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2025 EU-wide Stress Test

RESULTS

1 August 2025

Main takeaways

- The results of the 2025 EU-wide stress test indicate that the **largest EU banks would be resilient to a severe hypothetical stress scenario** that combines a severe recession with escalating geopolitical tensions and a rise in protectionist trade policies worldwide, including tariffs.
- Banks start the exercise with **higher profitability and capital than in recent years**, while showing favourable and stable asset quality.
- Despite bearing combined losses of EUR 547 bn during the 3-year horizon*, **EU banks show strong income generation during the exercise**. This results in an aggregate capital depletion of 370 bps, lower than in the 2023 EU-wide stress test, despite the overall severity of the scenario being broadly similar.
- EU banks finish the exercise with **an aggregate Common Equity Tier 1 (CET1) ratio above 12%,** indicating they have the capacity to continue to provide lending to households and businesses through a period of crisis.
- The adverse scenario **affects economic sectors differently** through rising energy and commodity prices and heightened trade tensions.
- Strong performance of the EU banks in the 2025 EU-wise stress test is reassuring, nonetheless, this should **not lead to complacency** among banks or supervisors.

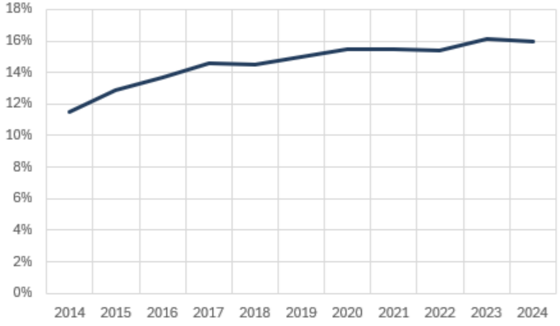
** These are total credit, market and operational risk losses.*

Banks start the exercise with higher profitability and capital than in recent years

- In 2024, EU banks maintained near-historically high profitability levels, with profits growing in the past two years by approximately 10% annually and a return on equity of 10.5%. **High net income provides a significant cushion for absorbing losses in the adverse scenario.**
- **Capital levels remained strong in 2024**, with the CET1 capital ratio rising to 16%.
- **Asset quality has stayed good and stable**. While it seems that credit quality shows some signs of deterioration (increase of stage 2 loans), at end of 2024, the NPL ratio stood at 1.9%, only marginally up compared to the last 2 years.

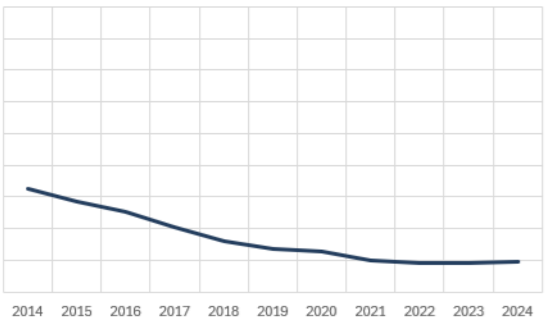
CET1 ratio (fully loaded)

(%)



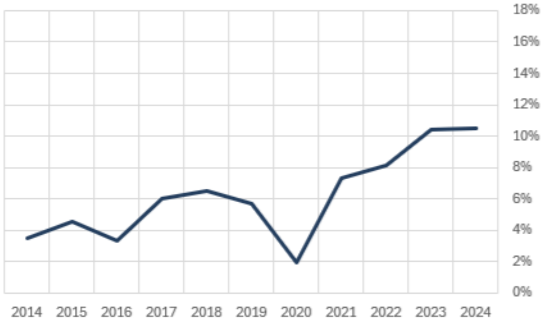
NPL ratio

(%)



ROE

(%)

