Helaba

Focus on: Credit
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Large European banks 2026
The signs continue to point towards success



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European banks are expected to report a fifth consecutive increase in profits in 2025. Pleasingly high net interest income was accompanied by rising net commission income, while credit risk costs increased only slightly and administrative expenses remained under control. We anticipate that these trends will continue into 2026. An economic upturn in Germany could boost credit growth in the country. However, the future path of trade wars remains difficult to predict. Conversely, new AI applications and initial steps to deregulation could lead to greater efficiency.

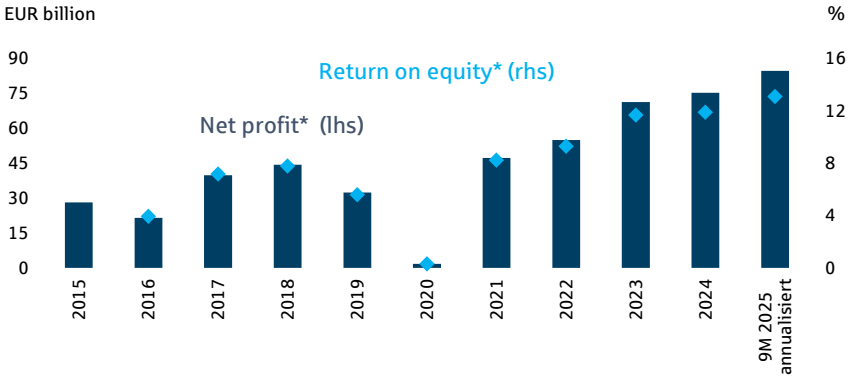
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1 The signs point to continued growth

Review of 2025: fifth consecutive increase in profits

European banks are expected to report a significant rise in profits for the fifth consecutive year in 2025. Against the backdrop of falling interest rates and rising insolvencies, their performance year-to-date has surprised many market participants positively. By June 2025, the ECB had cut key interest rates in the eurozone eight times within a year. Since then, the central bank has remained quiet, maintaining a deposit rate of 2%. Despite the lower interest rates, banks' net interest income has remained stable in 2025, supported by growth in lending and deposit volumes, as well as rising margins. In addition, hedging transactions primarily concluded by large banks paid off.

Profits of European banks: winning streak continues



* Aggregated for a selection of European banks (Banco Santander, BBVA, BNP Paribas, Commerzbank, Deutsche Bank, ING Group, Nordea, Unicredit, SEB, Société Générale, Swedbank)

Sources: Bloomberg, Helaba Research & Advisory

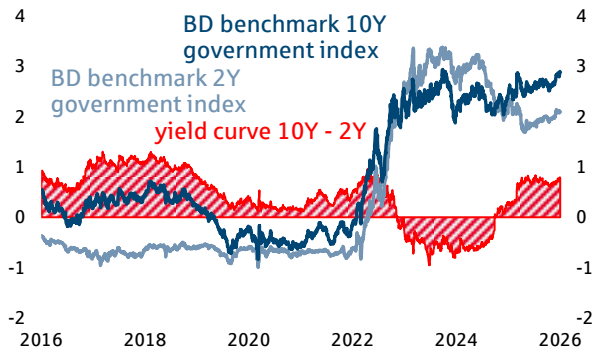
The significant increase in net commission income also contributed to the rise in profits. This is particularly attributable to the favourable capital market environment, which led to a flourishing securities trading, issuance and asset management business with corporate clients, institutional clients and private clients. Furthermore, many banks had set themselves the strategic goal of expanding their commission business.

Although the number of corporate insolvencies has increased noticeably, credit risk costs have risen only slightly over the course of the year, which is encouraging. In addition, cost control and efficiency programmes are ongoing. Overall, despite the challenging environment marked by trade wars and the war in Ukraine, there have been no significant negative effects.

Outlook for 2026 – solid economic and interest rate environment continues to offer good earnings prospects

We expect the European banking sector to continue to be successful in 2026. The high quality of balance sheets, in terms of both assets and liabilities, represents a very comfortable starting position. We also anticipate a favourable business environment. According to our economic forecasts, the global economy will maintain a similar pace to that of the previous year in 2026. In Germany, the economic environment is likely to recover after an unusually long economic cycle. This recovery will be supported by rising private consumption and increasing public investment resulting from fiscal packages (see **"Markets and Trends 2026: Global Economy – A new shuffle of the cards"**). Leading indicators have been disappointing recently. However, this was due to the external trade balance, while a domestic economic recovery was already evident in the third quarter (see **"Märkte und Trends Dezember 2025"**).

