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COVER NOTE

From:	Letter from José Manuel Campa, Chairperson, European Banking Authority (EBA)
date of receipt:	12 August 2025
To:	General Secretariat of the Council
Subject:	EBA Risk Dashboard for Q1

EU/EEA Banking Sector – Q1 2025 Overview

The European Banking Authority's (EBA) Risk Dashboard for Q1 2025 provides a consolidated, sector-wide view of the financial health, resilience, and emerging vulnerabilities of EU/EEA banks.

Like earlier dashboards, the Q1 2025 Risk Dashboard shows **continuity in core matrics** (CET1 ratios, RWAs, NPLs, profitability, and liquidity ratios), but notes some important trends. In relation to **capital**, compared to late-2024 editions, this quarter shows a **stable capital position** but a **higher cost of risk** (57 bps, the highest since 2021) and a rising share of operational risk in RWAs. In relation to **liquidity**, the Risk Dashboard shows the **mild downward trend liquidity ratios** (LCR and NSFR) seen since mid-2024, though levels remain well above regulatory minima. The EBA notes that Q1 often exhibits seasonal peaks in cost of risk, so part of the increase aligns with historical patterns rather than a structural deterioration.

This edition reinforces the narrative from previous dashboards: the sector remains well-capitalised and profitable, but faces evolving risk dynamics, particularly in operational exposures and margin compression.

The report is available at the link: EBA Dashboard - Q12025.pdf

The European Banking Authority (EBA) published its Q1 2025 Risk Dashboard (RI which discloses aggregated statistical information for the largest EU/EEA cr institutions.

The **common equity tier 1 (CET1) ratio** for EU/EEA banks was reported at 16.2%, remair stable compared to the previous quarter. Risk-weighted assets totalled EUR 9.9 trillion. relevance of Operational risk increased and now comprises 12.9% of total risk-weigh assets (RWAs).

EU/EEA banks reported **total assets** of EUR 29 trillion, representing a 2.7% increase fi the previous quarter. This change was mainly due to a rise in debt securities, which made 14.6% of total assets compared to 13.7% in Q4 2024. Cash balances also increased slig on a quarter-over-quarter basis, totalling 10.9% of total assets. Loans to custom (households and non-financial corporates) grew by close to 1%. These were particul driven by mortgage loans in households and corporate loans in small and med enterprises (SMEs).

EU/EEA banks reported **non-performing loans (NPLs)** totalling EUR 377.8 billion, consist with the prior quarter's figures. **Stage 2 loans increased** only slightly, resulting in t proportion of total loans declining by 20 basis points to 9.5% in Q1 2025. Despite this posi trend, the **cost of risk (CoR)** rose to 57 basis points, which is considerably higher than average of approximately 48 basis points since 2021, and represents the highest l observed since 2021. Yet, data depicts some cyclicality with substantially higher CoR le in Q1.

EU/EEA banks recorded a **return on equity (RoE)** of 10.5% in the first quarter of 2025, wl was 10 basis points lower than the same period in 2024. The **return on assets** remai stable at 0.73% in Q1 2025. Banks' **profitability** remained stable despite a reduction in **interest margin (NIM)**, which decreased by 5 basis points to 1.6% from the previ quarter. This pattern continued for another quarter, with NIM declining by 8 basis po

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compared to March 2024. The effect on net interest income (-1.3% YoY) was balancec asset growth and an increase in **net fee and commission income (NFCI)**, which grew by YoY.

The **liquidity coverage ratio (LCR)** and **net stable funding ratio (NSFR)** both decline the first quarter, reaching 159.5% (down from 163.4% in Q4) and 126.9% (comparec 127.2% in Q4), respectively. The **loan-to-deposit ratio for households** and non-finar corporations (NFCs) saw a slight recovery from its multi-year low recorded in the previ quarter, registering 106.3% in Q1 2025 versus 104.8% in Q4 2024, as deposits fı households and NFCs decreased marginally by 0.5% over the quarter. In contrast, ot customer deposits which also include deposits from non-bank financial institutions (NE increased by 9.4% accounting for 12.7% of banks' total liabilities.

Attached to this email, is the EBA Q1 2025 Risk Dashboard (as published on 11 August on the

Kind regards,

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Chairperson

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