



Risk Assessment Report and Questionnaire and Transparency Exercise – Autumn 2025

Press & analysts' call | 4 December 2025



Strong capital and profitability in EU/EEA banks in a context of increased geopolitical uncertainty and operational threats.

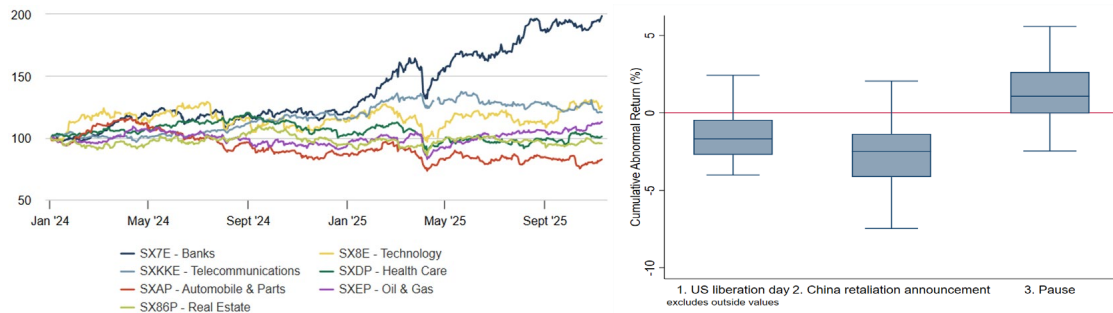
Key findings from the EBA risk assessment:

- Geopolitical instability, global trade tensions, and rising sovereign debt are increasing risks for European banks, leading to higher risk premiums on government bonds and more volatile funding markets. EU/EEA banks remain highly vulnerable to external shocks due to ongoing uncertainty.
- Geopolitical and geoeconomic risks now affect not only market volatility but also banks' asset quality, lending strategies, and risk management. Banks are strengthening governance, enhancing due diligence, and embedding scenario planning.
- Operational risks remain high, driven by cyber threats, fraud, and legal risks. DDoS attacks and ransomware are prominent, and the Digital Operational Resilience Act (DORA) is improving incident response. Outsourcing and third-party dependencies are growing concerns.
- EU/EEA banks maintain a robust capital base, with capital ratios reaching record levels thanks to strong organic capital growth.
- Banks' strong capital positions are driven by solid profitability. Despite declining net interest income, banks maintained high profits through resilient fee and commission income and cost control. With cost efficiency now a strategic priority, automation and digitalisation are playing an increasingly important role.
- Liquidity ratios remain well above regulatory requirements, but buffers have shifted toward sovereign assets, increasing sensitivity to market volatility. Some banks could face foreign currency funding and liquidity risks, especially in USD. Growing interest in stablecoins may affect banks' funding and liquidity risk management in the long run.
- While corporate lending was weak, asset growth was driven by broad-based mortgage lending - supported by improving real estate dynamics – and increased lending to non-EEA non-bank financial institutions (NBFIs). Exposures to sovereigns increased considerably, but domestic bias is retreating.
- Recovery in real estate and robust labour markets also support stable asset quality. However, while non-performing loan ratios remain low, the share of stage 2 loans is elevated, especially in commercial real estate and SMEs segments, which require close monitoring.

EU/EEA banks encounter a rather uncertain and volatile macroeconomic landscape

- European banks face increased risks from geopolitical instability, global trade tensions, and rising sovereign debt. These factors have led to higher risk premiums on government bonds and more volatile funding markets.
- Despite a new EU-US trade framework, uncertainty remains high. EU/EEA banks' direct and indirect exposures to the US amplify vulnerability to external shocks, as seen in stock price reactions to announcements of US tariffs.
- Geopolitical and geoeconomic risks now impact not just market volatility but also banks' asset quality, lending strategies, and risk management frameworks. Banks are formalizing governance, enhancing due diligence, and embedding scenario planning to address these risks.