Steeper yield curve favours net interest income



Sources: LSEG, Helaba Research & Advisory

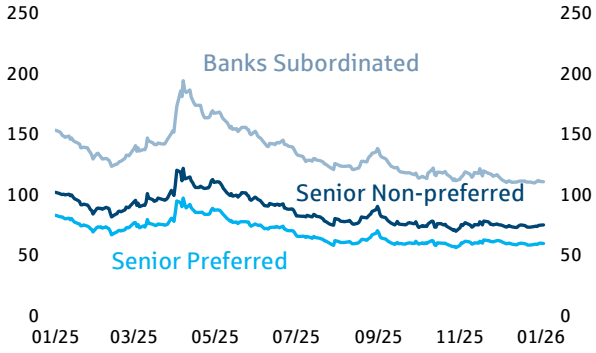
The economic growth rates we have forecast suggest that earnings in the banking sector will remain strong. The steeper yield curve also supports net interest income (see "Chartbook Zinsen").

Credit risk costs could continue to rise slightly in 2026. However, administrative costs remain under control, despite the ongoing investment in modern platforms and the continued burden of regulation. Demographic change, coupled with the management of personnel costs, also poses a considerable challenge.

Expectations for artificial intelligence (AI) are very high, and disappointment is a real possibility in the medium term. For the time being, however, the implementation of digitalisation and AI tools is likely to continue. In our view, companies will benefit from new applications if they can convince their employees to embrace the new tools. Overall, digitalisation supplemented by AI offers good growth prospects and opportunities for increased efficiency. The first rollbacks of excessive regulation in the US could also lead to cost reductions.

Credit spreads have narrowed significantly

ASW spread, in bps



Sources: LSEG, Helaba Research & Advisory

Spreads on senior unsecured bank bonds have already narrowed considerably. The positive economic outlook and steeper yield curve should continue to support bond valuations. The expected high volume of new senior unsecured bank bond issues should be well perceived by the market (see our publication "EUR Benchmark Bank Bonds: Primary Market Update Q4 2025"). However, these positive expectations have been partially priced in. Geopolitical and macroeconomic uncertainties remain. Short-term setbacks are therefore possible.

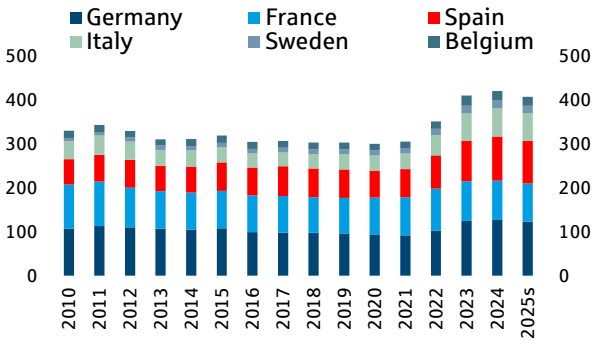
2 A detailed look at revenues, assets quality and capital ratios

Income – net interest income remains at a very decent level

Since the end of the zero and low interest rate environment in mid-2022, the rise in net interest income in the banking sector has extended across all European countries. Since business models in the European banking sector traditionally are highly focused on lending and deposits, net interest income accounts for a large proportion of net

Net interest income at a high level

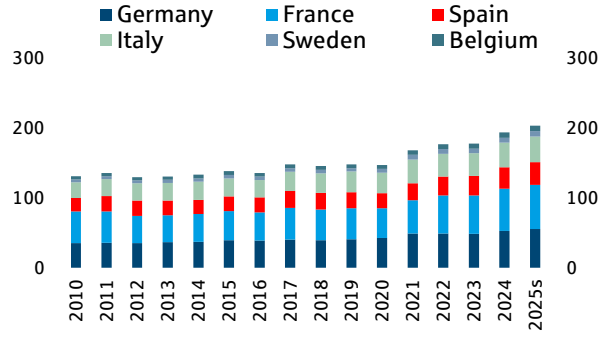
Aggregate net interest income, in EUR billion



