.

— **Business model sustainability and digitalisation strategies:** assessments will aim to identify shortcomings in the adaptation to the digital transformation and to monitor the impact of interest rate changes. The remediation of the weaknesses identified in the capital decision letters addressed to institutions with non-commercial banking models will also be monitored.

— **Climate risk**: institutions' adaptation to supervisory expectations regarding the identification, measurement and management of this risk, as well as to new regulations that will come into force, will continue to be reviewed.

— **Interest rate risk in the banking book and liquidity risk**: the adequacy of the policies and procedures for managing these risks will remain at the forefront.

3 Common, fit and proper, and other procedures

Institutions must undergo an administrative procedure to obtain authorisation to carry out credit institution activities.

— The Banco de España makes an initial assessment for all Spanish institutions and formulates a draft decision for each case. On the basis of that proposal and any additional work deemed appropriate, the ECB then makes a final decision. The same procedure applies to withdrawing the authorisation and authorising the acquisition of qualifying holdings.

— These procedures, known as common procedures, are set out in Regulation (EU) 468/2014 of the ECB, establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities.

As for the other procedures, the Banco de España is responsible for those relating to Spanish LSIs and collaborates with the ECB in those relating to Spanish SIs.

— In 2025, it participated in 662 procedures relating to credit institutions, 27% more than in 2024, marking a five-year high. Most notably, these procedures include the fit and proper

Table 3.2
Procedures relating to credit institutions involving the Banco de España

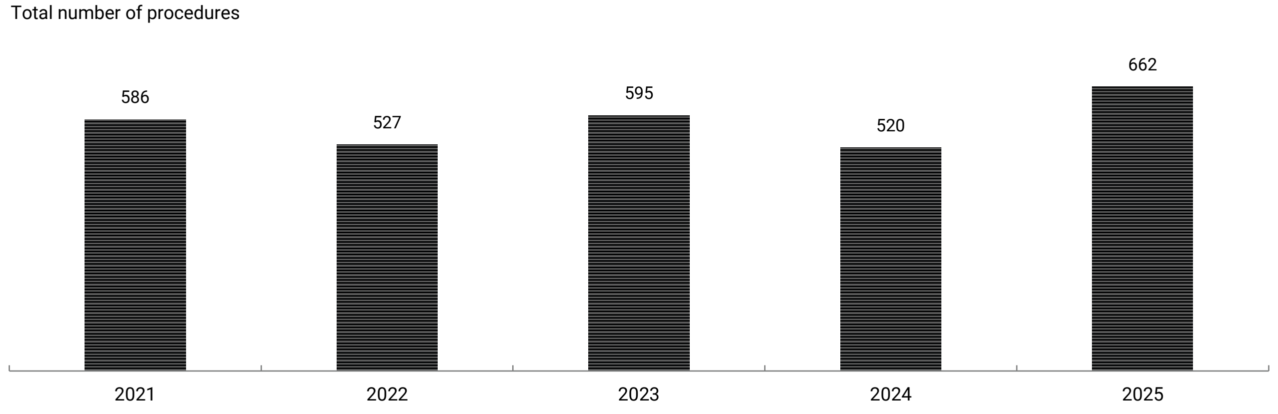
Data at 31 December 2025

	Credit institutions
Qualifying holdings, mergers, spin-offs and other significant acquisitions	34
Cross-border activity of Spanish credit institutions (a)	84
Branches in the EU	15
Branches in third countries	4
Freedom to provide services	63
Representative offices	2
Deregistration	4
Loans to directors and senior officers	57
Suitability of directors & senior officers (b)	169
Procedures relating to capital	167
Amendments to articles of association	25
Communications with other supervisory authorities or institutions	54
Other procedures	68
TOTAL	**662**

SOURCE: Banco de España.

a Each daily notification per recipient country and institution is deemed a procedure. These procedures relate to the opening of branches, the commencement of activities under the freedom to provide services, the appointment of agents and opening of representative offices in other countries (EU and non-EU) by Spanish credit institutions.
b Includes six senior officer suitability assessments at financial holding companies.

Chart 3.6
Procedures affecting credit institutions involving the Banco de España



SOURCE: Banco de España.

assessment of board directors and senior officers and their subsequent registration in the Banco de España's Register of Senior Officers (Table 3.2 and Chart 3.6).

4 Supervision of covered bonds and securitisations

The Banco de España has supervisory powers over covered bonds arising from the transposition of Directive (EU) 2019/2162, which aims to promote the harmonisation of the covered bond market across the EU.

— This supervisory regime is complemented by the designation by each of the issuing institutions of a cover pool monitor, which performs ongoing monitoring to ensure compliance with the required contractual and legal requirements.

— To facilitate the supervision of this compliance, issuers submit to the Banco de España, on a quarterly basis, the confidential returns relating to covered bonds provided for in Circular 1/2023, which entered into force on 31 March 2023.

As at December 2025, there were 19 Spanish covered bond issuers subject to this supervisory framework, one fewer than in 2024 due to the merger of two institutions within the same group.

— Issuers have made efforts to adapt to the requirements of the covered bond regime.

— In 2025, the Banco de España carried out individual monitoring on each of the issuing institutions and also performed a consolidated horizontal analysis. This analysis shows that the volume of covered bonds has remained broadly stable, that institutions continue to rely primarily on the issuance of covered bonds secured by residential mortgages (cédulas hipotecarias) and that issuances are predominantly retained by the issuer.

— These tasks were complemented by an on-site inspection at one of the issuing institutions in 2025 and by the oversight carried out by the cover pool monitors, which are the keystone of the investor protection framework. These monitors are subject to Banco de España supervision.

— A total of five commercial companies have been designated as cover pool monitors. The cover pool monitor must prepare a semi-annual report on its activities and conclusions, which is submitted to the institution and made available to the Banco de España. Interaction between the two has facilitated the correct and swift implementation of the regulations.

As part of its supervisory functions, the Banco de España must also authorise the covered bond programmes that detail the characteristics of the bonds issued under them. This authorisation is granted for a limited period and a specified issuance volume, and any increases in the authorised amount or renewals of the programme term must likewise be authorised.

— In 2025, the Banco de España issued 29 authorisations: 23 relating to the renewal of programme terms, three relating to increases in programme amounts, two relating to the

Table 3.3
Outstanding covered bonds at 31 December 2025

€m

	Mortgage covered bonds		Public-sector covered bonds		Internationalisation covered bonds		TOTAL	
	No of issuances	Amount	No of issuances	Amount	No of issuances	Amount	No of issuances	Amount
Significant institutions	155	178,429	7	6,790	11	11,810	173	197,029
Less significant institutions	20	6,237	0	—	0	—	20	6,237
TOTAL	**175**	**184,666**	**7**	**6,790**	**11**	**11,810**	**193**	**203,266**

SOURCE: Banco de España.

termination of a programme and the cessation of its cover pool monitor and one relating to the amendment of another programme.

— At end-2025, there were 27 authorised covered bond programmes, 25 of which covered both issues outstanding at that date and any subsequent issues, only until the programme maturity date and up to the maximum authorised amount. The remaining two programmes, belonging to the same institution, cover only the issuances outstanding as at 7 July 2025, as the authorisation period for those programmes was not renewed.

— At that date, there were 193 outstanding issues on the Spanish covered bond market, with a nominal value of around €203 billion, of which 91% corresponded to mortgage covered bonds (Table 3.3). These data are in line with those recorded in 2024.

— The Banco de España discloses and regularly updates on its website the list of authorised issuing institutions, as well as the covered bonds issued under the programmes authorised.

Similarly, the Banco de España supervises compliance with the specific legal framework for simple, transparent and standardised (STS) securitisations and compliance with certain “general requirements” that are applicable to all securitisations.

— In 2023 the Banco de España assumed the supervision of the specific framework for STS securitisations provided for in Regulation (EU) 2017/2402 when the issuers of these instruments are credit institutions or other institutions under the supervision of the Banco de España.

— It also supervises compliance with certain “general requirements” applicable to all securitisations (whether STS or not), relating to risk retention, transparency requirements, the ban on re-securitisation and credit-granting criteria, where the issuers are LSIs or other institutions subject to Banco de España supervision.

Table 3.4
Individual monitoring of securitisations pursuant to Regulation (EU) 2017/2402

Number of securitisations

	Traditional securitisations		Synthetic securitisations (b)		
	STS	Non-STS	STS	Non-STS	TOTAL
Significant institutions	6	(a)	8	(a)	**14**
Less significant institutions	2	0	0	0	**2**
Specialised lending institutions	1	0	0	0	**1**
TOTAL	**9**	**0**	**8**	**0**	**17**

SOURCE: Banco de España.

a Compliance with the general requirements for non-STS securitisations is subject to ECB supervision.
b So called "on-balance-sheet" synthetic securitisations compliant with Articles 26(b) to 26(e) of Regulation (EU) 2017/2402.

— Lastly, pursuant to Article 44 of Regulation (EU) 2023/2631 of 22 November 2023, the Banco de España is the competent authority for supervising compliance with the aforementioned regulation for traditional securitisations issuing bonds classified as European green bonds (EuGB securitisations). The objective is to validate the use of proceeds from securitisation bonds, the eligibility of the underlying portfolio and the transparency and disclosure requirements.

— In 2025, compliance with the regulatory requirements was reviewed for all securitisations notified to the Banco de España within its remit and carried out during 2024.

— A total of 17 securitisations were notified, all of them STS securitisations (Table 3.4). No notifications were received of traditional securitisations classified as European green bonds.

— All STS securitisations were notified to the European Securities and Markets Authority and made use of an authorised third party certifying that the STS criteria were met.

— The originator institutions of securitisation transactions notified their issuances incorporating the information required by the Banco de España.

Box 3.1

SUPERVISION OF CRITICAL ICT THIRD-PARTY PROVIDERS

The European Digital Operational Resilience Act (DORA) establishes a novel supervisory framework for information and communication technology (ICT) providers that are critical to the European financial sector. To identify such providers, in April and May 2025, registers of information on contractual arrangements with thirdparty ICT providers were collected from European entities subject to DORA.

This was used to identify and designate critical providers, pursuant to the criteria laid down in DORA. On 18 November 2025, after the submissions period had closed, the European Supervisory Authorities (ESAs) published the final list of 19 designated critical ICT third-party providers. The list is to be reviewed and updated annually.

At the same time, progress was made in 2025 towards establishing supervisory methodologies and procedures, as well as governance mechanisms, that will govern collaboration between the European and national authorities involved in the supervision of critical ICT providers. This supervisory framework is notable for its scale and complexity, with more than 50 authorities from 27 countries working together under the leadership of the ESAs, requiring substantial commitment, effort and collaboration.

The lead overseer will always be one of the supervisory authorities, while the joint examination teams will comprise experts from the competent authorities, with the European Central Bank playing a prominent role. The Banco de España has contributed two full-time supervisors specialising in ICT risk.

The supervision of critical ICT providers aims to strengthen the sector’s digital resilience, an objective that requires the involvement of all stakeholders. Other economic sectors that use these same providers may also benefit indirectly.

Box 3.2

CREDIT COOPERATIVES AS KEY PLAYERS IN REGIONAL FINANCING AND FOR CERTAIN SECTORS, AND SUPERVISORY CHALLENGES

Although *credit cooperatives* represent a relatively small share of the Spanish banking system (9.6% of drawn credit), they are *very important for certain segments of the country's economy*. This can be viewed from *three perspectives*.

From the *geographic standpoint,* credit cooperatives have a market share of over 10% in a large number of autonomous communities. Their importance is particularly evident in regions such as Navarre, where they lead with a credit market share of 36%, as well as in Castile-La Mancha, Castile and León, Asturias, Rioja, Murcia and the Basque Country, with market shares of over 20%.

Broadly speaking, cooperatives play a particularly significant role in more sparsely populated areas, especially their regions of origin, where they play a key role in financial inclusion. For instance, at the province level this is most evident in Soria and Zamora, where their market shares exceed 50%, and in Teruel, Cuenca and Almería, with shares of around 35%. Almost all of these provinces have low population densities.

From the perspective of *economic agents,* credit cooperatives play a significant role in the financing of SMEs and the self-employed, with a market share of 13.8%, more than 4 percentage points (pp) higher than their average market share. They focus on the smallest productive units, with particular emphasis on the self-employed, a cornerstone of Spain's productive system and where credit cooperatives have an average market share of 28%.

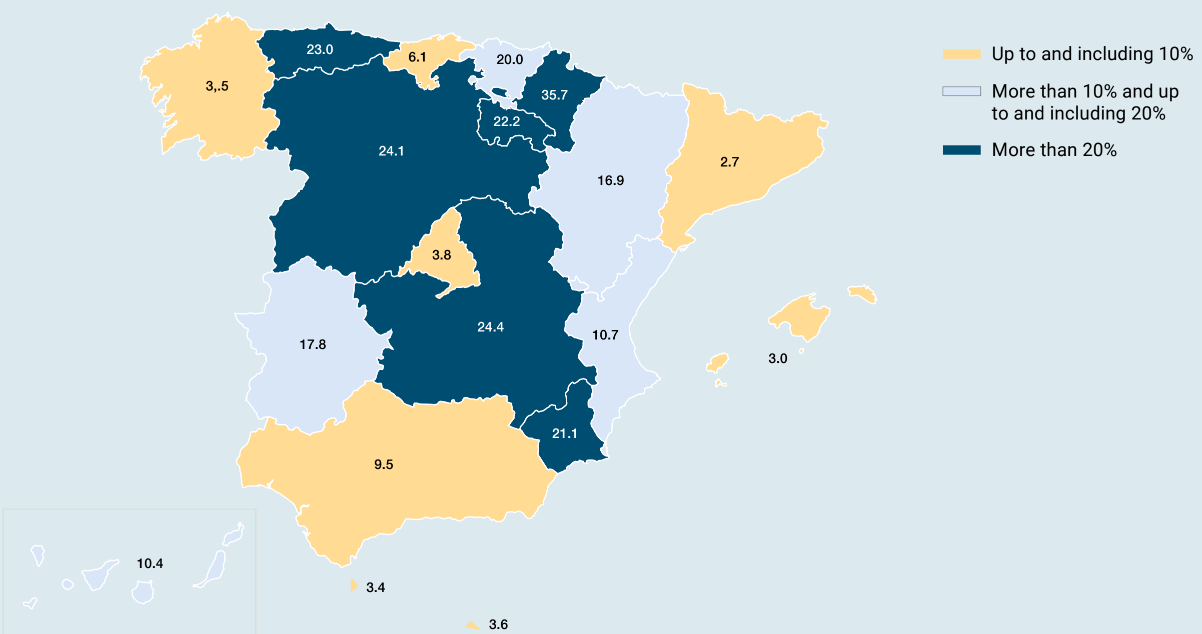
From a *sectoral perspective*, credit cooperatives are crucial for certain sectors of activity, most notably agriculture, where they are market leaders with a 35% share of the credit market, followed by wholesale and retail trade (11.5%) and manufacturing (10.8%).