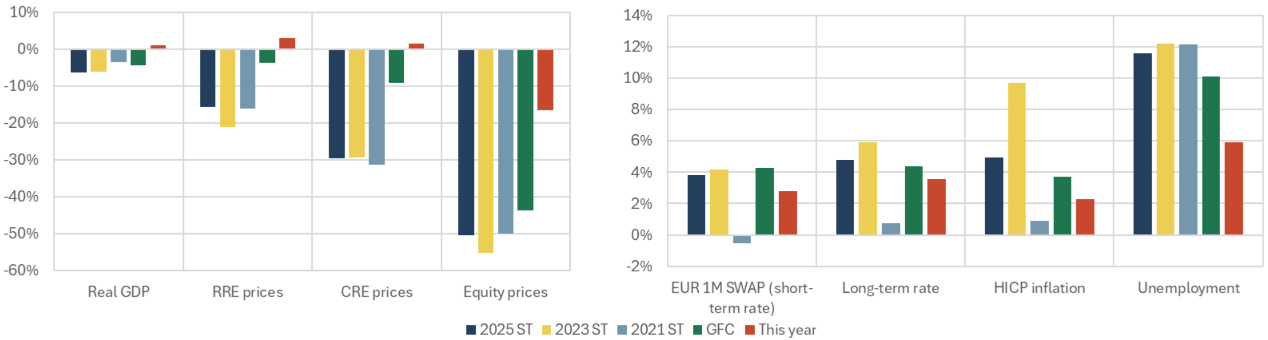


Source: EBA supervisory reporting data (EBA Risk Dashboard)

The adverse scenario combines a severe recession with escalating geopolitical tensions and a rise in protectionist trade policies worldwide

Peak-to-trough change for the EU
(%)

Peak in the EU
(%)



Source: ECB and ESRB calculations (ECB, EC, Eurostat and Bloomberg data)

- The adverse scenario combines a **sharp loss of real GDP for the EU, reaching -6.3%** from the starting point in 2024 to the end of the stress horizon in 2027, while the **EU unemployment rate increases by 5.8 percentage points** in the same period.
- For the EU, the scenario is more severe than the global financial crisis (GFC) and also **substantially more severe than the recent macroeconomic developments**.

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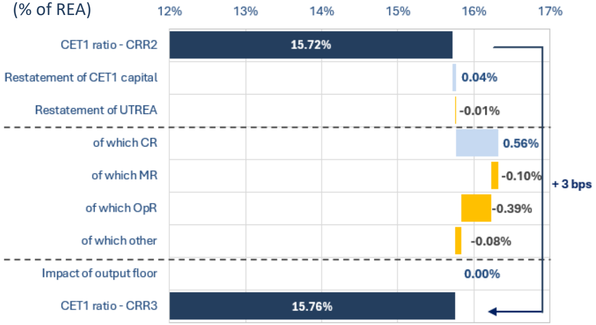
Stress test takes into account the new regulatory framework (CRR3)

- Banks applied the CRR3 at the beginning of the stress test and over the horizon. Stress test remains a risk exercise, i.e. not an assessment of new regulation implementation.
- **Stress test report focuses on applicable capital ratios** (on transitional basis).
- “Fully loaded” capital ratios, i.e. excluding transitionals, refer to the capital ratios under the 2033 rules:
    - Banks have 8 years ahead to adjust towards full CRR implementation.
- **Impact of CRR2 to CRR3 restatement at end-2024 is negligible on transitional basis** (+3 bps), while on fully loaded is -129bps, mainly driven by output floor.

