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.