Cooperatives account for a higher share of the agriculture sector in terms of lending to the self-employed, leading in agriculture, forestry and fishing, with a 47.2% share of total credit.

Overall, cooperatives *weathered both the global financial crisis and the deleveraging* that the Spanish economy has undergone since then relatively well.

The *stock* of credit by cooperatives has grown moderately in recent years (by a cumulative 32% since 2017, an average of 4% each year) for both households and non-financial corporations, while the volume of the rest of the banking sector has remained relatively flat (+1.4%).

Chart 1
Cooperatives' market share of drawn credit in each region

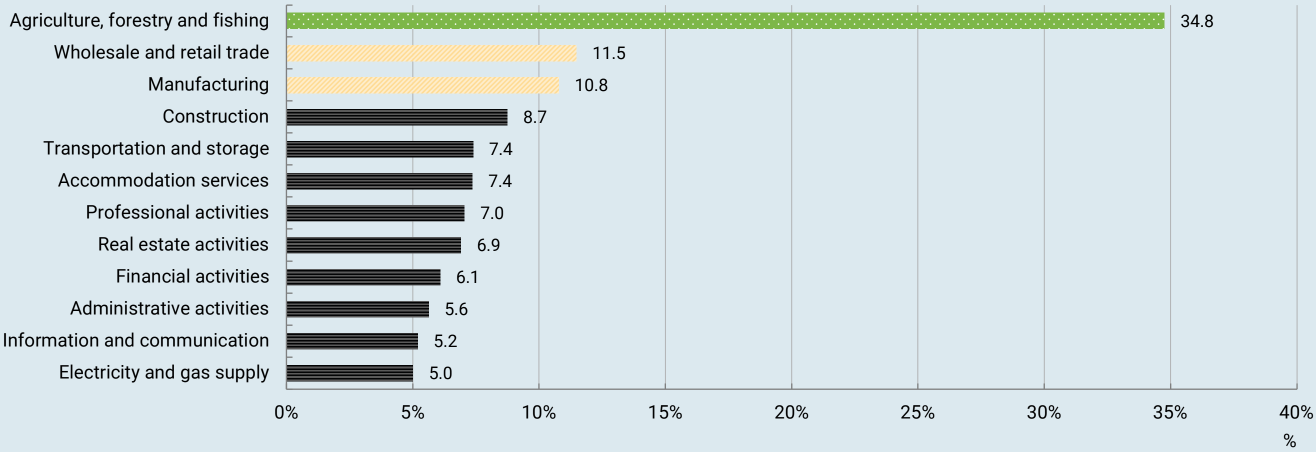


SOURCE:: Banco de España.

Box 3.2

CREDIT COOPERATIVES AS KEY PLAYERS IN REGIONAL FINANCING AND FOR CERTAIN SECTORS, AND SUPERVISORY CHALLENGES (cont'd)

Chart 2
Market share by sector



SOURCE: Banco de España.

Lending to SMEs and self-employed workers remained broadly stable (+1.3%) between December 2017 and June 2025, compared with a contraction of 20.3% in other institutions. This stronger performance has translated into a 2 pp gain in market share since 2017, with particularly marked advances in less populated regions.

In addition, credit cooperatives as a whole have performed *comparatively well in terms of credit quality, profitability, solvency and liquidity*. On an aggregate basis, they post lower non-performing loan ratios than other institutions, while displaying similar levels of provisioning, profitability and efficiency. They clearly outperform the rest of the sector in terms of solvency (6.8 pp higher in terms of common equity tier 1 capital) and liquidity: as at June 2025, cooperatives report a liquidity coverage ratio of 324%, compared with 167% for other institutions.

Significant challenges nevertheless remain, stemming from their geographical concentration and size. First, the demographic challenge and depopulation in certain areas, together with a lack of investment opportunities, constrain the growth of cooperatives with narrowly defined operating territories.

In some cases, these constraints also sometimes generate dependence on the economic activities specific to the regions in which they are concentrated. As a result, they are more vulnerable to economic or climatic shocks affecting specific sectors to which they are heavily exposed, such as the impact of torrential rainfall on the agricultural sector.

Second, the small size of many of them makes it harder to professionalise their governance and to adapt to new regulatory requirements and risk management functions, particularly among those smallest in size. A case in point is the need to strengthen governing boards.

These challenges are compounded by technological progress, which demands substantial investments in digitalisation.

In recent years, organisational arrangements have been put in place that have helped address these challenges, such as institutional protection schemes, which involve the mutualisation of losses, should they materialise, and provide support for overall risk management. In addition, in the regulatory and supervisory domain, progress continues to be made towards greater simplification and proportionality for smaller, less complex institutions, many of which come under the category of credit cooperatives.

Further information on the strategic role of credit cooperatives is available at the following link.

Box 3.2

CREDIT COOPERATIVES AS KEY PLAYERS IN REGIONAL FINANCING AND FOR CERTAIN SECTORS, AND SUPERVISORY CHALLENGES (cont'd)

Table 1
Credit cooperatives' share of the credit market by province

%

Province	Share
A Coruña	2.3%
Albacete	32.9%
Alicante	6.8%
Almería	35.8%
Álava	29.5%
Asturias	23%
Ávila	17.6%
Badajoz	19.7%
Balearic Islands	2.6%
Barcelona	14.9%
Bizkaia	22.2%
Burgos	13.2%
Cáceres	9.4%
Cádiz	6.1%
Cantabria	17.9%
Castellón	3.4%
Ceuta	28.6%
Ciudad Real	12.4%
Córdoba	34.3%
Cuenca	26.2%
Gipuzkoa	1.3%
Girona	22.5%
Granada	9.9%
Guadalajara	17.3%
Huelva	20.1%
Huesca	3%
Jaén	23.3%
La Rioja	22.2%
Las Palmas	7.5%
León	16.7%
Lleida	6.4%
Lugo	14.9%
Madrid	3.8%
Málaga	10.1%
Melilla	3.6%
Murcia	21.1%
Navarre	35.7%
Ourense	5.9%
Palencia	18.7%
Pontevedra	1.7%
Salamanca	16.9%
Segovia	17.9%
Seville	9.6%
Soria	54.4%
Tarragona	2.7%
Tenerife	14.3%
Teruel	36.2%
Toledo	20%
Valencia	12.7%
Valladolid	26.5%
Zamora	51.7%
Zaragoza	15%

SOURCE: Banco de España.

Chapter 4

Other areas of microprudential supervision

1 Supervision of institutions other than credit institutions

The Banco de España supervises other financial institutions or entities related to the financial sector operating in Spain (Figure 4.1) to ensure that they do so in a rigorous and transparent manner and contribute to building confidence in the system overall. Any operator wishing to provide financial services supervised by the Banco de España must obtain prior authorisation or registration.

This heterogeneous group of institutions performs functions related to access to credit, quality of guarantees and means of payment.

— The Banco de España is the competent authority for granting and withdrawing authorisations for all the institutions listed in Figure 4.1, with the exception of mutual guarantee societies (MGSs), specialised lending institutions (SLIs) and re-guarantee companies. Their

Figure 4.1
Main types of institutions supervised by the Banco de España other than credit institutions

Specialised lending institutions (SLIs)	Although they are not credit institutions, SLIs professionally engage in one or several banking activities, such as the granting of loans, credit or guarantees. They may also provide payment services or issue electronic money, if authorised to do so.
Electronic money institutions (ELMIs)	Legal entities authorised by the Banco de España to issue electronic money. They may provide payment services, whether or not these are linked to electronic money.
Payment institutions (PIs)	Legal entities authorised by the Banco de España to provide and perform payment services in Spain, such as money remittances.
Mutual guarantee societies (MGSs)	Business entities set up by small and medium-sized enterprises (SMEs) to facilitate access to credit and related services and achieve an overall improvement in their financial conditions. They can provide personal guarantees to their members but cannot grant them any type of credit.
Reguarantee companies	Corporate purpose: to counter-guarantee the guarantees granted by MGSs, to provide sufficient coverage and guarantee for the risks they assume and reduce the cost of guarantee for their members.
Currency-exchange bureaux	Individuals or legal entities, other than credit institutions, which engage in buying foreign banknotes and travellers' cheques, and public limited companies that buy and sell foreign banknotes and travellers' cheques.
Appraisal companies	Public limited companies that provide appraisal services, subject to prior authorisation, independence and professional secrecy requirements. The Banco de España grants them authorisation, enabling them to operate in the real estate market.
Exempt payment institutions (Art. 14 of RDL 19/2018)	Small payment institutions subject to fewer authorisation requirements than those applicable in the authorisation process for payment institutions. The average monthly value of payment transactions executed over a 12-month period must not exceed €3 million.
Account aggregators	Account information service providers.

SOURCE: Banco de España.

authorisations are granted and withdrawn by the Ministry of the Economy, Trade and Business, with the Banco de España issuing a mandatory report on the authorisation.

— The Banco de España grants and withdraws authorisations for existing specialised lending institutions that intend to provide payment services or issue electronic money.

The functions relating to authorisation, verification of requirements and supervision of certain areas of these other institutions chiefly include:

— Verifying that the provision of payment services under the limited network exemption (such as gift cards or meal vouchers) and small-value charges in mobile phone bills (such as purchases of apps, concert tickets, donations, etc.) reported by firms meet the requirements for exclusion from the payment regulations set out in Article 4(k) and (l) of Royal Decree-Law 19/2018. The Banco de España may refuse the exclusion if these criteria are not met.

— Supervising Sareb (the Spanish asset management company for assets arising from bank restructuring) to ensure that it is acting in accordance with its exclusive corporate purpose, to identify any deviations that might jeopardise achievement of its legally established objectives.

— Checking that the influence exercised by banking foundations is compatible with sound and prudent management of the credit institutions in which they hold 30% or more of the capital or exercise control. The Banco de España approves their management protocols and annual financial plans.

— Authorising, supervising, inspecting and sanctioning issuers of asset-referenced tokens (ARTs) and e-money tokens (EMTs), under the framework of the European regulation on crypto-assets and crypto-service providers (MiCAR). The Banco de España is also responsible for verifying whether they meet the requirements for exemption envisaged in the legislation.

— Table 4.1 lists other categories of institutions other than credit institutions that are registered with the Banco de España.

The Banco de España conducts off-site supervisory activities and on-site inspections of this heterogeneous set of institutions.

— In 2025, 14 on-site inspections were initiated, at one specialised lending institution (SLI), one mutual guarantee society (MGS), three appraisal companies, eight payment institutions (PIs) and one electronic money institution (ELMI). Moreover, four inspections were completed: three that had begun in 2024 (at an MGS, a PI and an appraisal company) and one (at a PI) that had commenced in 2025. Off-site supervisory activities were also conducted.

— Table 4.2 details the large number of other procedures (2,748) carried out by the Banco de España in connection with these institutions.

Table 4.1
Register of institutions other than credit institutions

Data at 31 December 2025

	2024	2025
Specialised lending institutions (SLIs)	23	22
SLIs that provide payment services (SLIs-PIs)	10	9
Branches of financial institutions subsidiaries of EU credit institutions	1	1
Mutual guarantee societies (MGSs) and reguarantee companies	19	19
Appraisal companies (a)	31	28
Currency-exchange bureaux (b)	15	17
Payment institutions (PIs)	51	51
PIs exempt under Article 14 of Royal Decree-Law 19/2018	14	14
Payment service providers (PSPs) with excluded payment instruments (c)	25	25
Account information service providers	5	5
Electronic money institutions (ELMIs)	12	12
Branches of EU payment institutions	9	10
Branches of EU electronic money institutions	7	9
TOTAL	**222**	**222**

SOURCE: Banco de España.

a The 2025 figure has been updated following the merger by absorption of two appraisal companies by their parent company, completed in December. At the date of extraction of the data, there were 30 appraisal companies in the Register as the merger was not reflected.
b Not including those authorised only to purchase currency using euro.
c PSPs with excluded payment instruments under Article 4 of Royal Decree-Law 19/2018.

1.1 Specialised lending institutions

At 31 December 2025 there were 31 specialised lending institutions (SLIs) registered with the Banco de España (Table 4.1), of which 15 were controlled by banking groups and 16 were independent.

- Specialised lending institutions within banking groups are supervised by the teams responsible for supervision of the corresponding banking group, as part of consolidated supervision.

- The 16 stand-alone SLIs can be classified into three categories according to their business activity: consumer finance and credit cards, automotive finance and others.

- Supervisory activities relating to these stand-alone SLIs included periodic economic-financial monitoring. In addition, one inspection was initiated and there was one Supervisory Review and Evaluation Process (SREP) report, warranted by the significance of the institution in question, using a similar methodology to that used for credit institutions.