CRR3 restatement impact on transitional basis, end-2024

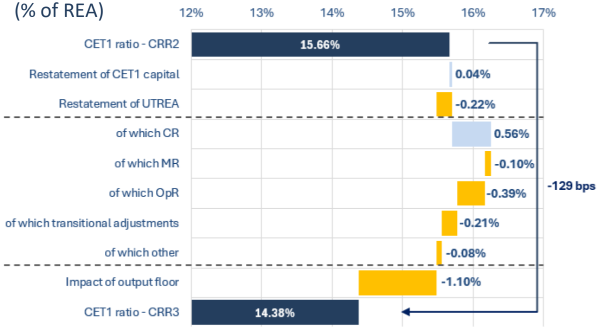
(% of REA)



Source: 2025 EU-wide stress test data and EBA calculations

CRR3 restatement impact on fully loaded basis, end-2024

(% of REA)

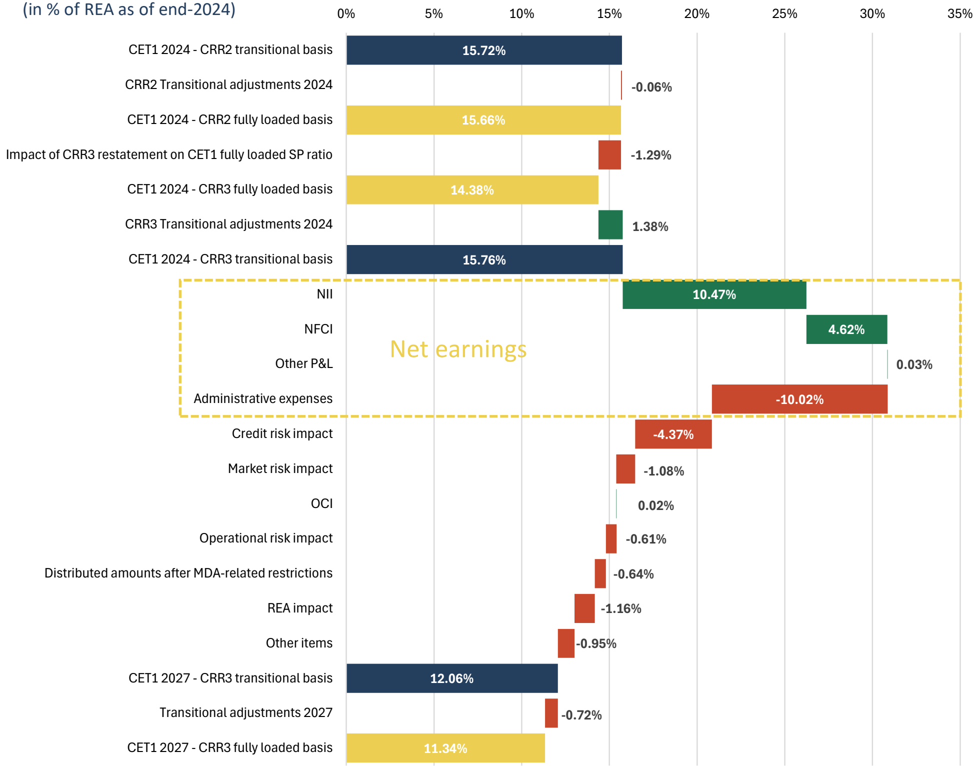


Source: 2025 EU-wide stress test data and EBA calculations

High earnings help offset losses

- Under the adverse scenario, **net earnings increase the capital ratio by 509 bps** at the end of 2027, substantially more than in the last exercise (+ 365 bps). This comes from a **better income generation capacity**, both through larger Net Interest Income (NII) and Net Fee and Commission Income (NFCI) contributions. Administrative expenses offset a significant fraction of NII and NFCI.
- The negative impact on the CET1 ratio from **credit losses (437 bps)** is larger than in the previous stress test. Market risk losses impact on CET1 ratio amount to 108 bps and operational risk losses to 61 bps.
- **Banks end the exercise with a projected CET1 ratio above 12%** as of end-2027 under the adverse scenario, showing an overall **370 bps depletion**.