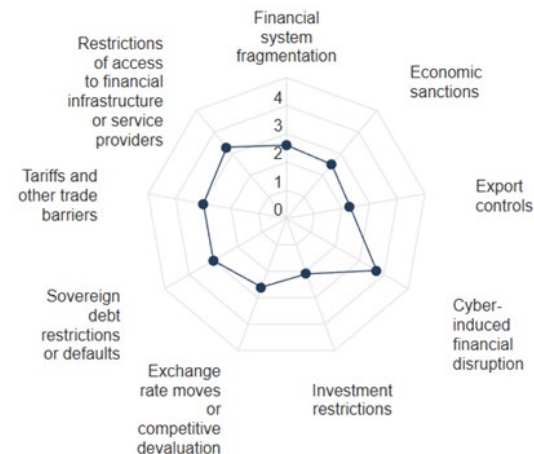
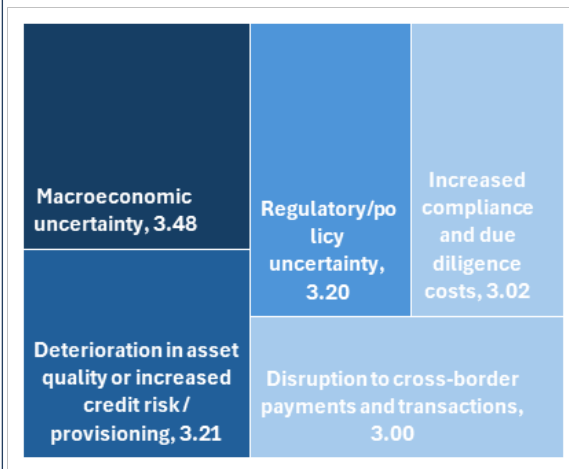
EURO STOXX by industries (basis 2024 =100) (left); EU bank abnormal returns following “Liberation Day” tariff announcements (right)



Geopolitical and goeconomic implications

- Geopolitical risk can have broad implications for banks, such as the indirect effects on banks' stock prices or contractions in lending, particularly regarding banks with borrowers heavily exposed to global trade flows.
- Among the spectrum of geopolitical and goeconomic risk related factors impacting the EU/EEA banking sector, cyber and technology-related threats stand out as the most concerning one.
- Restrictions on access to financial infrastructure – such as payment systems, ICT resources, and key service providers such as SWIFT – represent the second most relevant risk factor related to geopolitical and goeconomic developments. Current outstanding levels of uncertainty may have strong impacts.

Top 5 implications of goeconomics for EU/EEA banks (average score, with 1 – low impact and 5 – high impact) (left); relevance of potential goeconomic factors for EU/EEA banks (right)



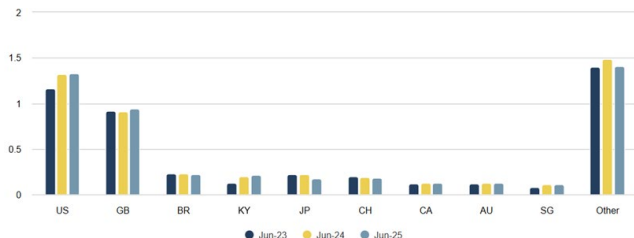
NBFI and sovereign exposures increase while banks focus on project financing

- Banks have considerable exposures towards non-bank financial institutions (NBFIs), especially in the US and the UK, while over the last year they increased considerably their exposures towards Cayman Islands counterparties. The opacity of the sector creates new risk dynamics for EU/EEA banks.
- Lending to households, especially mortgages, was the main driver of loan growth as it was supported by still robust labour markets and recovery in real estate.
- Corporate lending only grew moderately, as banks' lending strategies seem to shift as a response to geopolitical events. Banks in the EU/EEA are increasingly

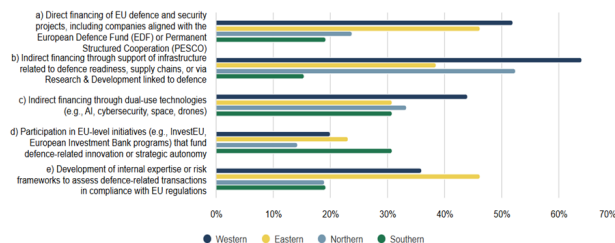
prioritising project financing, with a growing emphasis on infrastructure development lending. The EU's strategic focus on security and defence significantly influences banks' lending intentions, particularly in Western and Eastern European regions. Larger institutions are more likely to engage in or plan to offer this type of financing.