Table 4.2
Other procedures performed by the Banco de España on institutions other than credit institutions

Data at 31 December 2025

	Payment institutions (PIs)	Electronic money institutions (ELMIs)	Specialised lending institutions (SLIs)	Mutual guarantee societies (MGSs)	Appraisal companies	Currency exchange bureaux	Sareb	Banking foundations	TOTAL
Qualifying holdings, mergers, spin-offs and other significant acquisitions	12	3	14		12	3			**44**
Cross-border activity of Spanish institutions (a)	2,385	91	2						**2,478**
Branches in the EU	11	1	1						13
Branches in third countries									0
Freedom to provide services	92	84	1						177
Representative offices									0
Agents	2,282	6							2,288
Deregistration	4 (b)		1						**5**
Loans to senior officers									**0**
Suitability of senior officers	56 (c)	19	25	27	12	1			**140**
Procedures relating to capital	4	1	17	3					**25**
Amendments to articles of association	6 (d)	3		6					**15**
Authorisation of management protocol and financial plan								11	**11**
Communications with other supervisory authorities or institutions			3			1		4	**8**
Other procedures			10	2				10	**22**
TOTAL	**2,467**	**117**	**72**	**38**	**24**	**5**	**0**	**25**	**2,748**

SOURCE: Banco de España.

a Each notification per day, per institution and per recipient country is deemed a procedure.
b Includes one SLI-PI deregistration.
c Includes 19 SLI-PI suitability procedures.
d Includes amendments to articles of association at two SLI-PIs.

1.2 Payment institutions and electronic money institutions

The sector of payment service providers (PSPs) other than credit institutions has grown significantly, with the number of entities doubling since 2018.

— The sector comprises 51 payment institutions, 14 exempt payment institutions regulated under Article 14 of Royal Decree-Law 19/2018 (small payment institutions, SPIs), five account information service providers (known as aggregators) and 12 electronic money institutions (Table 4.1).

— Acquisition of payment transactions accounts for 76% (by volume) of the services they provide, followed by transaction execution and money remittance. The level of operational concentration is high, with 12 institutions accounting for 96% of the volume.

— Supervisory activities[1] on payment service providers other than credit institutions, and in particular on payment institutions and electronic money institutions, have included on-site inspections, monitoring of ongoing supervisory measures and off-site supervisory activities.

— In 2025, one on-site inspection that had begun in 2024 was completed and nine new ones were launched. Monitoring of the implementation of corrective measures required at two electronic money institutions was also completed.

— In addition, annual periodic economic-financial monitoring of all these institutions is carried out, compliance with own funds requirements is reviewed every six months and checks are made to ensure that those that offer payment initiation and/or account information services (13 institutions) have the appropriate professional indemnity insurance.

— Work continued on improving the methodology for classifying payment institutions and electronic money institutions according to their risk profile, with a view to focusing on the highest-risk institutions and improving supervisory efficiency and effectiveness. Over the course of 2025 the risk profile of all the institutions was updated.

— The specialised payment service provider sector shows marked polarisation in terms of earnings and profitability. In recent years, institutions have operated with very uneven solvency margins, and almost half report losses and have difficulties meeting their business expectations.

— As a result, since 2019 there have been 42 cases of non-compliance with own funds requirements owing to insufficient profit generation. This has heightened the need to make capital increases or to explore the entry of new investors to ensure the continuity of institutions, which has led, in turn, to changes in shareholding structures.

— Regarding operational and safeguarding aspects, 2025 saw considerable outsourcing of operational functions, communications relating to international activity and requests for changes to the safeguarding method.

— Payment institutions and electronic money institutions made 53 outsourcing notifications, similar to the 2024 figure, mostly relating to critical operational functions. In addition, one request for a change to the safeguarding method used to protect funds received from users for execution of payments was finalised.

1 In May 2025 the Executive Commission of the Banco de España resolved to include all supervisory powers over payment institutions, electronic money institutions and currency-exchange bureaux under the umbrella of the Directorate General Banking Supervision.

1.3 Appraisal companies

At December 2025 the sector consisted of 28 appraisal companies registered with the Banco de España. However, despite this high number, just five groups, comprising eight companies, accounted for more than half of all appraisal sector activity – specifically for 57.2% of the total volume of appraisals in 2025 – while another nine companies accounted for just 3.7% of the total.

— A significant part of the business of appraisal companies continues to come from credit institutions which, since 2013, cannot hold qualifying holdings in these companies.

— In 2025 the supervision of appraisal companies included economic-financial monitoring of the companies and of the action plans established to meet previous years' inspection requirements. In addition, three inspections were initiated.

1.4 Mutual guarantee societies

The Spanish mutual guarantee society (MGS) sector comprises 18 such firms, plus CERSA, the state-owned company whose main function is to endorse guarantees provided by mutual guarantee societies to small and medium-sized enterprises (SMEs) and the self-employed. It is a heterogeneous and highly concentrated sector in which just three mutual guarantee societies account for 51.6% of total outstanding guarantee exposure.

— In 2025 half-yearly economic-financial monitoring of these societies was carried out, one inspection was launched and monitoring of the requirements and recommendations of a previous inspection continued. The main shortcomings identified in the inspections relate to weaknesses in internal control and governance and in the business model, owing to their limited revenue-generation capacity.

2 Supervision of payment services

Payment service providers (PSPs) – comprising credit institutions and institutions other than credit institutions – reported 26 major operational or security incidents relating to payment services in the year. These incidents chiefly affected the availability of online banking services.

— On 27 February 2025 the Banco de España published the procedure for reporting major incidents and significant cyber threats, in accordance with Article 19 of Regulation (EU) 2022/2554 of 14 December 2022 on digital operational resilience for the financial sector, which has replaced the reporting regime established by the Payment Directive PSD2.

— In 2025, operational incidents, that is, incidents not caused by malicious actors, such as natural disasters, human error, system failures, etc., remained predominant.

— Considering the number of institutions affected, the two main incidents resulting from external causes that affected the continuity of payment processing in the year were the outage of the TARGET2 service (the Eurosystem's real-time gross settlement system) on 27 February and the electricity blackout on 28 April that partially interrupted the services of numerous institutions in Spain and Portugal.

— A series of incidents in the last quarter of the year affecting providers such as Redsys, Amazon Web Services and Cloudflare reinforced the need to reduce the vulnerability of the system, which is highly reliant on external technology providers.

In relation to payment service fraud reported during the first half of 2025:

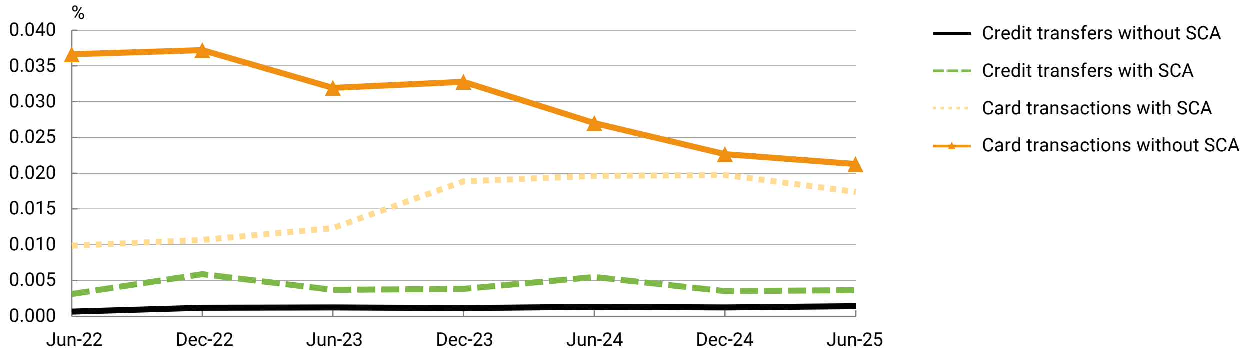
— The value of credit transfer fraud has increased in absolute terms, although it remains stable as a proportion of the total volume of credit transfers, which has also grown. In the first half of 2025 the average value of fraudulent credit transfers rose by 42% compared with the same period in 2024, reaching €2,347 per transaction.

  The number of fraudulent credit transfers shows no defined trend (Chart 4.2), although it is negligible compared with total transactions (Chart 4.1). A qualitative analysis shows that the main causes of fraud remain unchanged: manipulation of payers and direct initiation of payment orders by fraudsters.

— Moreover, the incidence of fraud in electronically initiated credit transfers using strong customer authentication (SCA) also increased, as in 2024. This is due to the use of increasingly sophisticated social engineering techniques that enable fraudsters to manipulate users and obtain authorisation for transactions (Chart 4.1).

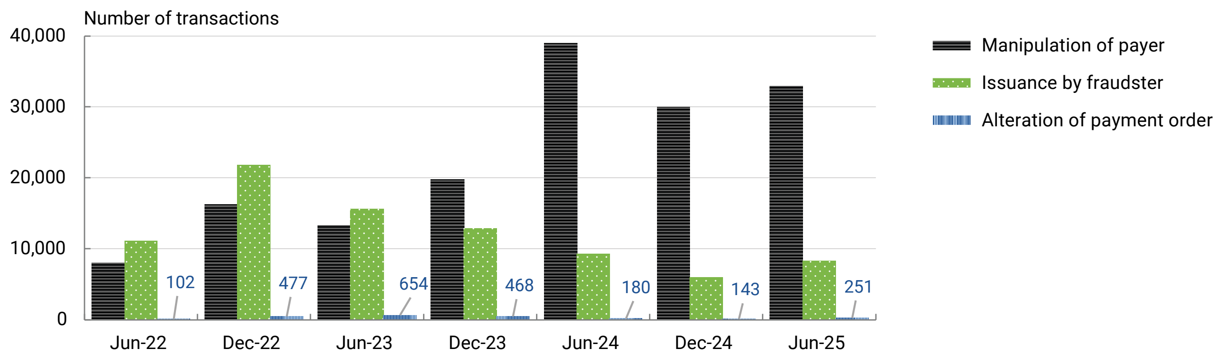
Chart 4.1
Fraud rates with and without strong customer authentication (SCA) in credit transfers and card transactions

4.1.a By number of transactions



SOURCE: Banco de España.

Chart 4.2
Credit transfer fraud



SOURCE: Banco de España.

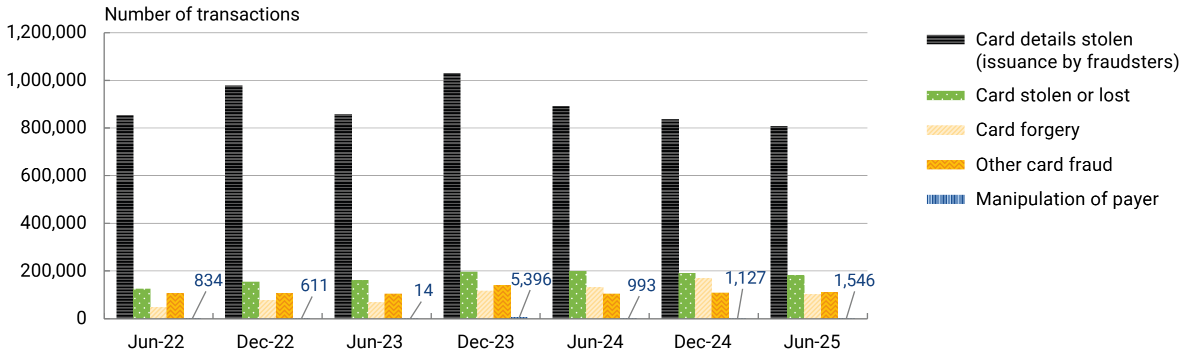
Institutions have controls in place to contain fraud, but fraudsters focus on this type of transactions because they are usually for higher amounts than those that do not require strong customer authentication.

— Fraudulent card transactions decreased in the year, in both absolute and relative terms, compared with 2024. Card fraud mainly takes the form of issuance of payment orders by fraudsters, using stolen card information, cards being lost or stolen and, albeit to a lesser extent, card forgery (Chart 4.3).

— Meanwhile, fraudulent e-money transactions increased in absolute terms, although they remained unchanged as a proportion of total transactions, which also increased.

In a setting of increasing digital fraud risk, the Banco de España, together with the other national competent authorities, is actively involved in the drafting of the Payment Services Regulation

Chart 4.3
Causes of card fraud



SOURCE: Banco de España.

promoted by the Council and the European Parliament, to step up the fight against fraud and increase transparency and consumer protection. For instance, it seeks to establish a general framework to tackle new forms of fraud, such as identity theft.

In this vein, in February 2025 the Spanish Government approved a Ministerial Order (TDF/149/2025, dated 12 February) to combat identity-theft scams by phone or text message. Among other initiatives, it prohibits the use of mobile phone numbers to make unsolicited commercial calls (cold calling) and requires that calls and messages originating from numbers that have not been assigned to any service or operator be blocked.

3 Oversight of legal vetted access to activity and name reservation

Spanish legislation establishes that only certain duly authorised institutions, legal entities or individuals can carry out certain financial activities, such as taking deposits, providing payment services or foreign exchange, or use certain names, such as “bank” or “payment institution”.

— The Banco de España’s functions include overseeing compliance with these legal reservations, acting, where appropriate, with the prior authorisation of the Ministry of the Economy, Trade and Business. Since late 2023 this supervisory function is performed by the Financial Fraud Prevention Unit within the General Secretariat of the Banco de España.

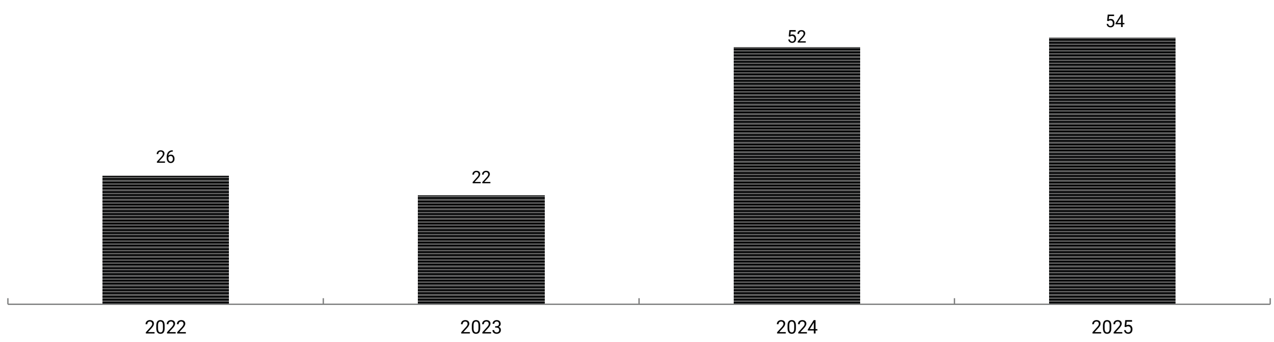
— Supervision of compliance with these legal reservations is a fundamental pillar of the Banco de España’s mandate to preserve the stability of and confidence in the financial system and to protect its users. This is particularly relevant in a setting marked by the emergence of new players and the proliferation of financial services offered through digital channels.