Main components of CET1 ratio change from 2024 to 2027 under the adverse scenario
(in % of REA as of end-2024)



Source: 2025 EU-wide stress test data and EBA calculations

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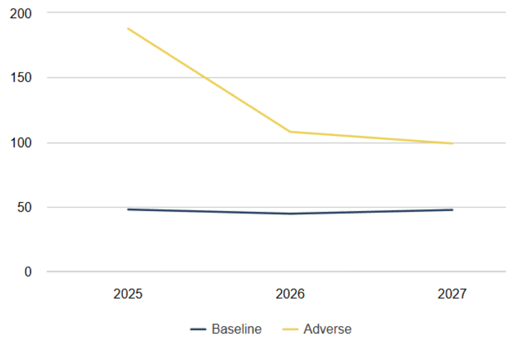
Credit losses concentrate on specific portfolios

- Banks start the stress test with **good asset quality**, albeit in the last two years stage 2 exposures ticked up and stage 3 coverage ratios decreased.
- **Credit risk losses** at aggregate level stand at **EUR 394 bn**, up from EUR 347 bn in the 2023 stress test.
- Losses for **non-financial corporations**' exposures account for around half of total credit losses. Losses varying by portfolio, with consumer loans, SMEs and commercial real estate leading the projected loss rates.

Credit losses over the scenarios

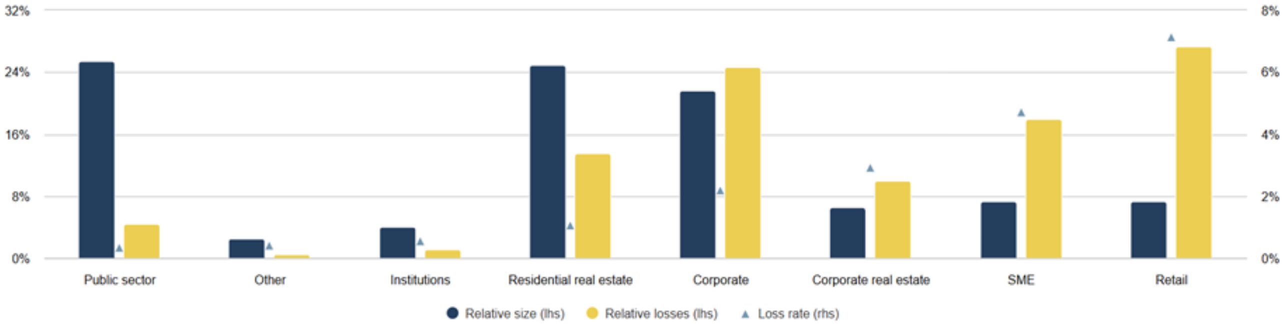
(EUR bn)



Source: 2025 EU-wide stress test data and EBA calculations

Credit risk losses by portfolio

(%)



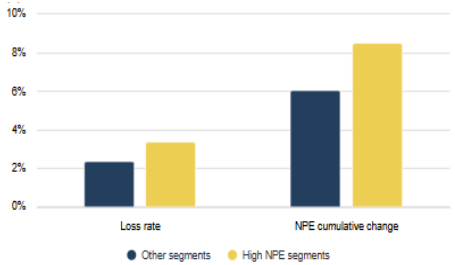
Source: 2025 EU-wide stress test data and EBA calculations

Adverse scenario narrative uncovers vulnerabilities in sectoral exposures

- Real estate activities represent the largest share of corporate exposures (19.5%) with 15.5% of total non-financial corporation's losses.
- Vulnerabilities manifest over the scenario – lower asset quality associated with higher loss rates and NPE increases.
- Exposures to trade-intensive sectors and relying more on global value chains are more affected.
- Banks using more often sectoral models have more risk sensitive projections, but further model development efforts are needed.