Sources: S&P Capital IQ Pro, Helaba Research & Advisory

Added to this are increased commission income

Aggregate commission income, in EUR billion



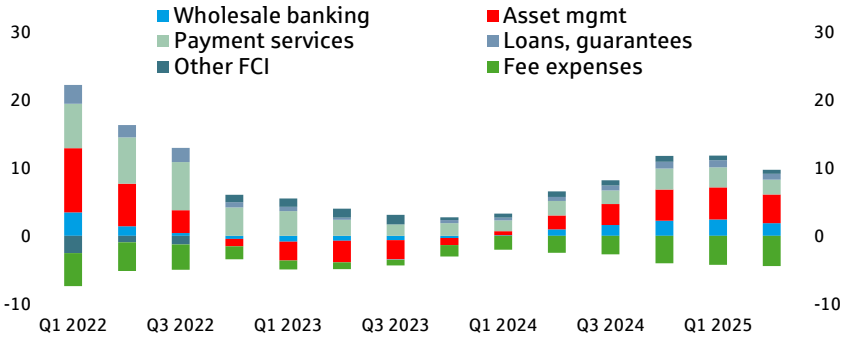
Sources: S&P Capital IQ Pro, Helaba Research & Advisory

interest income. In particular, German, Spanish and Italian banks have seen considerable growth. In France, however, the increase was below average due to government-subsidized savings programs with regulated margins (Livret A). Nevertheless, the presence of several large investment banks has led to an above-average increase in net commission income in the country.

This increase in net commission income was driven primarily by positive performance and inflows in asset management, as well as robust bond and currency trading within the capital markets segment. Once again, payment transactions with companies proved to be a reliable source of income as well.

Rising net commission income central to business strategies

Change vs. previous year, in %



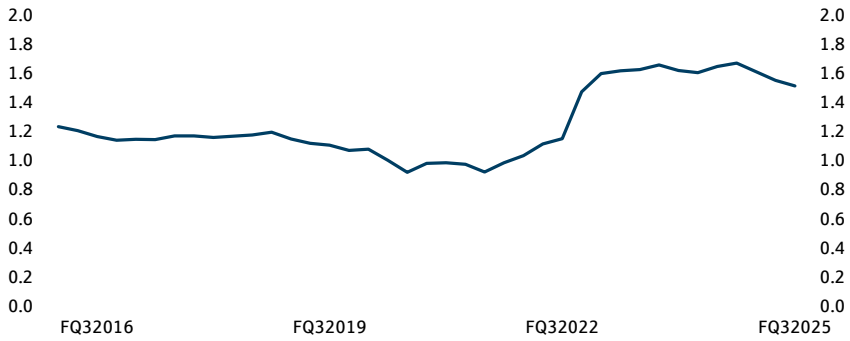
Sources: ECB Financial Stability Report, Helaba Research & Advisory

Upward trend in lending demand supports both volume growth and stable margins

Since the rise in interest rates, very solid net interest income has been generated, particularly in the customer deposit business. However, fierce competition is putting considerable pressure on banks to pass on at least some of these margins to customers. Interest margins have fallen slightly recently due to the renewed decline in interest rates, but remain at a comfortable level. We expect them to stabilise here.

Interest margin stabilises at a very decent level

Interest margin* in %

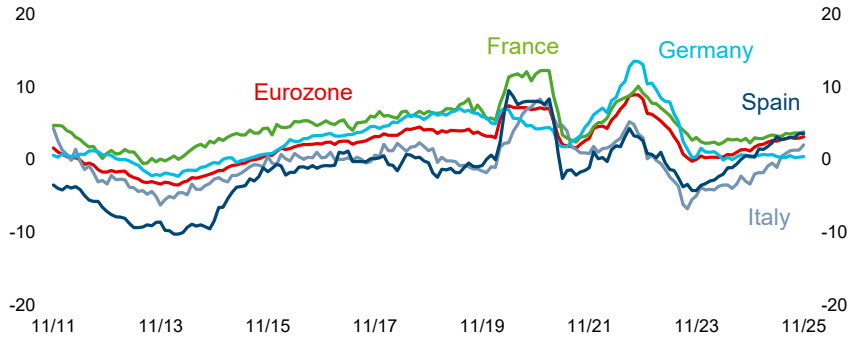


* Net interest margin (NIM): net interest income divided by interest-bearing assets, averaged across a selection of large European banks
Sources: S&P Capital IQ Pro, Helaba Research & Advisory

Hopes for 2026 primarily rest on growth in lending volumes. The weak economy and US tariffs have dampened lending in Europe. Nevertheless, a solid economic environment should generate good new business opportunities. It goes without saying that there are significant differences between sectors and regions. In Spain and Italy, for example, the lending business has recovered over the last two years. The market is now placing its hopes on government programmes in Germany. In France, however, the outlook is rather subdued. Globally positioned institutions should be particularly well placed to achieve solid earnings growth.