— In 2025, 54 supervisory actions were taken against legal entities or individuals where there was reason to suspect that activities were being carried out or names were being used without due authorisation.

— As Chart 4.4 shows, in 2025 the number of supervisory actions taken in this field was similar to the 2024 figure, demonstrating the consolidation of the supervisory model and the strengthening of resources allocated to this function.

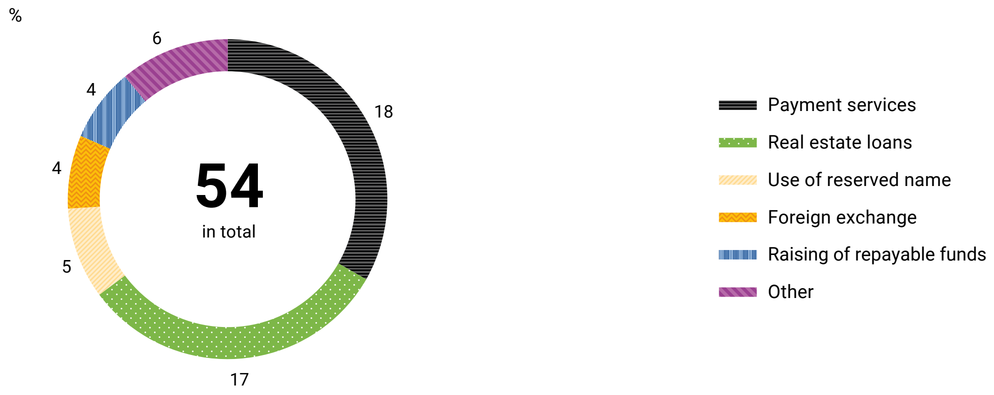
— Chart 4.5 contains a breakdown of the supervisory actions taken in 2025 by type of activity investigated. It shows that one-third of these actions related to the alleged provision of payment services by persons not authorised to provide such services or not registered in the Banco de España’s official registers. The payment services sector has experienced notable dynamism in recent years, driven by technological advances.

Chart 4.4
Supervisory actions relating to vetted access to activity and reserved names



SOURCE: Banco de España.

Chart 4.5
Classification of the 54 actions initiated in 2025 by type of activity investigated



SOURCE: Banco de España.

Over the course of 2025 the Banco de España intensified its collaboration with various public bodies within the framework of the Action Plan against Financial Fraud[2] and strengthened public information campaigns.

— In 2025 the Banco de España signed a collaboration arrangement with the National Police Force (Official State Gazette of 29 September 2025) and is in the process of doing so with the Civil Guard. It also fostered new ways of working with the National Securities Market Commission (CNMV) and the National Commission on Markets and Competition (CNMC), all in a push to improve coordination and the detection and response capacity in the framework of supervising unauthorised financial activity (financial intrusion).

— Also, in the year the Banco de España reinforced public information campaigns to raise awareness and prevent financial risks. Among other issues, these campaigns explained how to check whether a legal entity or individual is registered and authorised to provide the service offered, describing the risks of engaging with unauthorised institutions, and what to do where there are reasons to suspect non-compliance. The information was disseminated through the Banco de España's Bank Customer Portal and its website and social media channels.

In 2026 this oversight activity will have two main objectives: to digitalise the existing centralised supervisory model and strengthen institutional cooperation to ensure the protection of the financial system.

2 In 2022 various authorities signed the General Protocol for Collaboration in the Fight against Financial Fraud, including the Ministry of the Economy, Trade and Business, the National Securities Market Commission, the Public Prosecutor's Office, various state and regional law enforcement bodies, SEPBLAC and the Banco de España. The objectives of the Action Plan against Financial Fraud include strengthening cooperation among the signatories, enhancing prevention and fighting fraudulent offers of products or services, to protect financial service customers and investors.

- The aim in 2026 is to drive the digitalisation of the supervisory model, by incorporating and developing new state-of-the-art analysis tools, in a setting marked by rapid digital transformation and technological change.

- Collaboration mechanisms and cooperation with other competent authorities in the fight against financial fraud will be further strengthened, to promote mechanisms that will ensure a coordinated response to unauthorised operators that, in some cases, operate in multiple jurisdictions.

Chapter 5

Supervision of institutions’ conduct

1 Introduction

The Banco de España's conduct supervision function is key to promoting a responsible banking sector that puts customers' needs and interests first. Effective oversight of institutions' compliance with conduct and transparency rules helps safeguard public confidence in the financial system and supports its proper functioning and stability.

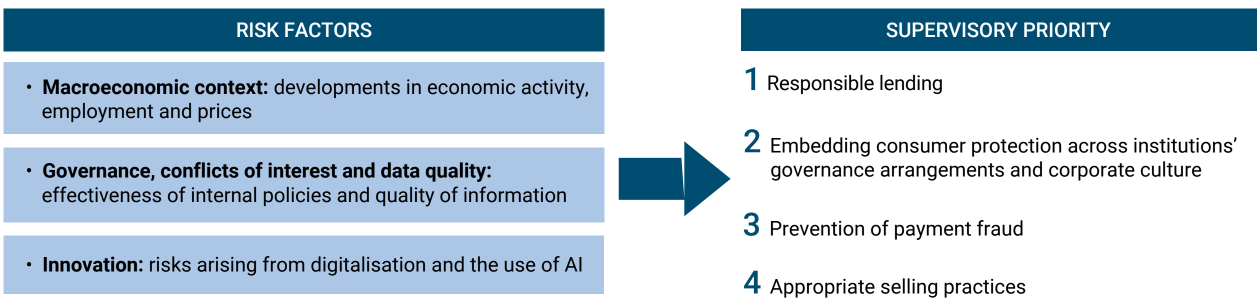
Digitalisation, rising levels of fraud and the use of new technologies, together with the entry of new market participants, all mean that conduct supervision needs to stay ahead of changes in the environment and sector trends, in order to prevent potentially harmful practices for financial consumers and limit possible damage to customers.

In addition to the ongoing monitoring of advertising practices and customer service departments, in 2025 supervisory work focused on four key priorities: responsible lending; embedding consumer protection across institutions' governance arrangements and corporate culture; payment fraud prevention; and oversight of selling practices, including bundled sales and distribution through alternative channels (institutions' physical or digital means of offering customers their services, such as mobile apps and points of sale arrangements via intermediaries).

Figure 5.1 summarises the main risk factors, identified via indicators, that informed the supervisory priorities for 2025. In turn, these priorities define the key areas of focus for the Banco de España's conduct supervision.

As part of the roll-out of the Action Plan 2024-25, developed in response to the recommendations of the external evaluation of conduct supervision, new tools have been added to the supervisory framework to prevent misconduct, anticipate risks and ensure a customer-centric approach. One such tool is the public communication policy, which is built around three strategic pillars:

Figure 5.1
Risk factors driving supervisory priorities



SOURCE: Banco de España.

1. **Risk prevention:** early communication and supervisory dialogue have been strengthened. The aim is to clearly communicate supervisory expectations and good market practices in order to anticipate potential risks for customers before they materialise.

2. **Consumer empowerment and accountability:** active engagement through dialogue with consumer associations and other social partners. The Banco de España will develop educational tools and content to help customers better understand financial products and their rights, thereby enhancing transparency and accountability.

3. **Cooperation with other authorities to boost efficiency:** to make supervision more efficient and effective, hubs have been set up for cooperation and knowledge-sharing with other domestic and international supervisory authorities, groups of experts and fora.

2 Conduct supervision in figures

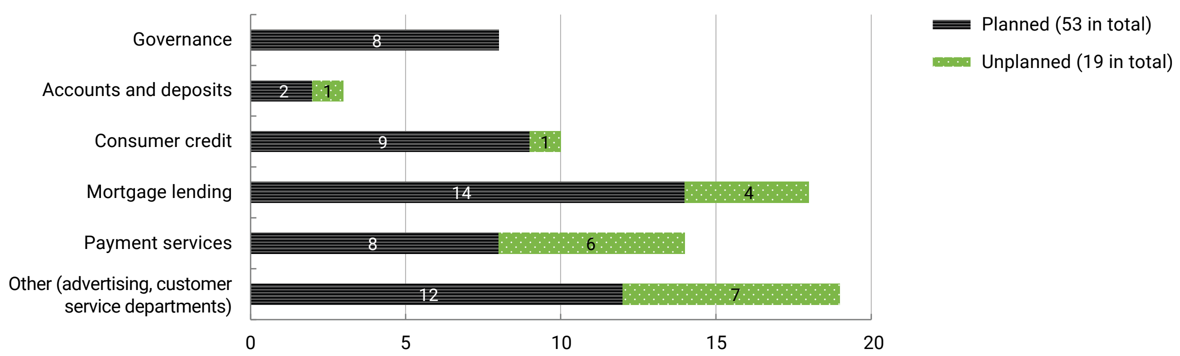
Supervisory work involves reviewing or assessing the conduct of an institution or group of institutions in one or several areas of their business. Some work is unplanned, in other words it is not included in the annual supervisory plan. It is carried out where the ongoing monitoring or other relevant information gives rise to indications or evidence showing that supervisory intervention is needed.

— In 2025 the Banco de España carried out 72 supervisory actions, 26% of which were unplanned. In addition to the ongoing monitoring of customer service departments and advertising, supervisory work focused on the distribution of mortgages and consumer credit, oversight of conduct risk governance and the evaluation of institutions' procedures for detecting and preventing payment fraud (Chart 5.1).

— Throughout the year, the Banco de España adopted a range of supervisory measures aimed at addressing the deficiencies and weaknesses identified. A total of 262 sanctioning measures were adopted.

The Banco de España sent 212 letters requiring institutions discontinue or rectify inappropriate practices (85% related to advertising) and 49 recommendation letters. In the area of consumer protection, breaches of responsible lending requirements have led to a proposal to initiate sanctioning proceedings.

Chart 5.1
Breakdown of the 72 conduct supervisory actions carried out in 2025



SOURCE: Banco de España.

3 Supervisory actions

In 2025 conduct supervision focused on completing work initiated in previous years and undertaking new supervisory interventions to address identified risks and priorities.

3.1 Oversight of bank lending practices

— The Banco de España assessed compliance with responsible lending requirements applicable to consumer credit. This supervisory work was prompted by the growing risk of over-indebtedness stemming from the economic environment (GDP growth, improvement in employment and lower inflation and interest rates) as well as the expected increase in credit demand, amid competition sparked by greater use of digital channels to distribute loans, including pre-approved offers.

— The work included reviewing institutions' policies, internal controls and procedures, as well as their credit assessment models, staff training arrangements and the way they design and sell products.

— As a result of the work, the following areas for improvement were identified:

I. Greater involvement by the managing body in defining, monitoring and overseeing these policies.

II. Strengthening controls on the sale of ancillary products.

III. Reviewing the estimates and assumptions used to assess borrowers' repayment capacity.

— The increase in pre-approved loans and the greater use of internal data to streamline loan origination highlight the importance of robust creditworthiness assessments, in line with the expectations set out below:

Supervisory expectations

- Institutions should be able to demonstrate the reliability of their estimates of customers' income and expenditure.
- Institutions should have sufficient information on the purpose of the loans.

3.2 Oversight of conduct governance

3.2.1 Assessment of institutions' corporate culture

— In 2025 the Banco de España began to assess the extent to which customer protection is embedded in some institutions' business models and governance arrangements, with a particular focus on their product design and monitoring processes. Institutions should consider the interests, objectives and characteristics of the consumers they are targeting when they design and distribute products.

— This assessment includes an analysis of the effectiveness of internal reporting lines and institutions' ability to clearly convey their managing bodies' criteria and guidelines throughout the organisation.

— Work was also initiated to assess internal mechanisms for managing conflicts of interest both for sales staff and for control functions and customer service department staff, as well as to analyse remuneration structures to ensure that they do not rely exclusively on an increase in lending volume. This work will continue in 2026.

— Turning to financial advertising, the Banco de España concluded its analysis of a sample of institutions' advertising policies. Launched in 2024, this work focused on assessing their internal controls and procedures as well as the models used to consider the conduct risks arising from their advertising activities.

— Institutions have strengthened their internal control frameworks, broadly adapting them to their product and services catalogues, communication channels and their specific risk profiles. Improvements made include more robust pre-approval controls, enhanced staff training and increased automation.

— This work helps to identify best practices and areas for improvement. In addition, it strengthens the Banco de España's ability to understand how well institutions integrate customer protection throughout their value chains and how well they manage conduct risks from an organisational and cultural perspective.

3.2.2 Evaluation of procedures for detecting and managing payment fraud

— Digitalisation in the financial sector has logically increased the risk of digital fraud, particularly through identity theft in payment services and credit provision. This increase, together with the associated high level of legal disputes, highlights the need for effective prevention mechanisms.

— In 2024 and 2025 the Banco de España assessed the procedures implemented by institutions for identifying, preventing and managing fraud. This review focused on the effectiveness of internal controls, the preventive measures implemented and the clarity of the information and communications addressed to consumers.

- In addition, close attention was paid to cyber security awareness-raising programmes and the channels established for reporting fraudulent transactions. Matters relating to the governance of fraud units, staff training, the use of automated detection tools and how the customer service department handles such incidents were also analysed.

- The findings show that, while digitalisation offers opportunities to improve the user experience, it also calls for stronger protection mechanisms, greater responsiveness from institutions and more effective support for customers affected by fraud.