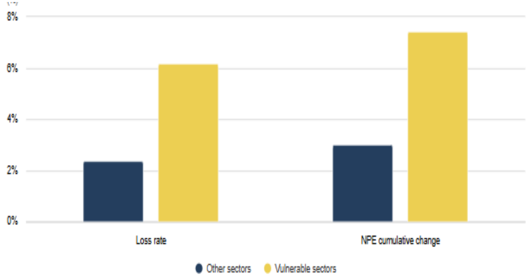
High NPE segments are more affected

(%)



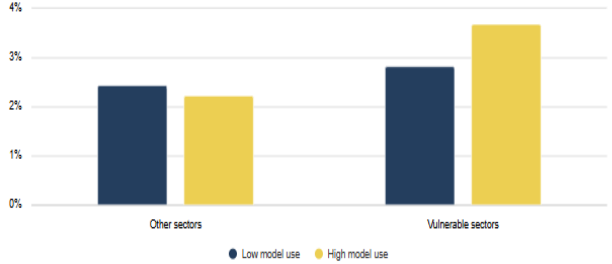
Vulnerable sectors are hit the most

(%)



Models improve risk sensitivity (loss rates)

(%)



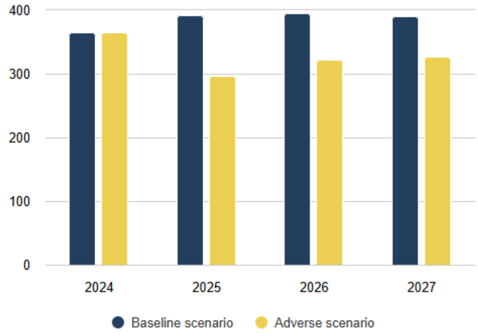
Source: 2025 EU-wide stress test data and EBA calculations

Robust net interest income in the adverse scenario

- Net interest income (NII) maximum decline at 19% due to a faster repricing of liabilities compared to assets.
- NII recovers as banks reprice their assets, but the inverted adverse scenario yield curve limits full NII recovery via higher interest earnings.
- Retail-focused banks show higher NII resilience due to large deposit bases that limit the adverse scenario impact on interest expenses.
- Rate sensitive depositor behavior and limited ability to pass-on interest rate increases to lending rates could pose downside risks.

Evolution of aggregate NII

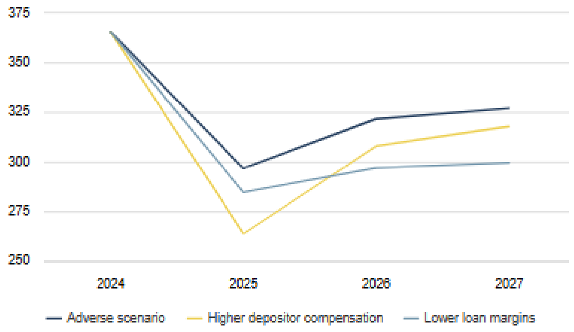
(EUR bn)



Source: 2025 EU-wide stress test data and EBA calculations

Downside risks to NII projections

(EUR bn)



Source: 2025 EU-wide stress test data and EBA calculations

Revenues from market making activity help reducing market risk losses

- Immediate market risk losses in the 1st year of the adverse scenario amount to EUR 183bn (-203 bps), 16% higher than in the 2023 exercise (EUR 157 bn).
- However, banks' income generation from market-making activities, enables them to offset up to 50% of total losses, reducing the 3-year market risk losses to EUR 98bn (-108 bps).
- Credit spreads are the main driver of market risk losses (45%), especially for banks with high market risk exposure (CA-adv, nearly 60%). Losses evenly distributed for interest rates, equity prices and funds.
- Losses from sovereign bond holdings in the market risk portfolio amount to EUR 55 bn (61 bps), 64% of which affecting banks through capital (FVOCI).