Exposures towards sovereigns further increased to EUR 4tn (+14% YoY) representing 226% of CET1 ratio. While domestic bias has slightly decreased it remains important (close to 50% of banks' exposures towards domestic sovereign).

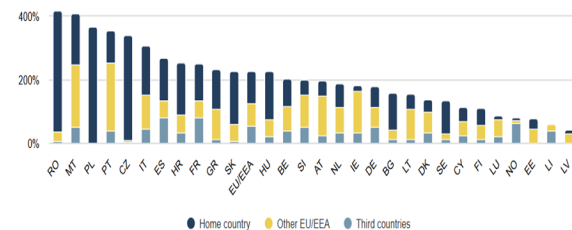
EU/EEA banks' exposures to third countries



Banks' plans to support EU defence and security objectives



Sovereign exposures by domicile of counterparty and as % of CET1 by country



Source: EBA supervisory reporting and EBA Risk Assessment Questionnaire

Asset quality and outlook is benign, yet pockets of risks to be monitored

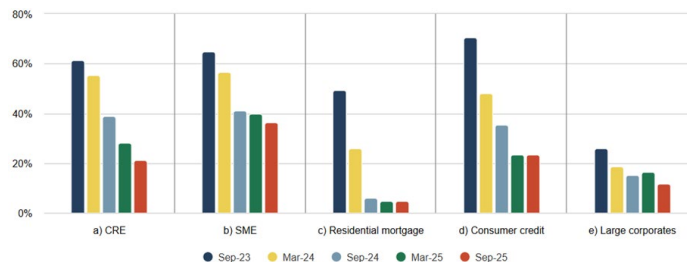
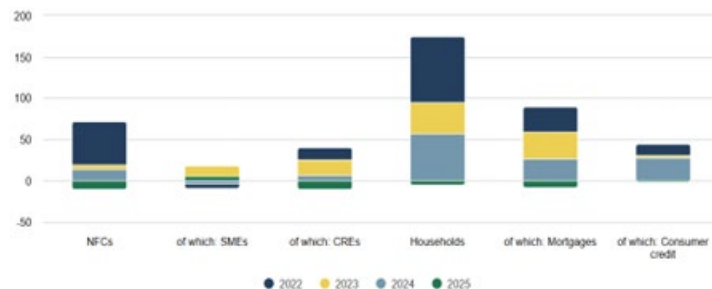
- EU/EEA banks reported EUR 373bn in NPLs stable compared to last year (NPL ratio at 1.8%), yet with slight diverging trends between countries. Asset quality is supported by low unemployment rates and recovery in real estate markets.

- Despite the modest decline in stage 2 loans of approximately EUR 30bn in Q2 from their peak the allocation remains elevated. EU/EEA banks classify close to EUR 1.6 tn (9.4% of total loans) as Stage 2.

- Share of stage 2 loans remains highly elevated for CREs and SMEs. Despite the high level of Stage 2, cost of risk remains near its lowest levels reported as stage 2 provisions do not seem to be strongly correlated to changes in stage 2 allocation.

- Banks' outlook on asset quality has improved across all major portfolios. However, around one-third of banks still anticipate some deterioration in SME loan portfolios, while only 5% expect a decline in mortgage loan quality.

Yearly changes in allocation of stage 2 loans by segment (top); EU/EEA banks' expectations on deterioration of asset quality by portfolio (bottom)

