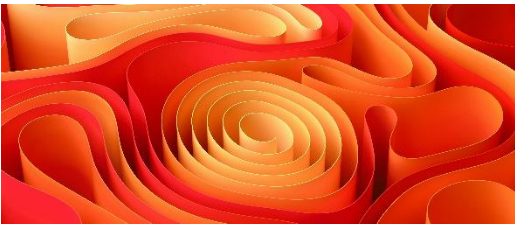
Regulatory/Supervisory Pills | N.132 September 2025



TOPICS:

Banking System

SOURCE

European Banking Authority

EBA Risk Dashboard: First-quarter of 2025 Supervisory Data Shows that the EU/EEA Banking Sector Remains Robust, Despite Increased Cost of Risk

- **The EBA Risk Dashboard for Q1 2025** provides a comprehensive overview of the resilience and risk exposures of EU banks, using a wide range of key risk indicators (KRIs). The report highlights continued strong solvency levels, improved asset quality, and stable profitability metrics, albeit with some emerging pressures.
- **Solvency** remains robust. The CET1 ratio rose to 16.2%, the Tier 1 capital ratio reached 17.7%, and the total capital ratio stood at 20.4%, all indicating improved capitalisation across institutions. The leverage ratio, while slightly volatile, held steady at 5.9%, continuing a gradual upward trend since 2020.
- **Credit risk and asset quality** indicators show significant improvements. The Non-Performing Loans (NPL) ratio declined marginally to 1.8%, maintaining historically low levels. The coverage ratio for NPLs stood at 41.4%, reflecting a stable provisioning strategy. Stage 2 loans increased only slightly, resulting in their proportion of total loans declining by 20 basis points to 9.5% in Q1 2025. Forbearance levels and non-performing exposure (NPE) ratios also remained subdued, underlining enhanced loan quality and prudent risk management practices across the sector.

  Despite this positive trend, the cost of risk (CoR) rose to 57 basis points, which is considerably higher than the average of approximately 48 basis points since 2021, and represents the highest level observed since 2021.
- **Profitability** indicators remain stable but reflect moderate downward pressure. Return on equity (RoE) has plateaued, and the cost-to-income ratio remained elevated, signaling efficiency challenges. Income composition analysis reveals sustained reliance on net interest income, while fee and trading income contributed less significantly. The net interest margin held its ground, albeit with signs of tightening due to macro-financial conditions.
- **Funding and liquidity** metrics show continued resilience. The loan-to-deposit ratio for households and corporates remained well below 100%, suggesting stable funding structures. Liquidity coverage ratios (LCR) and net stable funding ratios (NSFR) comfortably exceeded regulatory minimums, reflecting robust short- and long-term liquidity positions.