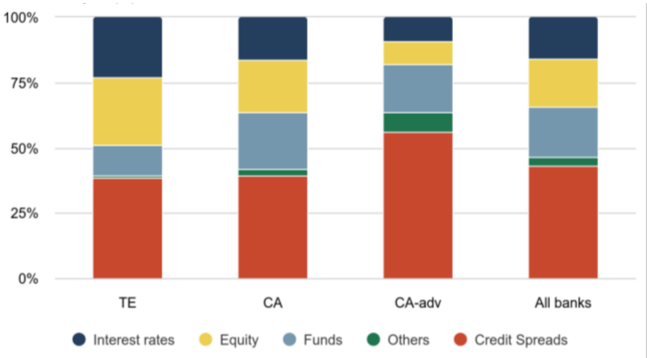
Evolution of market risk losses and income contribution in the 2023 and 2025 EU-wide stress test and related impact on CET1 capital under the adverse scenario

(EUR bn, LHS and bps, RHS)

Source: 2025 EU-wide stress test data and EBA calculations

Contribution of risk factors to market risk losses in the first year of the adverse scenario, by market risk exposure cluster

(%)



Source: 2025 EU-wide stress test data and EBA calculations

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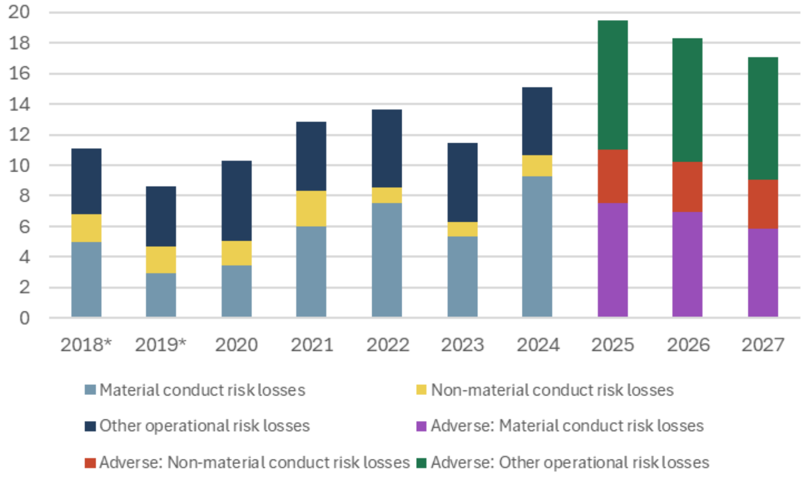
Shift from large conduct risk losses to other operational risk losses

- Total cumulative operational losses under the adverse scenario are EUR 54.8 bn, with a negative capital impact of 61 bps.
- Banks expect losses coming from material conduct issues to decrease in the near future.

Evolution of operational risk losses: Components of operational risk losses

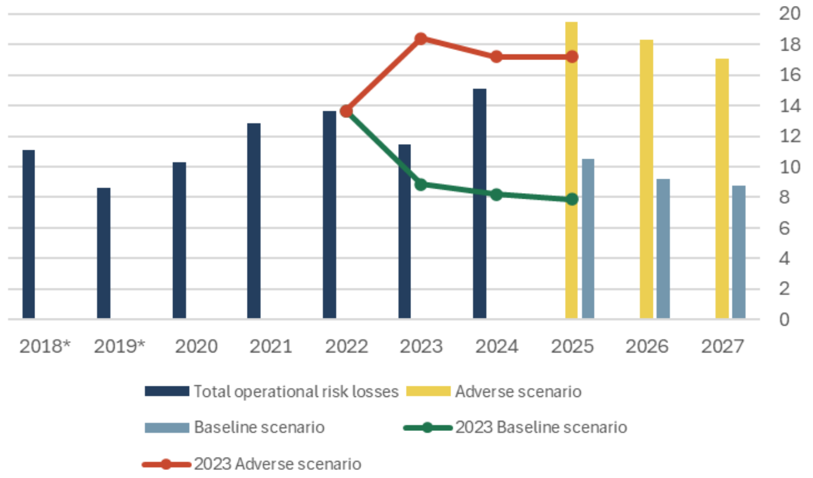
(EUR bn)



Source: 2025 EU-wide stress test data and EBA calculations; (*) 2023 EU-wide stress test data

Comparing historical losses with adverse and baseline scenario projections

(EUR bn)