- This work has provided an up-to-date picture of the sector’s practices. This insight will inform future supervisory actions and foster improvements in internal controls and customer protection against fraud.

3.3 Oversight of marketing practices: bundling products with mortgages

In 2025 the Banco de España completed the supervisory work initiated in 2024 on the bundling of insurance and mortgage products. Oversight of bundling practices is a recurring priority for conduct supervision given its impact on customers’ ability to understand and compare available offers.

Supervisory experience confirms that, in some cases, customers do not clearly understand whether products are mandatory or optional, or their impact on the overall cost of the mortgage, which may hinder informed decision-making.

- The Banco de España reviewed institutions’ policies and assessed how compliant they are with requirements on tying and bundling practices, how these products are considered in the annual percentage rate, related pre-contractual and contractual information, staff remuneration arrangements and how customer service departments’ handle complaints.

- The findings are consistent with those of previous years and highlight the need for institutions to clearly inform customers about the voluntary nature of ancillary products, set out their main features (including their cost and, for insurance products, their coverage periods) and explicitly distinguish the costs of purchasing the products as a bundle or separately.

Insurance products most commonly bundled with mortgages:

- Life insurance.
- Payment protection insurance.
- Home insurance.

— Similarly, institutions must improve their training for sales staff to ensure due compliance with disclosure requirements and with any limits applicable to the tied or bundled sale of ancillary products with mortgages. Also, institutions must adopt distribution practices that avoid undue pressure or the sale of products that do not meet borrowers' needs and interests.

3.4 Strengthening supervisory understanding of distribution channels

Distribution channels affect the customer experience and how the service is generally perceived. 2025 saw the completion of various supervisory actions launched in 2024 aimed at gaining better insight into the activity of mortgage credit intermediaries (professionals who act as brokers between lenders and borrowers) and institutions that only operate through digital channels.

— In the case of mortgage credit intermediaries, the information they reported to the Banco de España was cross-checked against data provided by the credit institutions that use their services.

— Some quality and consistency issues in the information reported and discrepancies in the data recorded in the official registers were detected. Addressing these issues has led to an improvement in the reliability of the available information, thereby strengthening supervisory understanding and transparency in this sector.

— Turning to digital institutions, the work focused on analysing their business models, governance arrangements and internal procedures to ensure compliance with conduct and transparency rules.

— This work has provided a structured overview of these market segments and forms the basis for further supervision and for adapting preventive tools to the new distribution models and ways of interacting with customers.

3.5 Other supervisory work

Supervision of advertising practices is key to protecting users from misleading messages. Close to 1,600 advertisements were reviewed in 2025.

— The work focused on credit card and automotive finance advertising. The latter consistently accounts for the highest number of breaches, mainly due to a lack of information about the institution providing the credit and the applicable terms and conditions. In addition, in response to the growing use of influencer-led advertising campaigns, a dedicated ongoing monitoring programme was launched at the end of 2025.

Outcome of the advertising assessment:

- 1,592 advertisements by 86 institutions were reviewed.
- 180 requests were issued to cease or correct inappropriate practices.

Lastly, in 2025 the supervision of the customer service departments of a sample of branches of foreign credit institutions was strengthened, with the aim of ensuring that they act as an early warning mechanism and serve as an effective channel for protecting financial consumers' rights.

— Specifically, the Banco de España looked at the way they handle complaints and whether they comply with the *Guidelines on the organisational and operational criteria of the customer service departments of supervised institutions.*

In addition, compliance with supervisory measures (requirements and recommendations) adopted in previous years was assessed, examining whether these measures had been effectively implemented and whether they had led to meaningful improvements in the institutions' operating procedures and in their conduct towards customers.

Chapter 6

Macroprudential policy

1 Macroprudential tools and stress tests

The Banco de España is responsible for helping to safeguard the overall stability of Spain's financial system against risks and vulnerabilities. To this end, macroprudential policy seeks to bolster banks' resilience so that they can continue to supply credit to households and businesses, even in adverse conditions, thereby contributing to broader economic stability. This objective can be pursued through a range of macroprudential tools, such as capital buffers.

In 2025 the Banco de España focused its macroprudential policy on strengthening banks' capital positions to ensure resilience against potential cyclical risks affecting the financial system as a whole.

— The countercyclical capital buffer (CCyB) and the buffers for Spanish global systemically important institutions (G-SIIs) and domestic (other) systemically important institutions (O-SIIs) are the Banco de España's primary tools for addressing the cyclical and structural risks, respectively, that may affect the financial system as a whole.

  The CCyB represents the level of capital that banks are required to hold based on cyclical systemic risk developments, and serves as a complement to structural buffers. Cyclical risks are a critical component of systemic risk, changing in tandem with the economic cycle. They increase during economic downturns or recessions and decrease in expansionary phases.

  Systemically important institutions are those which, in the event of solvency problems, may have adverse effects on the financial system and the economy, globally or domestically.

— The Banco de España also has other tools at its disposal, but so far has not needed to activate them. These include the sectoral CCyB for credit exposures to specific economic sectors, the systemic risk buffer (SyRB), limits on the sectoral concentration of credit exposures and the possibility of introducing borrower-based measures.

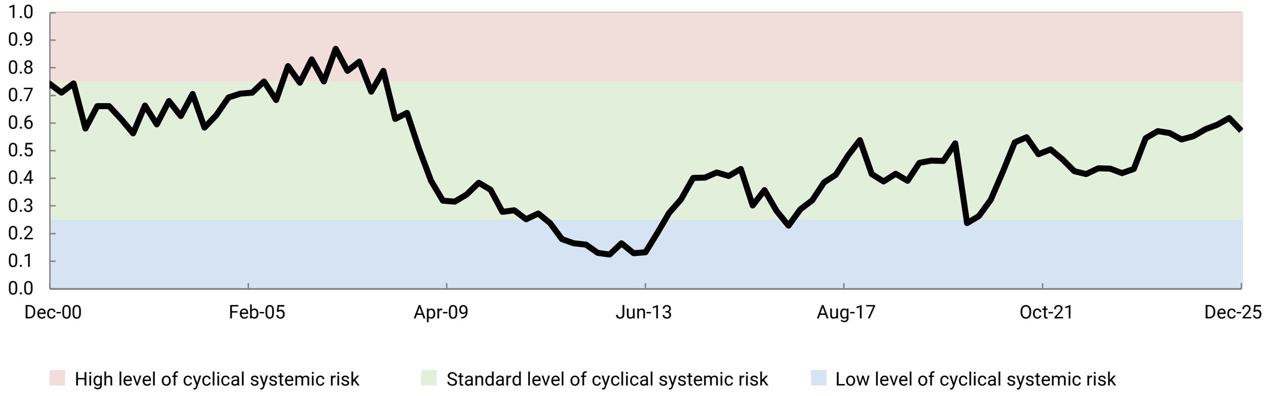
— Decisions on macroprudential measures are underpinned by ongoing monitoring of systemic vulnerabilities using statistical models and indicators, and by stress tests that simulate the effect of hypothetical adverse scenarios on banks' solvency.

1.1 Countercyclical capital buffer

In October 2025 the Banco de España approved an increase in the CCyB (from 0.5% to 1%), having assessed that the cyclical systemic risks across the financial system in Spain stood at an intermediate level.[1] This buffer requirement will apply from 1 October 2026.

1 Banco de España. (2024). *Revision of the framework for setting the countercyclical capital buffer in Spain*. Briefing note.

Chart 6.1
Overall composite indicator for cyclical systemic risks in Spain (a)



SOURCES: Banco de España, INE and Datastream. Latest observation: September 2025 (December 2025 data are provisional).

a The systemic indicator aggregates information from a set of 16 key indicators used to monitor cyclical systemic risk.

— The standard level of cyclical systemic risk is determined using a composite indicator which aggregates macro-financial, macroeconomic, Spanish financial market and banking system indicators. The blue, green and red shaded areas signal a low, standard or high level of cyclical or oscillating systemic risk, respectively (Chart 6.1).

— Other quantitative and qualitative information is also taken into account, such as banks' capacity to build up capital and the gap between existing and required capital levels, which confirms a standard risk level and the limited cost of raising the CCyB.

1.2 Systemically important institutions

In 2025 the Banco de España conducted the annual exercise of identifying and setting the capital buffers for G-SIIs and O-SIIs. The only change from 2024 was a reduction of 25 basis points in Banco Bilbao Vizcaya Argentaria's (BBVA) buffer.

— The systemic importance of each institution is determined by measuring a set of characteristics (e.g. interconnectedness with other institutions, substitutability of the services provided, complexity and cross-border activity) at a given date, using quantitative indicators that yield a score for each institution.

— These institutions are subject to additional capital requirements to bolster their resilience, encourage prudent risk-taking and offset any potential competitive advantage stemming from expectations of being bailed out in the event of difficulties, given their systemic nature.

Table 6.1
Spanish G-SIIs and O-SIIs and their capital buffers

Legal Entity Identifier	Institution	Designation (b)	2025 capital buffer requirement (%)	2026 capital buffer requirement (%)
5493006QMFDDMYWIAM13	Banco Santander, S.A.	G-SII and O-SII	1.25	1.25 (a)
K8MS7FD7N5Z2WQ51AZ71	Banco Bilbao Vizcaya Argentaria, S.A.	O-SII	1.00	0.75
7CUNS533WID6K7DGFI87	CaixaBank, S.A.	O-SII	0.50	0.50
SI5RG2MOWQQLZCXKRM20	Banco de Sabadell, S.A.	O-SII	0.25	0.25

SOURCE: Banco de España.

a When the same institution is designated as both a G-SII and an O-SII, the larger of the two buffers is applied.
b G-SIIs refers to global systemically important institutions and O-SIIs to other systemically important institutions.

— In July 2025 the Banco de España announced that in 2026 the same four institutions would be designated as O-SIIs as in 2025, setting the associated capital buffer rates for 2026 (Table 6.1).

— The sole change with respect to 2025 was the reduction in BBVA's buffer from 1% to 0.75%, due to its lower systemic importance score,[2] which was largely attributable to a more pronounced decrease in the complexity and interconnectedness indicators, two of the four categories used to calculate O-SII scores.

— Subsequently, in December 2025, the Banco de España confirmed that it would continue to designate Banco Santander as a G-SII, setting its buffer requirement for 2027 at 1%, the same as for 2026.[3]

— Over the course of 2026, the Banco de España will update the list of O-SIIs and their capital buffer requirements for 2027, with Banco Santander likely to be included once more. Under current regulations, the effective capital buffer requirement for 2027 will be the higher of the G-SII and O-SII buffers.

1.3 Macroprudential stress tests

The stress tests conducted by the Banco de España in 2025 show that the Spanish banking sector maintains sufficient aggregate solvency to withstand the range of adverse scenarios and assumptions considered.

2 Banco de España. (2025). *The Banco de España updates the list of other systemically important institutions and sets their macroprudential capital buffer rates for 2026.*

3 Banco de España. (2025). *The Banco de España designates a Global Systemically Important Institution and sets its macroprudential capital buffer rate for 2027.*

— The Banco de España has an in-house stress testing framework, known as the Forward Looking Exercise on Spanish Banks,[4] which combines its own assumptions and models with highly granular regulatory information (see Section 2.6 of Chapter 3).

For macroprudential purposes, a dynamic assumption is used regarding changes in balance-sheet size, whereby each institution's loan portfolio evolves in line with aggregate growth in credit under the macroeconomic scenario. By contrast, in supervisory calculations, the balance-sheet size is assumed to remain unchanged.

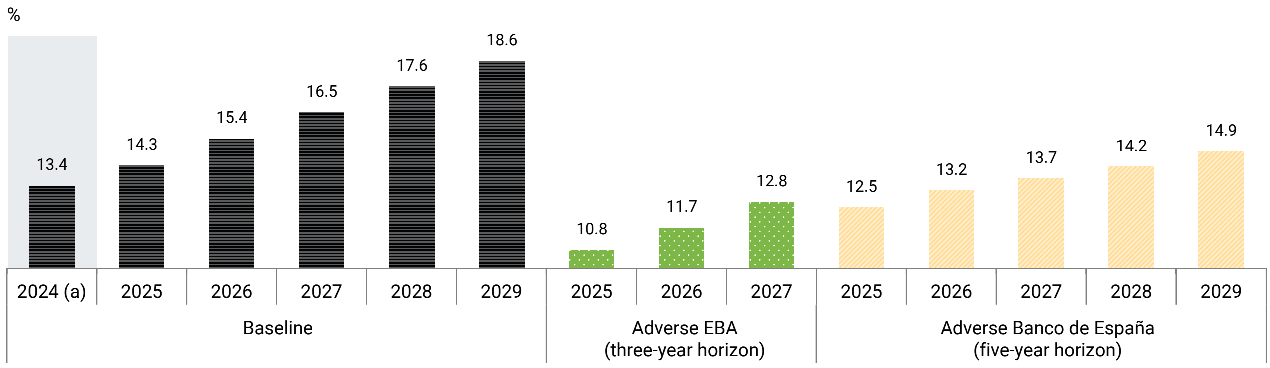
— In 2025 this framework was applied to a baseline scenario capturing the economic expectations at the time the assumptions were established, and to two hypothetical adverse scenarios.

The first of these adverse scenarios assumes a severe crisis with a significant impact on global supply and limited duration. It is the same as that used in the European Banking Authority's EU-wide stress-testing exercise, also conducted in 2025. The second, designed by the Banco de España, assumes a deflationary environment in Europe and a prolonged and persistent recession.[5]

— The combined use of the two scenarios provides a more comprehensive and robust assessment of the banking system's resilience, in an environment marked by heightened global uncertainty.

In all the scenarios, the Spanish banking sector shows sufficient resilience, with adequate levels of Common Equity Tier 1 (CET1) capital (Chart 6.2). Even under very severe macroeconomic conditions, similar to those observed during the global financial crisis, the results indicate that bank solvency would not fall to the levels then recorded, reflecting the banking sector's stronger loss-absorbing capacity.

