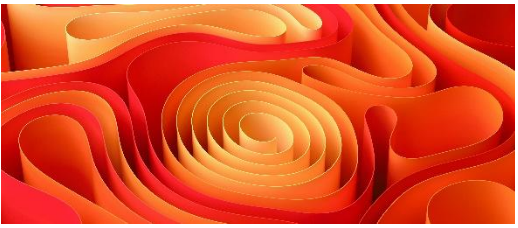
Pills
Regulatory/Supervisory Pills | N.144 October 2025



TOPICS:
Banking System

SOURCE
European Banking Authority

EBA: Q2 2025 Supervisory Data Indicate Improvements in ROE Despite Continued Tightening of Net Interest Margins in EU/EEA Banks

- The EBA published its **Q2 2025 Risk Dashboard** (RDB), which discloses aggregated statistical information for the largest EU/EEA credit institutions.
- **Solvency and Capital Adequacy** - EU banks maintained strong capital positions in Q2 2025. The **CET1 ratio** averaged **16.3%**, while the **Tier 1 capital ratio** and **total capital ratio** stood at **17.8%** and **20.4%** respectively. These figures reflect continued capital strength, with marginal increases over previous quarters. The **leverage ratio** also remained stable at 5.9%, indicating sufficient loss-absorbing capacity.
- **Credit Risk and Asset Quality** - Credit risk indicators remained broadly stable. The **non-performing loans (NPL) ratio** averaged **1.8%**, unchanged from recent quarters and continuing a long-term downward trend. The **coverage ratio** for NPLs stood at **41.7%**, showing a slight decline but still indicating reasonable provisioning. The **forbearance ratio** remained at **1.7%**, suggesting that banks are not overly reliant on credit relief measures.
- **Profitability and Earnings Quality** - Profitability metrics showed improvement. **Return on equity (RoE)** increased to **9.2%**, supported by net interest margins (NIM) and a cost-to-income ratio of approximately **61%.** Otherwise, **NIM continued to tighten during the period**, with banks posting a NIM of 1.58%, down from 1.6% in Q1 2025 and 1.68% in Q2 2024. Consequently, net interest income for declined further, reaching levels last observed in December 2023.
- **Funding and Liquidity** - Liquidity metrics were robust. The **loan-to-deposit ratio** declined slightly, reflecting stable deposit funding. Both the **liquidity coverage ratio (LCR)** and **net stable funding ratio (NSFR)** comfortably exceeded minimum requirements, averaging **162%** and **125%** respectively.