Source: 2025 EU-wide stress test data and EBA calculations; (*) 2023 EU-wide stress test data

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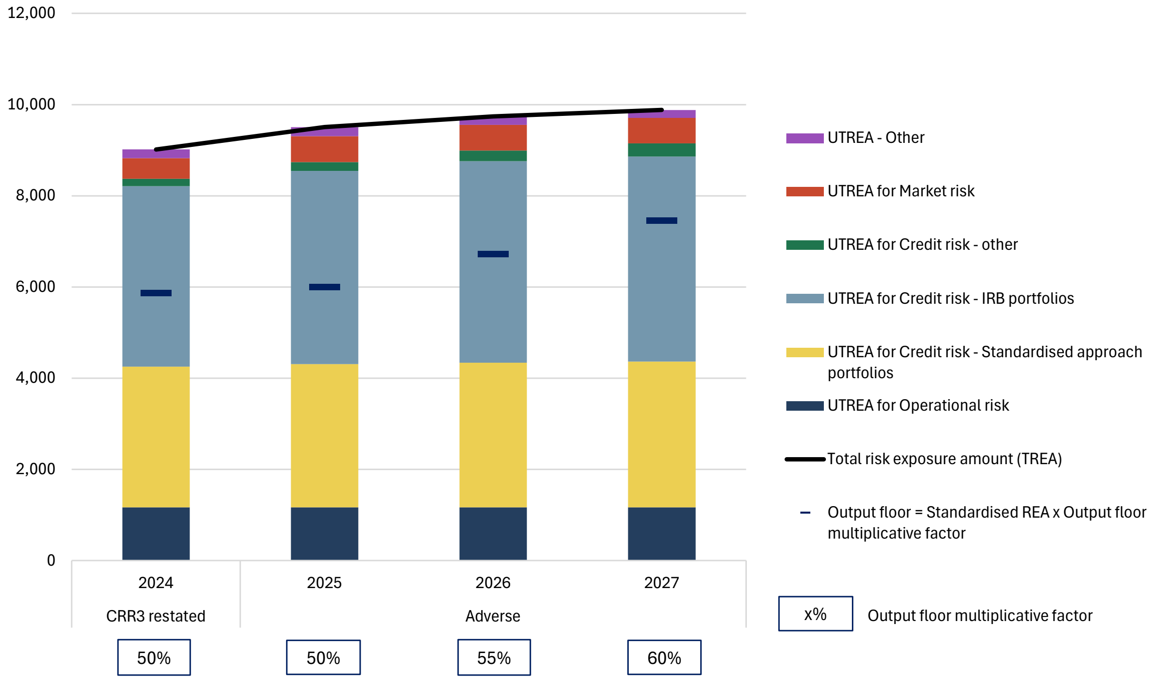
Increase in risk exposure amounts driven by credit risk

- Under the adverse scenario, **total risk exposure amounts (REA) increases by 9.6%.**
- Increased **credit risk REA** is the main contributor. The credit risk REA impact is more pronounced for portfolios under the internal ratings-based (IRB) approach.
- **Output floor is not binding for any bank**, given transitional adjustment on the multiplicative factor and other transitional arrangements to REA.
- On fully loaded basis the output floor would start to bind some banks, resulting in a larger aggregate REA.

Evolution of unfloored total risk exposure amount (UTREA), output floor and total risk exposure amount (TREA) under the adverse scenario

(in EUR bn)



Source: 2025 EU-wide stress test data and EBA calculations
Note: Chart computed on transitional basis. Amounts are in EUR bn.