Chart 6.2.
CET1 ratio under different scenarios



SOURCE: Banco de España.

a 2024 is taken as the starting point for projecting changes in CET1 capital under different scenarios.

4 Banco de España. (2013). *Financial Stability Report. November 2013.*

5 For further details about these scenarios, see Box 3.2 of the *Financial Stability Report. Autum 2025* and EBA.(2025).*The EBA launches its 2025 EU-wide stress test: press release.*

This is, among other factors, because banks are currently less exposed to real estate development activity, mortgage lending standards are more prudent and initial capital levels have practically doubled since 2007.

— The aggregate results of the stress tests should be viewed with caution, given the inherent uncertainty of these exercises (based on hypothetical scenarios) and the current high level of macro-financial uncertainty, which warrant ongoing monitoring for any signs of significant risk scenarios emerging.

1.4 Reciprocation of macroprudential measures

Following a request by Norway, the Banco de España reciprocated an SyRB macroprudential requirement in May 2025. Consequently, the Santander Group was required to apply a 4.5% systemic risk buffer rate to all exposures in Norway as of 1 September 2025.

1.5 Other macroprudential tools

No systemic imbalances were identified that would justify the activation of the other macroprudential tools available to the Banco de España.

— Throughout 2025 no signs of systemic risk were observed in credit exposures to non-financial corporations across economic sectors or to households that would warrant the activation of other macroprudential capital tools such as a sectoral CCyB, a sectoral or general SyRB and limits on the sectoral concentration of credit exposures.

— Moreover, there were no signs of credit standards easing for firms and households, nor of the associated systemic risks that would require the activation of borrower-based measures.[6]

— The loan-to-income ratio and the loan-to-value ratio are two examples of credit standards on which limits could be applied.

As part of the work on the possible activation of borrower-based measures, which consider borrowers' ability to pay, in 2025 other countries' experience of the impact of such measures was analysed and progress was made on developing theoretical and empirical analyses to better assess the implications of their activation in Spain.[7] This work was based on the recommendations received from different international organisations

6 See Chapter 4 of the Financial Stability Report. Autumn 2025 for more information about recent developments in these credit standards.

7 See the recommendations of the European Systemic Risk Board (*Follow-up report on vulnerabilities in the residential real estate sectors of the EEA countries*, 2024) and the International Monetary Fund (Spain: 2025 Article IV Consultation-Press Release; and Staff Report).

2 Macroprudential coordination with other authorities in Spain and within the Single Supervisory Mechanism

The Spanish macroprudential authority (AMCESFI) is composed of the Banco de España, the Ministry of the Economy, Trade and Business, the National Securities Market Commission (CNMV) and the Directorate General of Insurance and Pension Funds (DGSFP). It is tasked with the regular analysis of risk factors affecting the Spanish financial system and coordination of macroprudential policies.

— The Banco de España participates in AMCESFI's decision-making and advisory bodies (the Council and Financial Stability Technical Committee (FSTC), respectively). The Governor is Vice-Chair of the Council and the Deputy Governor is Chair of the FSTC.

— AMCESFI is empowered to issue and publish warnings and recommendations on matters with potential financial stability implications in Spain, and to deliver non-binding opinions on macroprudential policy proposals previously submitted by the Banco de España, the CNMV or the DGSFP.

— In 2025 it issued three favourable opinions on macroprudential measures proposed by the Banco de España:

  I. To set the CCyB at 1% on the relevant exposures located in Spain, with effect from 1 October 2026

  II. To set buffers for O-SIIs in Spain, to be applied in 2026.

  III. To reciprocate Norway's SyRB requirement, as recommended by the European Systemic Risk Board (ESRB).

— AMCESFI's key work streams include the analysis of the interconnectedness of the banking and non-banking financial sectors, the systemic implications of the growing use of artificial intelligence in the financial system and the risks stemming from climate change.

  With respect to climate-related risks, the Banco de España contributed to the drafting and publication of the *Second Biennial Report on Climate Change Risks to the Financial System*, which analyses the economic fallout of the autumn 2024 flash floods and highlights the adverse impact of desertification on the economy.

Within the framework of the Single Supervisory Mechanism, the Banco de España collaborates with the European Central Bank (ECB) and other national macroprudential authorities, notably through the Financial Stability Committee (FSC).

— The Banco de España takes part in technical discussions on recent developments in the identification and assessment of systemic risks, regulatory initiatives and issues relating to the implementation of measures and other related actions in banking union countries.

— In 2025 proposals on cyclical and macroprudential capital requirements for systemically important institutions were submitted, all endorsed by the ECB.

— The work of the FSC, geared mainly towards the banking sector in the banking union countries, is coordinated with that of the Advisory Technical Committee of the ESRB, whose macroprudential mandate and scope encompass the European Union financial system as a whole.

— The FSC presents its main analyses at the ECB's Macroprudential Forum, which regularly brings together the members of the ECB's Governing Council and Supervisory Board.

Chapter 7

Sanctioning powers

1 Sanctioning powers

In 2025 the Banco de España handled 20 sanctioning proceedings in the areas of prudential supervision, bank customer protection and combating unauthorised financial activity. 13 of them resulted in sanctions that, overall, exceeded €49 million, which in most cases also affected directors, managers or owners of qualifying holdings in the entities involved, bringing the total number of sanctioned parties to 79. The remaining proceedings were still in progress at year-end.

40% of the sanctioning proceedings handled involved unauthorised financial activities, while 20% concerned capital ownership breaches (Chart 7.1).

These sanctions help to protect bank customers and to ensure the soundness and solvency of the financial system.

— In the area of bank customer protection, two sanctioning proceedings were resolved against significant institutions – the largest or most important to the economy – for breaches related to the principles of responsible lending and the bundling of insurance associated with mortgage loans.

— The Banco de España stepped up the fight against unauthorised financial activity: five proceedings resulted in sanctions for carrying out reserved activities or using reserved names without authorisation and for failing to cooperate with the inspection. At year-end, three more proceedings were in progress.

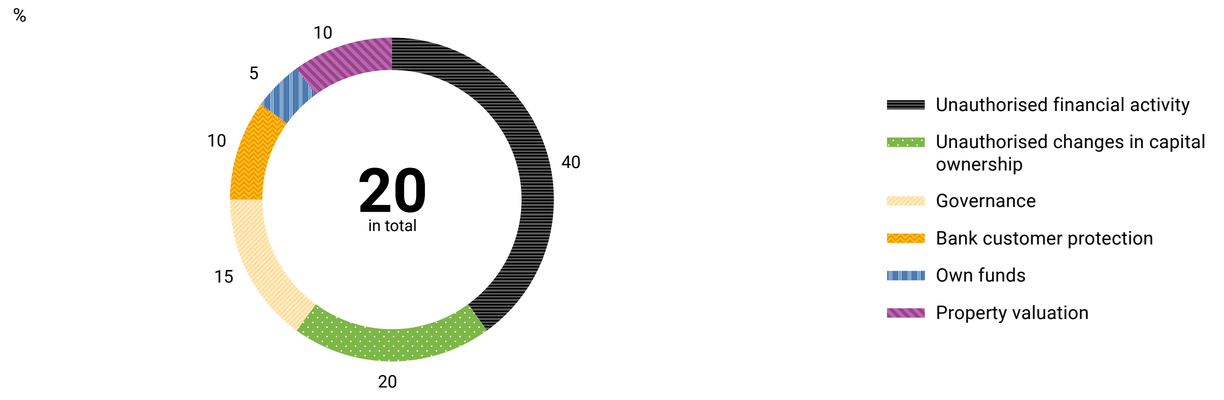
— In the area of prudential supervision, the focus was on banks' governance. Two proceedings were handled in 2025 concerning remuneration practices, involving two banks and their directors. The first, which was initiated at the request of the European Central Bank due to the involvement of a significant institution, was resolved within the same year, resulting in the imposition of sanctions. The second was still ongoing at end-2025.

  A proceeding was also initiated against a payment institution and its directors for management shortcomings and the unsuitability of a board member.

— Three proceedings were completed against two payment institutions and their directors or owners of qualifying holdings (35 in total) for unauthorised changes in the ownership of the capital. At year-end, a fourth proceeding in this same area was still under way involving 11 owners of qualifying holdings in a payment institution.

— Turning to appraisal companies, the Banco de España focused on internal control, independence, compliance with incompatibility rules and the correct application of valuation

Chart 7.1
Sanctioning proceedings completed in 2025 or ongoing at year-end, by area of infringement



SOURCE: Banco de España.

methods. This led to the conclusion of a proceeding against an appraisal company and its administration and management positions for breaches in the above-mentioned areas. A further proceeding was opened against another appraisal company which was still under way at the end of the year.

— Finally, a proceeding against a payment institution, its Chair and its CEO for insufficient own funds was concluded in 2025.

— The bulk of the sanctions imposed was due to breaches in the areas of customer protection, governance and unauthorised changes in ownership of capital.

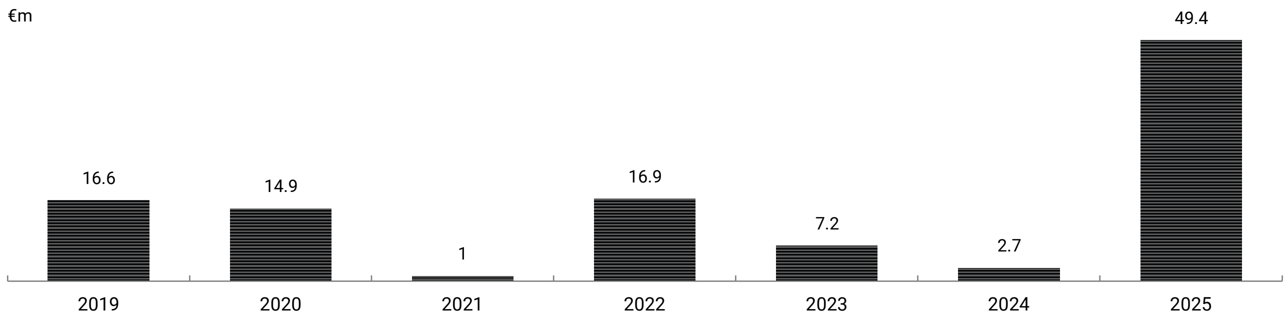
Five of the 13 proceedings concluded in 2025 are final; appeals have been lodged against the other eight. In addition, in six of the proceedings the parties involved have benefited from the lower penalties provided for by law for acknowledging liability or voluntarily paying the sanction (Article 85 of Law 39/2015 of 1 October 2015). Benefiting from these reductions means waiving the right to appeal through administrative channels, but not through the courts.

As can be seen in Charts 7.2 and 7.3, sanctioning activity has intensified in 2025, as part of the progressive strengthening of actions against unauthorised financial activity, governance deficiencies and unauthorised changes in capital ownership.

— This effort has resulted in a notable increase in the number of resolved proceedings, which more than doubled compared with 2024, and in a very significant increase in the aggregate amount of sanctions imposed, which rose 18-fold, reaching levels not seen in previous years.

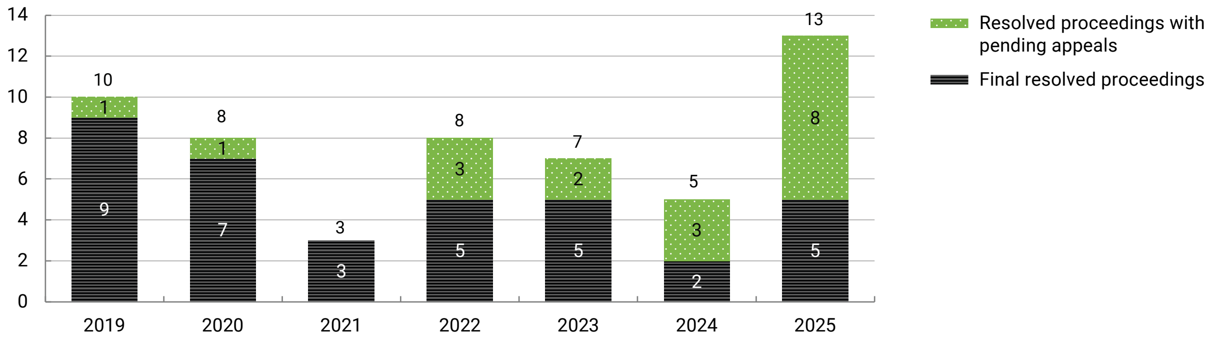
— The number of proceedings and the aggregate sanction amount have fluctuated in recent years. This owes to various factors, including the results of supervisory actions. The amount of the sanctions imposed each year depends on the severity of the breaches detected, the

Chart 7.2
Penalties imposed



SOURCE: Banco de España.

Chart 7.3
Number of sanctioning proceedings resolved



SOURCE: Banco de España.

culpability of the institution, the concurrence of aggravating or mitigating circumstances, the number of responsible parties in each case and the size (turnover) of the sanctioned institutions.

— It should be noted that between 2019 and 2025 all proceedings initiated resulted in the imposition of sanctions, with the sole exception of a case that was closed because it did not constitute an administrative infringement. This is without prejudice to the fact that, depending on the specific circumstances, a party may have been exonerated. In addition, of the 54 proceedings resolved in that period, 36 are final and 18 have been appealed via administrative channels or in the courts (Chart 7.3). Proceedings whose resolutions are final and those which can be disclosed even though an appeal is pending are published on the Banco de España's website.

Chapter 8

Oversight and supervision of market infrastructures

1 Introduction

The Banco de España is tasked with the ongoing oversight of financial market infrastructures, which serve to clear and settle financial transactions. Given the critical role of these infrastructures in preserving financial stability, this function aims to ensure that they operate properly, efficiently and securely, and to promote market-led initiatives aligned with these aims.

The oversight function consists of monitoring payment systems, assessing them in relation to the defined objectives and, if necessary, proposing changes. Its scope also encompasses payment instruments, schemes and arrangements (PISA).