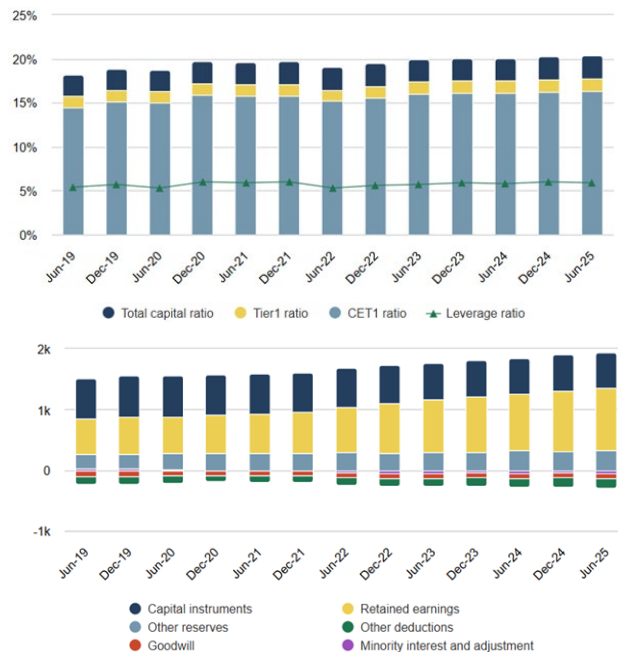


Source: EBA supervisory reporting and EBA Risk Assessment Questionnaire

EU/EEA banks maintain a robust capital base, with their capital ratios remaining near record levels driven by strong organic capital growth

- Capital ratios remain at record levels driven by strong organic capital creation. Total capital ratio reached 20.4% as of Q2 2025, which is a YoY increase of 27 bps.
- CET1 ratio rose by 23 bps and it reached a new all-time high at 16.3% in Q2 2025. In Q3 the CET1 ratio have remained broadly stable, based on first preliminary analysis of banks' results. The volume of CET1 capital rose by 5% in the last year (EUR 1.647 tn as of Q2 2025). The increase in CET1 capital was mainly due to retained earnings.
- Capital headroom has further increased and stood at almost 500bps on average.
- Additional Tier 1 (AT1) stood at close to 1.4% and Tier 2 at 2.6% of total RWA.
- EU/EEA banks' leverage ratio has increased by 10 bps and stood at 5.9% as of Q2 2025.

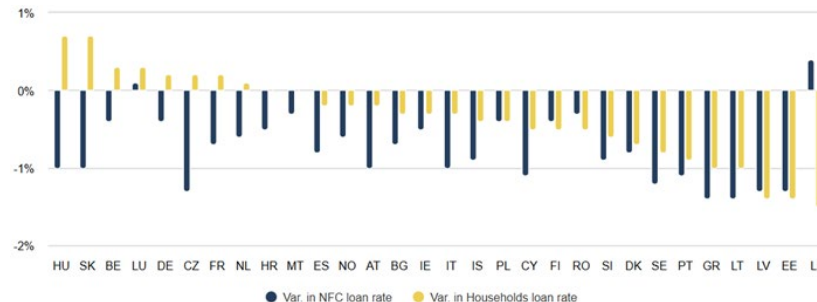
Capital and leverage ratios (%) (top) and CET1 components (EUR bn) (bottom)



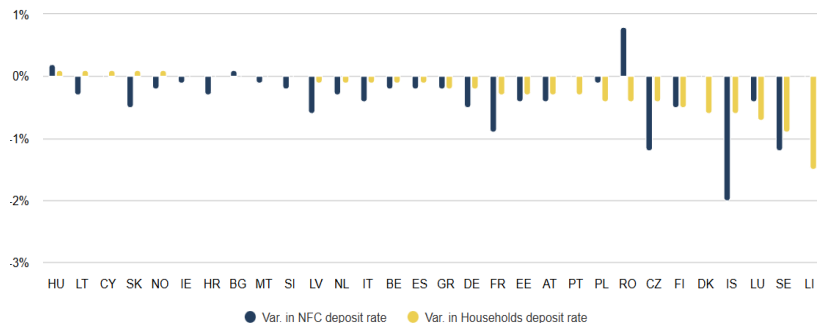
Net interest margins tighten yet banks withstand the pressure

- RoE still near recent peaks (10.7% in June 2025), not showing obvious signs of deterioration.
- Banks face a slowdown in net interest income (-2.9% YoY), mainly due to NIM contraction (1.58% down from 1.68% in Q2 2024), which could not be outweighed by a rise in interest earning assets. Loan rates for NFCs fell meaningfully by 70bps on average with broad coverage across countries (more mixed for HHs). Deposits rates for loans and households decreased slightly.
- NFCI increased notably in the post-pandemic, supporting banks' profitability, primarily driven by increase in payment services despite the rather stable underlying volumes.
- Profitability also supported by low impairments, and cost efficiency which remains in strategic focus for banks.
- Banks are increasingly considering M&A with greater interest in domestic and EU transactions.