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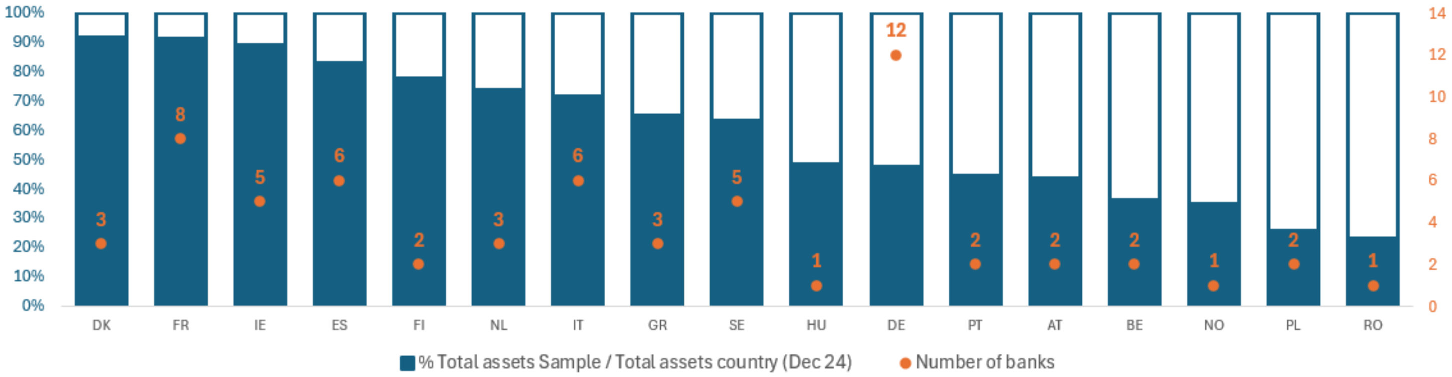
Transparency and disclosure

- The EBA published granular bank results, including detailed information at the starting and end point of the exercise, under both the baseline and the adverse scenarios.
- Data covers 64 banks from 17 EU and EEA countries



Source: EBA 2025 EU-wide stress test, ECB data (CBD) and EBA calculations. Norway Country Total Assets provided from Norwegian Supervisory Authority

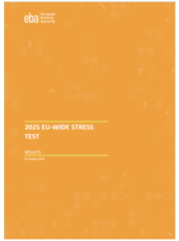
- 8 Transparency templates will be made public
  - Summary
  - Credit Risk: IRB / STA
  - Securitisations
  - Capital, Capital measures
  - Profit & Loss
  - Risk Exposures Amount

Analysis, data and tools

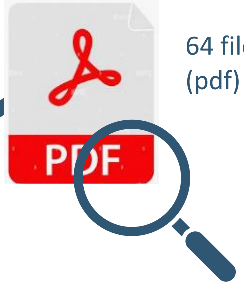
Stress Test documents

Aggregate report

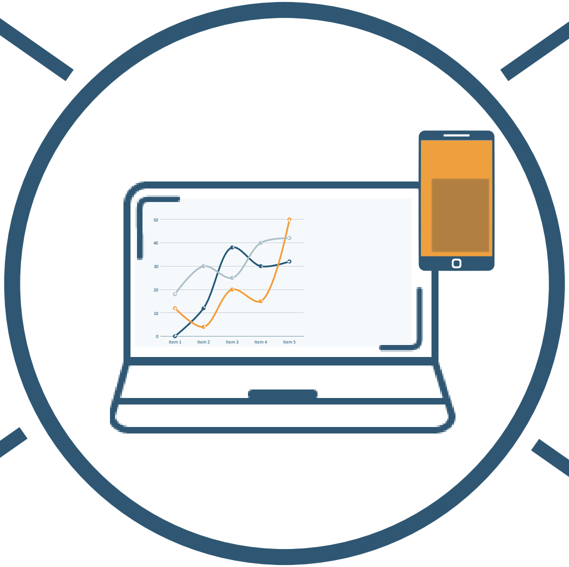
Frequently Asked Questions



Bank individual results



64 files – one for each bank (pdf)



Interactive Tools

Overview with main results

Tools with **individual Templates**, bank by bank comparison and **EU/country** aggregates

Full database

CSV files
plus metadata, data dictionary, manual

Thank you!

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