Oversight is one of the core functions assigned to the Eurosystem and it is carried out within a coordinated and standardised framework. Thus, the Banco de España, together with other Eurosystem central banks and under the leadership of the European Central Bank (ECB), participates in the oversight of TARGET services – the Eurosystem infrastructure for settling transactions in central bank money – and other systemically important pan-European payment systems.

Domestically, the Banco de España is responsible for the oversight of two retail payment systems, the National Electronic Clearing System (SNCE, by its Spanish initials) and the National Card Transaction Clearing System (SNCT, by its Spanish initials), and a wholesale payment system (FXS). In addition, it monitors PISA schemes such as Bizum, and critical providers in the payments ecosystem, such as Redsys and Cecabank.

In the area of securities infrastructures, the Banco de España and the National Securities Market Commission (CNMV) are jointly responsible for ensuring that Spain's clearing, settlement and registration systems operate in a manner that safeguards the stability of the financial system as a whole.[1]

As well as its oversight functions, the Banco de España is entrusted with the supervision of Sociedad Española de Sistemas de Pago, S.A.,[2] known as Iberpay, the company that manages the SNCE. The Bank has also been designated as the authority responsible for overseeing compliance with information and communication technology (ICT) risk management obligations across the payment chain.[3]

1 Article 250 of Law 6/2023 on Securities Markets and Investment Services.
2 Article 17 of Law 41/1999 on securities payment and settlement systems.
3 Article 4 of Royal Decree-Law 8/2023.

2 Oversight of payment systems and instruments

2.1 Payment systems in Spain

2.1.1 Oversight of the SNCE retail payment system

The SNCE is the retail payment system through which most of Spain's transfers, direct debits and other transactions are cleared and settled. In practice, it allows banks to exchange the necessary information and to settle interbank balances arising from everyday payments between individuals, firms and government agencies (instant transfers, direct debits, cheque transactions, etc.).

The SNCE is managed by Iberpay, whose shareholders are the participating institutions. The Banco de España monitors the SNCE's operations on an ongoing basis. The two assessments that began in 2024 to verify Iberpay's secure and efficient management of the system were finalised in 2025 and included:

— A comprehensive assessment of the SNCE to verify its compliance with the Eurosystem's oversight framework, based on the principles for financial market infrastructures.[4]

The framework adjusts the applicable principles, including those on operational reliability, risk management, quality of governance, technological resilience or responsiveness to incidents, according to the level of risk each system poses to the euro area, under a harmonised classification. The specific framework for other retail payment systems[5] is applied to the SNCE.

— An assessment of cyber resilience management by the SNCE, which analyses the degree of compliance with the Eurosystem's cyber resilience oversight expectations.[6]

— Although these assessments concluded that the system is operating properly, they also identified a number of risk management recommendations for Iberpay to implement.

In 2025 the total number of transactions rose by 8.2%, with an increase of 10.1% in terms of value, in line with the growth trend observed in 2024.

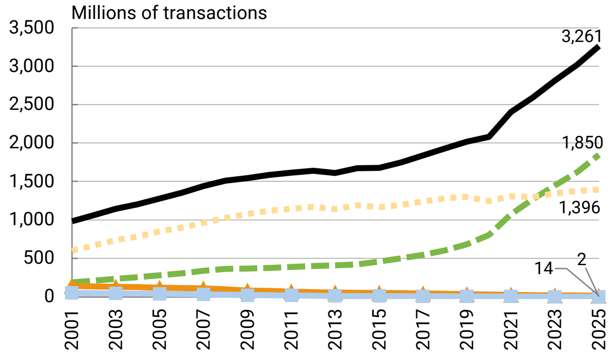
Transfers recorded the strongest growth, increasing by 14.3% in number and by 12.1% in value, driven by the surge in instant transfers. Ordinary transfers declined for the first time, having been overtaken by instant transfers (Chart 8.1).

4 For more information, see https://www.bis.org/cpmi/info_pfmi.htm.
5 https://www.ecb.europa.eu/paym/pol/systems/html/index.en.html.
6 https://www.ecb.europa.eu/press/intro/cons/html/cyber_resilience_oversight_expectations.en.html.

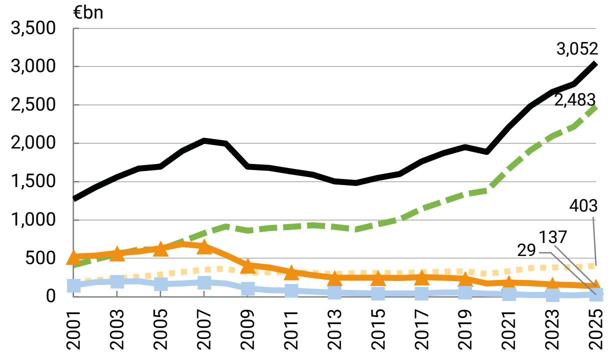
Chart 8.1
Transactions processed in the National Electronic Clearing System (SNCE)

8.1.a Overview of SNCE transactions

1 Number of transactions per year

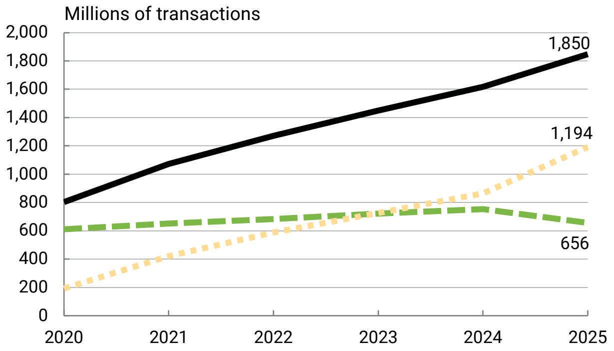


2 Value of transactions per year

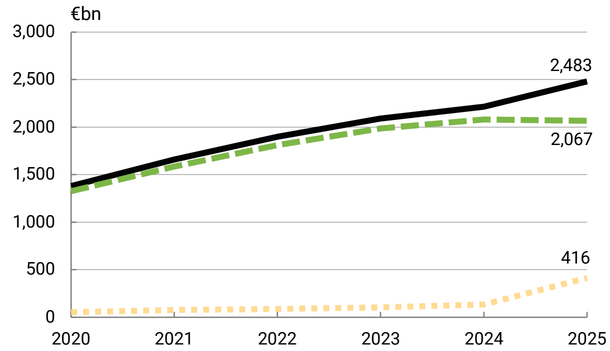


8.1.b Changes in SNCE transfers

1 Number of transactions per year



2 Value of transactions per year



SOURCE: Banco de España, drawing on Iberpay data.

a Includes instant transfers since 2018.
b Includes bills of exchange and other.

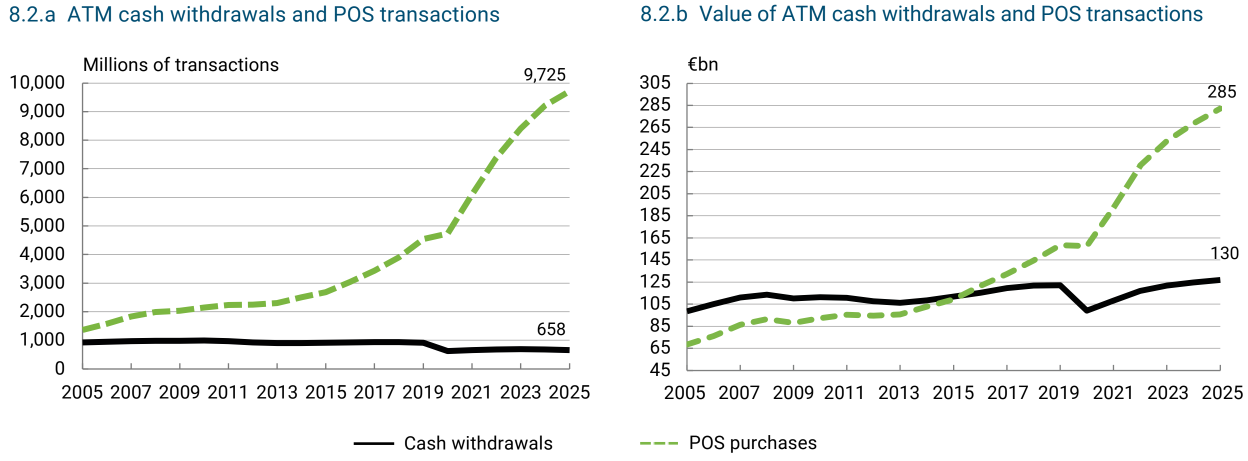
2.1.2 Oversight of the SNCT retail payment system[7]

The first comprehensive assessment of the SNCT is under way in 2026, under the Eurosystem's framework for the oversight of retail payment systems. The SNCT is managed by Sistema de Tarjetas y Medios de Pago, S.A. (STMP), which is responsible for clearing the bulk of Spain's card transactions and is considered a prominently important retail payment system.

— The original deadlines have been extended due to the reorganisation of the company's activities, as a new model for clearing card transactions in Spain is being implemented that

7 The STMP system has recently been renamed SNCT.

Chart 8.2
Overview of card transactions



SOURCE: Banco de España, drawing on STMP data.
NOTE: The 2025 figures were estimated based on the variable's performance in the first three quarters of the year.

includes an agreement by banks to carry out the associated interbank settlements within the SNCE.

— Chart 8.2 shows developments in 2025 in domestic card transactions with Visa, Mastercard, Subsidised Diesel and VIA-T cards, which STMP is responsible for clearing, with technical support from Redsys and Cecabank.

In 2025, point-of-sale (POS) transactions rose by 5.6% in number and 5% in value, maintaining the upward trend of recent years, while cash withdrawals declined in volume (-3.7%) but increased in value (+2%).

2.1.3 Oversight of the FXS wholesale system

On 8 April 2025 the BME Group announced the launch of a new payment system for the payment-versus-payment settlement of foreign exchange transactions, operated by BME Post Trade Services. Before the system became operational, the Banco de España carried out a comprehensive assessment under the Eurosystem's framework to ensure that it was sound and secure. As no objections were raised, the system began operating in July 2025.

2.1.4 Incident monitoring

Oversight includes monitoring and analysing incidents affecting infrastructures in order to assess their resilience and, where necessary, drive improvements. The blackout on 28 April was a notable incident that required monitoring in 2025, due to its impact on payment systems.

During the blackout, there was a clear drop in retail payment transactions, mainly because businesses and firms were unable to operate without electricity. However, financial infrastructures – especially payment systems – proved highly resilient and were buttressed by contingency systems that ensured they ran smoothly, in accordance with the operational continuity requirements set out in the oversight and regulatory frameworks.[8]

2.2 Pan-European payment systems

In 2025 the Banco de España participated in the Eurosystem's cooperative oversight of TARGET services, in particular, the real-time gross settlement of wholesale payments (T2) and the 24/7 instant payments settlement service (TIPS). It also collaborated with the Eurosystem in the oversight of pan-European payment systems and payment instruments, schemes and arrangements, such as Visa or Mastercard.

- In 2025 the number of transactions processed by the Spanish component of T2 rose by 5.8%, while their total value was unchanged from 2024.

2.3 Payment instruments and institutions under the PISA framework[9]

PISA is the Eurosystem's oversight framework for electronic payment instruments, schemes and arrangements.

In Spain the use of digital payment instruments such as transfers and cards, continues to gain ground, the latter being the most widely used in terms of the total number of transactions, overtaken by transfers in terms of value (Charts 8.1, 8.2 and 8.3).

- In 2025 the Banco de España collaborated with other national central banks and with the ECB in the oversight of SEPA payment schemes:[10] those relating to ordinary transfers (SCT), instant transfers (SCT Inst) and direct debits (SDD Core and SDD B2B).

- It also participated in the assessment of two major changes to SEPA schemes: the first to allow a hybrid address format (combining a structured format with an unstructured one) and the second to shorten the processing time for instant transfers to 10 seconds, in compliance with Regulation (EU) 2024/886.

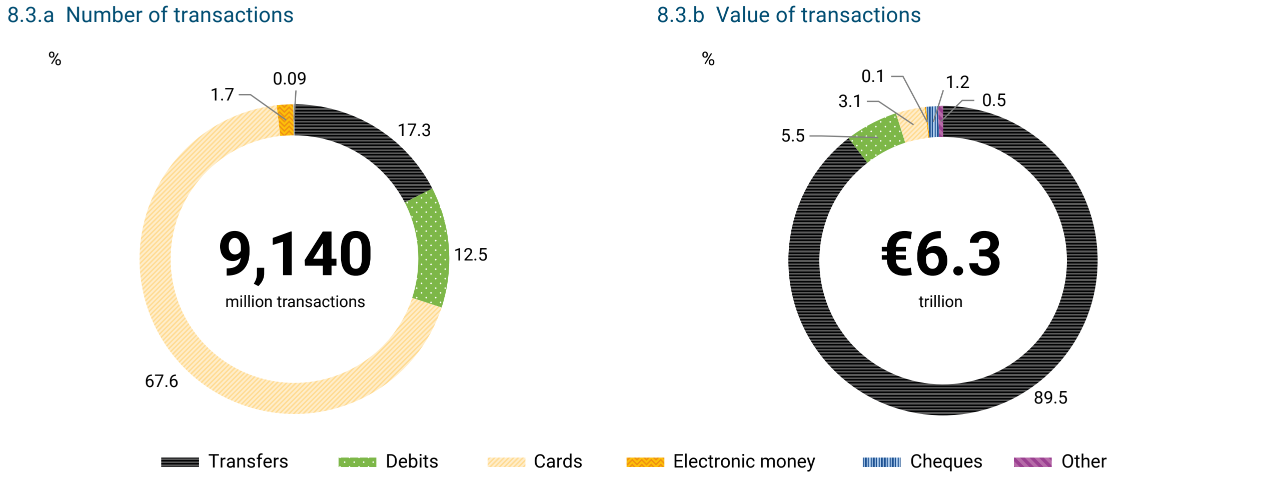
- In Spain the Banco de España monitors Bizum activity under the PISA framework. To this end, it performs statistical oversight of these transactions, meeting regularly with the institution managing them and monitoring incidents.