YoY variation in HH and NFC loan rates by country (p.p.)



YoY variation in HH and NFC deposit rates by country (p.p.)



Source: EBA Supervisory reporting data

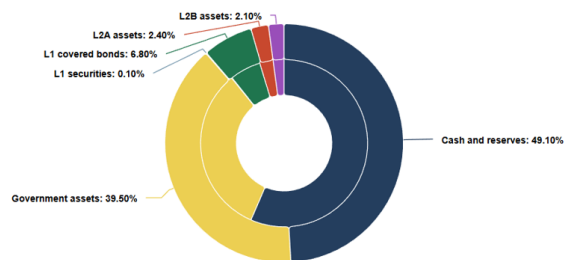
Deposits as a cornerstone of banks' funding, liquidity ratios remain ample but pockets of risks exists

- Retail deposits remain the primary funding source, accounting for nearly half of liabilities. Banks have maintained a steady deposit base despite lower deposit rates.
- Banks continued to benefit from strong demand for their debt issuances. Senior preferred debt was the banks' favourite instrument as spreads have tightened significantly compared to covered bonds.
- Liquidity ratios are well above regulatory requirements. LCR was reported at 161.7% and NSFR at 127.2%.
- The shift within the mix of HQLA towards a higher share of Level 1 assets has slowed down. The higher share of sovereign exposures increases the vulnerability of liquidity to market volatility.
- Some banks may face foreign currency liquidity risks, especially in USD, yet in recent quarters the share of banks with LCR lower than 100% has been decreasing.
- Growing interest in stablecoins may affect banks' funding and liquidity risk management in the long run.

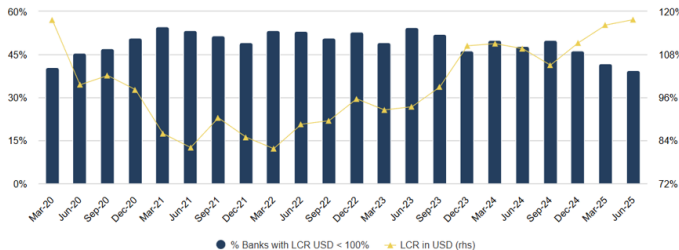
Funding instruments banks intend to focus on in the next 12 months



Composition of liquid assets – outer circle June 2025, inner circle June 2024



Evolution of the LCR in USD and number of banks with LCR in USD below 100%

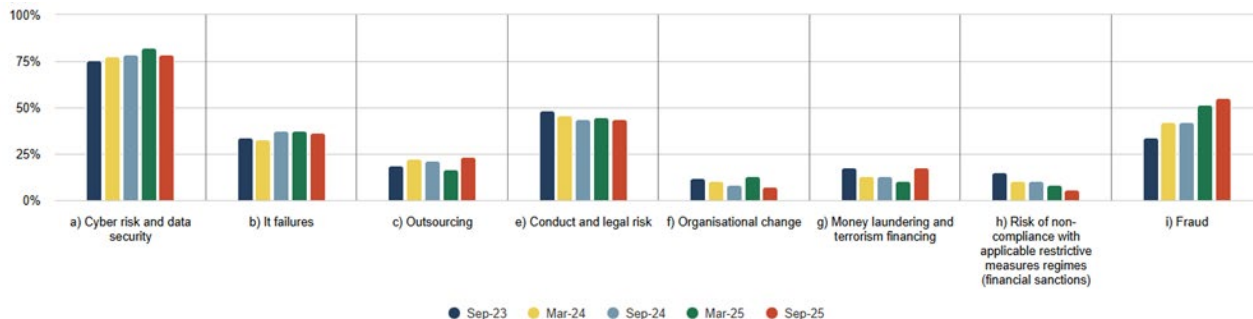


Source: EBA Risk Assessment Questionnaire and EBA Supervisory reporting data

Operational risks and resilience

- Operational risks remain elevated, driven by cyber threats, fraud, and legal/litigation risks.
- DDoS attacks and ransomware are prominent, and the Digital Operational Resilience Act (DORA) is strengthening incident management.
- Fraud risk, amplified by AI-driven financial crime, is now the second most significant operational risk for banks.
- Outsourcing and third-party dependencies are growing concerns.