Loans to companies show noticeable recovery in Southern Europe

Change vs. previous year in %



Sources: LSEG, Helaba Research & Advisory

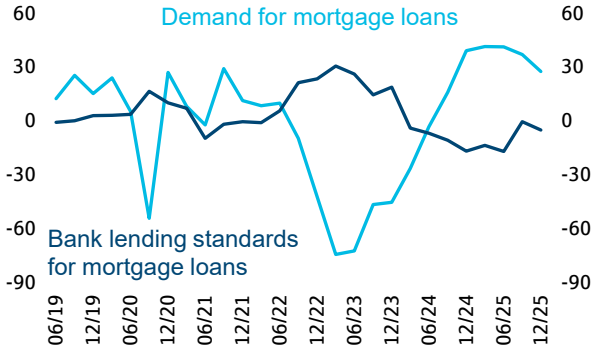
For example, Commerzbank achieved loan growth of 13% year-on-year in its corporate customer business in Q3 2025. 80% of this growth came from Europe, with the rest originating from the US and Asia. The bank recorded particularly strong growth among international corporate customers, while growth in Germany was more moderate due to the weaker economic environment. The bank is planning 8% growth in corporate lending for 2026, supported by the German stimulus program. We consider this to be cautious planning.

The lending business could receive further support from the high level of customer deposits. According to Bloomberg, customer deposits at European banks recently reached almost EUR 14 trillion. This is due to companies' reluctance to invest, government funds spent during the pandemic that have not yet been fully utilized, and high savings rates among private individuals. Bloomberg reports that the average loan-to-deposit ratio has recently fallen well below 1x, compared to 1.36x in 2010.

Private mortgage lending is developing very briskly. Institutions affiliated with the Association of German Pfandbrief Banks (vdp) granted loans totaling around EUR 68 billion in the third quarter of 2024, which is an increase of around 20% compared with the previous quarter and the highest quarterly figure since autumn 2022. Residential property loans contributed significantly to this growth, with financing for the construction and purchase of residential properties totaling around €68 billion — a 19% increase on the same period the previous year. The eurozone experienced a comparable level of dynamism in mortgage lending.

Private mortgage loans with good momentum

Change in percentage of positive vs. negative values*, in %



* Positive values indicate tightening/increase, negative values indicate easing/decrease

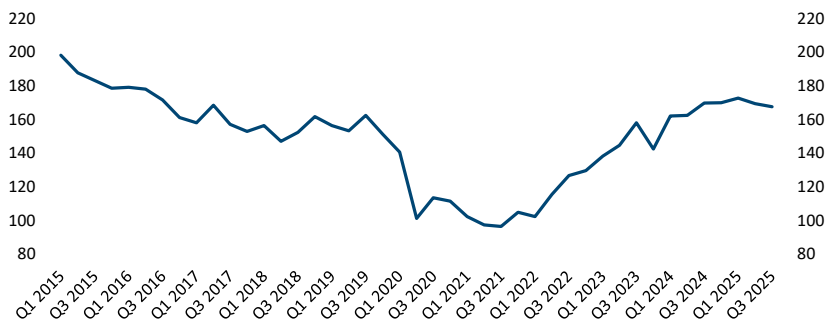
Sources: LSEG, Helaba Research & Advisory

Loan loss provision expenses likely to rise slightly again

Credit quality in the European banking sector appears to be holding up despite the rise in corporate insolvencies. So far, non-performing loan ratios have remained stable at a low level and credit risk costs have increased only modestly. In our view, this is partly due to the fact that defaults are limited to a few sectors undergoing structural change or suffering from high energy costs. Secondly, risk management in the banking sector has become considerably more stringent since the financial market crisis, driven by regulatory requirements and a wide range of stress tests. Added to this are hedging transactions and the growing role of significant risk transfer (SRT). As well as managing risk, the aim is to reduce risk-weighted assets (RWA) to ease the burden on capital ratios.

Corporate insolvencies stabilise at an acceptable level

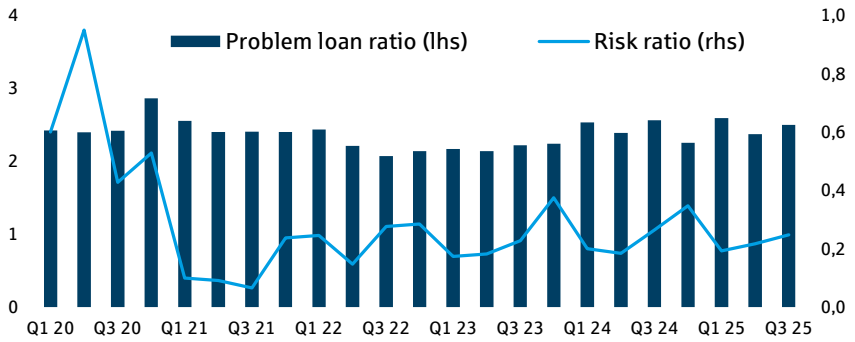
Corporate insolvencies in the eurozone, index: 2021 = 100