8 Lourdes Cremades, Álvaro Esandi and Miguel Pérez. (2025). "The impact of the 28 April 2025 blackout on Spain's payment systems". *Financial Stability Review* - Banco de España, 49, Autumn.

9 For more information, see the ECB's website.

10 SEPA stands for Single Euro Payments Area.

Chart 8.3
Non-cash payment instruments in Spain (2025 H1)



SOURCE: Data for 2025 H1 provided by payment service providers, pursuant to Regulation (EU) 1409/2013 on payments statistics.

2.4 Oversight of cyber resilience

In 2025 the Banco de España conducted a cyber resilience survey among entities managing financial market infrastructures in Spain, to assess their level of maturity in terms of cyber resilience and identify areas for improvement. This survey has been conducted simultaneously across the Eurosystem every two years since 2017, following a common methodology and with the participation of entities operating euro area payment systems and securities infrastructures.

Moreover, the Bank continued to support the Eurosystem's efforts to align cyber resilience oversight expectations with the requirements of the Digital Operational Resilience Act.[11]

11 Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022.

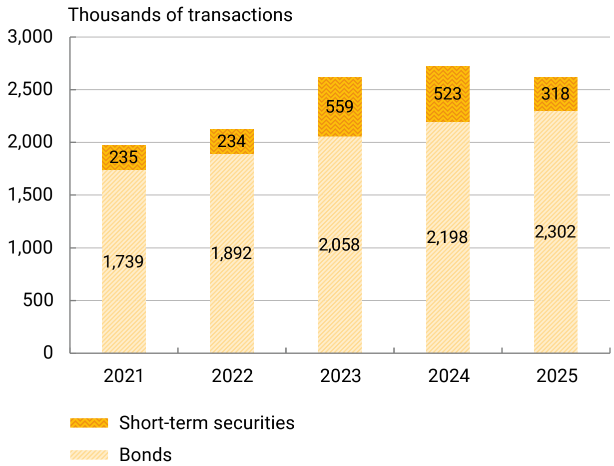
3 Oversight of securities infrastructures

3.1 Activity and indicators

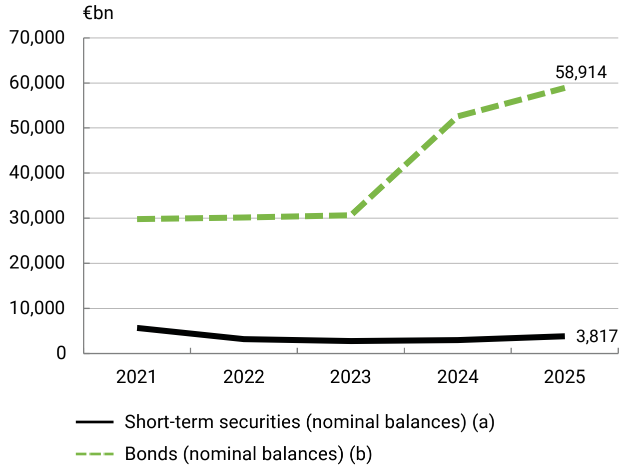
BME Clearing[12] manages clearing activity across five segments: financial derivatives and foreign exchange traded on the MEFF (Spanish financial futures and options exchange); equities; fixed-income; energy and natural gas and liquefied natural gas derivatives; and interest rate derivatives. In 2025 the number of financial derivatives contracts rose notably, particularly those relating to

Chart 8.4
Iberclear activity. Transactions processed

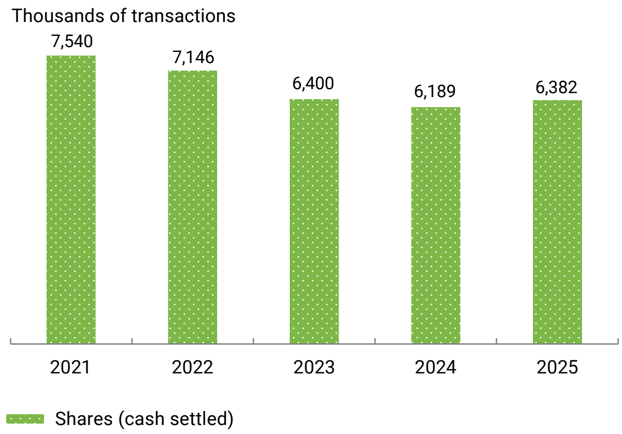
8.4.a Fixed-income securities. Number of transactions



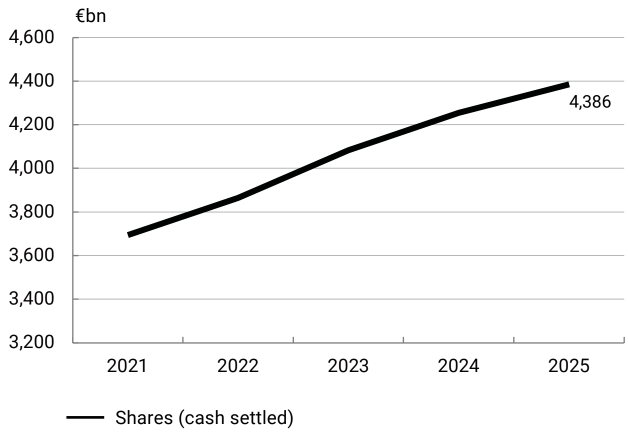
8.4.b Fixed-income securities. Value of transactions



8.4.c Equities. Number of transactions



8.4.d Equities. Value of transactions



SOURCE: Iberclear.

a Nominal balances.
b Cash settled.

12 Its role as an intermediary between buyers and sellers is central to ensuring the proper completion of financial market transactions and removing counterparty risk.

stock options. Clearing activity in the equities segment also increased in 2025, both in terms of the total number of transactions and the value cleared.

As regards its financial resources (mainly cash deposited with the Banco de España), the central counterparty (CCP) of the BME group maintained them above the required level.

At Iberclear – the central securities depository managing Spain's securities clearing and settlement systems – the total number of transactions edged up by 1%, while their value rose by 12% in 2025 (Chart 8.4).

— By type of instrument, short-term securities transactions recorded a marked decline (-39%) which was offset by the increase in bonds, equities and other asset classes.

— In value terms, short-term securities rose significantly (27%), pushing up the average value per transaction amid a rise in these asset prices in 2025.

— Short-term securities include fixed-income instruments with an original maturity of less than one year, such as Treasury bills and commercial papers. They do not include repurchase agreements (repos).

3.2 Actions stemming from national legislation

In 2025 the Banco de España issued three favourable reports on changes to BME Clearing's internal rules, pursuant to the Law on Securities Markets and Investment Services,[13] in relation to:

— The general terms and conditions of the interest rate derivatives segment, to incorporate new underlying currency clearing.

— The general terms and conditions of the financial derivatives segment, to change the registration and clearing timetable for xRolling FX contracts (futures on main currency pairs), traded in the MEFF and cleared and settled by BME Clearing.

— The rules and general terms and conditions of the equity and fixed-income segments, to bring them into line with the latest amendments to the Law on Securities Markets and Investment Services.

3.3 Actions stemming from European legislation

The Banco de España participates in BME Clearing's supervisory and resolution colleges, in an oversight role and as the Eurosystem representative, as a central bank issuing the euro, among other functions.

13 Article 84.6 of Law 6/2023 of 17 March 2023 on securities markets and investment services.

— In the college of supervisors, the Banco de España reviewed BME Clearing's recovery plan, pursuant to the requirements of Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties. The Eurosystem issued a favourable opinion.

  In addition, it analysed and issued a favourable opinion on BME Clearing's request for authorisation to include new underlying currency clearing in the interest rate derivatives segment.

— In the resolution college, the Banco de España reviewed the resolution plan prepared by the Spanish resolution authority (the CNMV). The Eurosystem issued a favourable opinion.

— Outside the scope of the colleges, the Banco de España assessed BME Clearing's eligibility to access the Eurosystem's new overnight credit facility for central counterparties,[14] the outcome of which was also favourable.

At the CNMV's request, the Banco de España prepared a non-binding report authorising Securitize to act as a securities settlement system, pursuant to the European regulation on a pilot regime for market infrastructures based on distributed ledger technology (DLT).[15]

While the report found that Securitize was broadly compliant with regulatory requirements, it set out recommendations to address certain issues identified, such as those concerning potential risks or certain regulatory compliance matters.

A distributed ledger is a decentralised database of which there are multiple identical copies distributed among several participants and which is kept synchronised by consensus among them. In some cases, distributed ledger technology could help reduce costs and enhance the traceability, transparency and speed of transactions.

14 Introduced by Guideline (EU) 2025/1889 of the European Central Bank of 31 July 2025 (ECB/2025/28), which entered into force on 6 October 2025.

15 Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022.

4 Supervision of payment systems and operators

4.1 Supervision of Iberpay

In 2025 the Banco de España reviewed four SNCE operating instructions, which incorporated the updates to the latest versions of the European Payments Council's (EPC) SEPA schemes.[16] The Bank raised no objections to these instructions.

SEPA payment schemes are a set of harmonised rules, standards and procedures to which payment service providers adhere to ensure that transfers and direct debits are carried out in a consistent, interoperable and standardised manner across SEPA countries. The EPC is tasked with managing these schemes.

In addition, the Bank authorised the launch of a new sectoral service offered to institutions by Iberpay. This service enables payment service providers to comply with their "verification of payee" obligations, in accordance with the European regulation on instant credit transfers in euro.[17]

4.2 Supervision of ICT risk management

The Banco de España seeks to ensure the sound management of ICT risk, in order to improve cybersecurity and resilience in the payment chain.

Over the course of 2025 the Bank drafted a supervisory plan based on the risk posed by each infrastructure operator in the payment chain, applying the principle of proportionality, and worked on developing tools to measure their compliance with requirements set by the Digital Operational Resilience Act.

16 International non-profit organisation whose main purpose is to manage SEPA payment schemes.

17 Regulation (EU) 2024/886 of the European Parliament and of the Council of 13 March 2024.

Chapter 9

Internal Audit Report provided for in Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions

1. Introduction

Article 55 bis of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions (Law 10/2014)[1] establishes that "the Banco de España shall prepare an annual report on its supervisory function in relation to its actions and procedures carried out in this area and from which information on the effectiveness and efficiency of such procedures and actions can be deduced". It also provides that this annual report must include a report by the internal control body on the compliance of the decisions taken by the governing bodies of the Banco de España with the applicable procedural rules. This annual report shall be approved by the Governing Council of the Banco de España and submitted to the Spanish Parliament and Government.

The Banco de España's 2026 Annual Internal Audit Plan includes the drafting of the report provided for in Law 10/2014, so that it may be included in the Banco de España's above-mentioned annual report on its supervisory function.

2. Purpose, scope and methodology of the report

This report falls within the bounds of the legal mandate contained in Article 55 bis(2) of Law 10/2014, which, as indicated above, defines the scope of the report, by reference to three basic elements:

1) The supervisory function of the Banco de España.
2) The decisions taken by the governing bodies in the exercise of the supervisory function.
3) The conformity of these decisions with the applicable procedural rules.

As regards the reporting period, the report covers the decisions taken by the Executive Commission in 2025, or submitted to the Governing Council for approval, and the decisions adopted by delegation of powers and notified to the Executive Commission in 2025.

The subject matter of the report relates to the decisions taken, in the exercise of the supervisory function, by the Banco de España's governing bodies within the remits of the Directorate General Banking Supervision; the Directorate General Financial Stability, Regulation and Resolution; the Directorate General Operations, Markets and Payment Systems; the Directorate General Financial Conduct and Banknotes; the Directorate General Strategy, People and Data; and the General Secretariat.

Regarding the applicable legislation, the report takes into account the supervisory powers and procedures set out in Law 13/1994 of 1 June 1994 of Autonomy of the Banco de España and in the Internal Rules of the Banco de España, together with those established by the Single Supervisory Mechanism regulations, primarily Council Regulation (EU) No 1024/2013 of 15 October 2013 and Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014.

[1] The obligation to prepare an annual report on its supervisory function detailing the related actions and procedures is provided for in Law 10/2014 because of the dual amendment introduced by Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services.

On 2 November 2012, procedural rules were laid down governing the reporting of matters to the Executive Commission, applicable across all the Banco de España's Directorates General. These rules are supplemented by other specific rules of certain Directorates General which were also approved by the Executive Commission of the Banco de España.

Furthermore, by Resolution of 5 December 2024, the Executive Commission approved the regime governing the delegation of powers, which was published in the Official State Gazette No 303 of 17 December 2024 and provides for the delegation of signature and callback of delegated powers.

To review the decisions adopted by the Executive Commission and the decisions adopted by delegation of powers, random sampling was performed by directorate general.[2]

The work was conducted in accordance with the principles, standards and procedures established in the Internal Audit Manual and the Global Internal Audit Standards of the Institute of Internal Auditors.

3. Opinion

In our opinion, the decisions adopted by the governing bodies of the Banco de España in 2025, in the exercise of its supervisory function, were taken by bodies with sufficient own or delegated powers in accordance with the Internal Rules of the Banco de España and the provisions laid down by its Executive Commission, and complied, in all material respects, with the applicable procedural rules in each case.

Madrid, 3 March 2026
Director of the Internal Audit Department

Firmado por [F] LUIS ENRIQUE PARDO MERINO el día 03/03/2026 con un certificado emitido por BANCO DE ESPAÑA-AC CORPORATIVA V2

Luis E. Pardo Merino

GOVERNOR OF THE BANCO DE ESPAÑA
DEPUTY GOVERNOR OF THE BANCO DE ESPAÑA

[2] The random sampling was performed by establishing two groups for each directorate general: one for resolutions adopted directly by the Executive Commission and another for decisions adopted by delegation of powers.

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The Banco de España publishes various types of documents providing information on its activity (economic reports, statistics, research papers, etc.), which can be found in the Institutional Repository, at https://repositorio.bde.es/?locale=en.

Most of these documents are available in PDF format and can be downloaded free of charge from the Banco de España website at https://www.bde.es/wbe/en/publicaciones/.

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