Main drivers of operational risk as seen by banks



Considerations on mitigating measures to address key risks and vulnerabilities for the EU/EEA banking sector

EU/EEA banking sector is crucial for supporting competitiveness, innovation, decarbonization, and defence, especially amid macroeconomic and geopolitical uncertainty.

Rising sovereign spending and debt require banks to manage sovereign exposures cautiously, considering both credit and market risks.

Banks must update risk management frameworks to address emerging geopolitical and geoeconomic risks, including integrating these risks into stress tests and scenario planning.

Qualitative assessments, such as expert judgment and strategic foresight, should complement quantitative risk indicators to better manage geopolitical exposures.

Elevated geopolitical risks heighten operational and cyber threats; banks must invest in operational resilience and robust risk management, especially regarding outsourced activities and future technologies like quantum computing.

Despite uncertainties, EU/EEA banks maintain strong asset quality, but should continue conservative provisioning and transparent reporting, especially for sectoral concentrations.

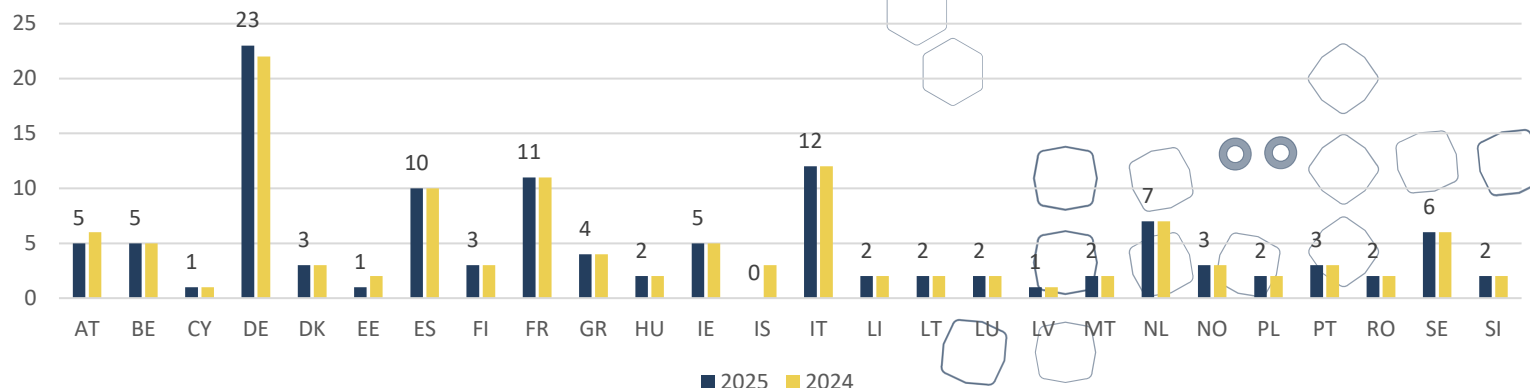
Increased exposures to non-bank financial institutions (NBFIs), especially in the US and UK, require enhanced monitoring and risk management to address concentration and maturity mismatch risks.

Stable funding and healthy profitability have been maintained through a balanced funding and revenue mix; banks should continue prudent funding strategies and cost control, including the use of M&A.

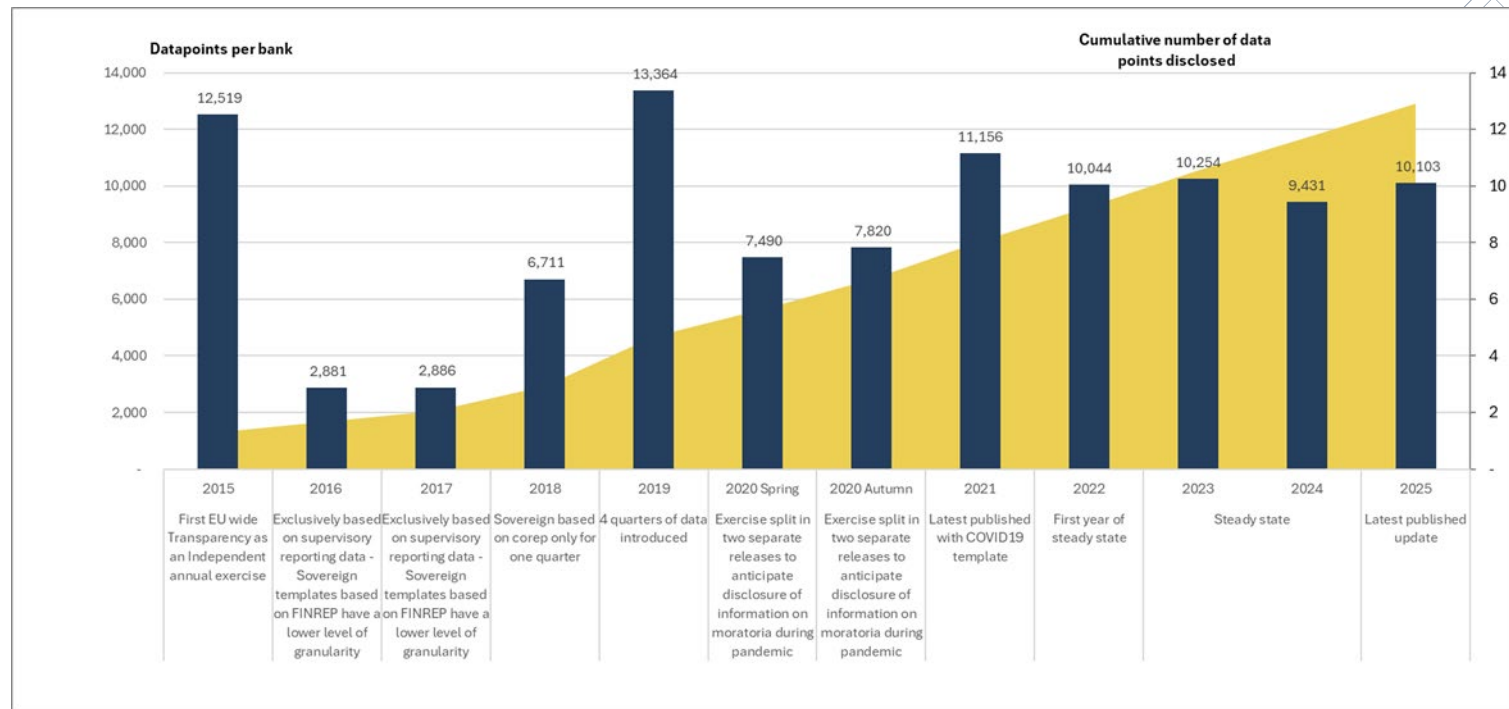
Profitability underpins strong capitalisation; prudent capital management and sustainable payouts are essential to meet future challenges and maintain investor confidence.

EU-wide Transparency covering 119 banks

- An average of around 10,000 data points per bank; 119 banks from 25 countries at the highest level of consolidation in the EU/EEA.
- Reference dates: September 2024, December 2024, March 2025 and June 2025.



EBA's Transparency exercises: data disclosed over the years



What's on the website: the full package



Database:

- CSV Data: Credit risk, Market risk, Sovereign debt exposures, Other templates
- Data dictionary
- Metadata
- Manual for using and managing data and tools
- Template mapped to supervisory reporting items



Online interactive dashboards:

- Time series
- Catalogue of data asset
- Main indicators – visual exploration tool
- Capital, Leverage, P&L, RWAs, Assets and Liabilities
- Credit risk
- NPE and forborne exposures
- NACE
- Sovereign



Single bank PDFs



Thank you!



Floor 24-27, Tour Europlaza
20 Avenue André Prothin
92400 Courbevoie, France

Tel: +33 1 86 52 70 00
E-mail: info@eba.europa.eu

<https://eba.europa.eu/>