Sources: LSEG, Helaba Research & Advisory

Risks remain well under control

Problem loans / loan volume % | Credit risk costs / credit volume %



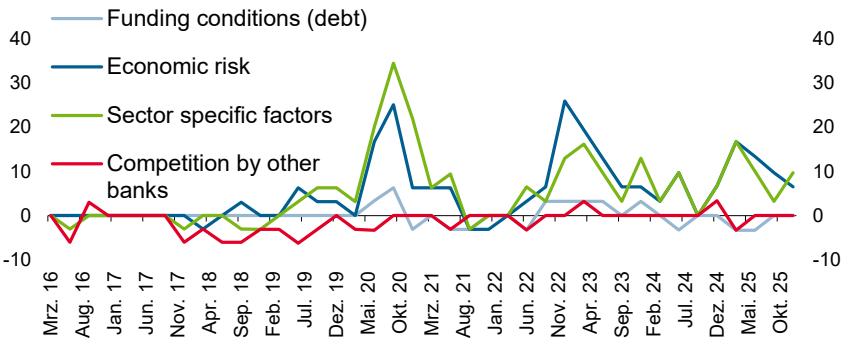
Sources: S&P Capital IQ Pro, Helaba Research & Advisory

We expect the asset quality of European banks to remain stable in 2026. According to Bloomberg, the consensus forecast for loan loss provisions in 2026 is EUR 49 billion, which is a 7% increase year-on-year. Compared with the lows of 2023/24, this would represent a return to historical average levels. In our view, risks lie particularly in economic developments and high expectations, for example regarding the AI boom. Additionally, recurring trade conflicts could test the resilience of credit exposures.

Last but not least, major institutions active in the capital markets still have considerable risk buffers in the form of management overlays. These were built up during the pandemic and have only been partially released. Assuming stable asset quality, we expect these provisions to be further released during 2026. However, if conditions deteriorate, these provisions could be used to

Lending standards are tending to become tighter

Change in percentage of positive vs. negative values*, in %



* Positive values indicate tightening, negative values indicate easing

Sources: LSEG, Helaba Research & Advisory

offset negative value adjustments. In a Bloomberg survey of 26 banks in September 2025, overlays totaled a significant EUR 9.9 billion, which was stable compared with the previous quarter. This corresponds to around 20 basis points of RWA.

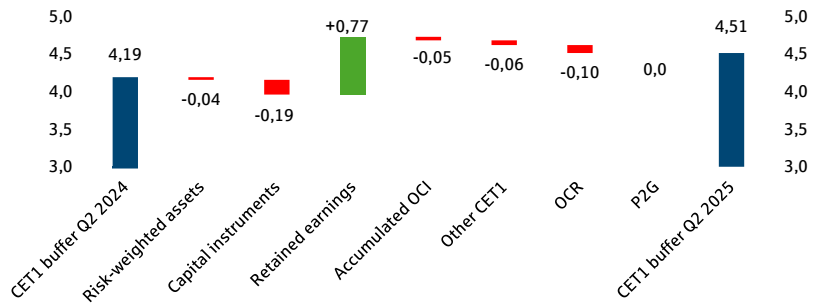
According to Bloomberg, Handelsbanken and Commerzbank have already released their overlays, while Nordea intends to use or release its buffer by the end of 2026. Danske Bank continues to hold the largest reserve in relation to RWA at around 71 bp. Barclays, Swedbank, Standard Chartered and Deutsche Bank are at the lower end of the scale with reserves of less than 5 bp.

High capital ratios provide a comfortable risk buffer

At the same time, capital ratios remain comfortably high. High profits are boosting capital ratios. Since 2021, surplus capital has been extensively used for share buybacks. We expect high dividend payments and share buybacks to continue in 2026. This could be accompanied by increased takeover activity.

Core capital ratios fuelled by profits

Buffer on common equity tier 1 capital*, change in %



* Surplus over minimum ratio, aggregated for banks under observation
Sources: ECB Financial Stability Review, Helaba Research & Advisory

In the Supervisory Review and Evaluation Process (SREP) completed in mid-November 2025, the ECB Supervisory Board once again attested to the strong resilience of Europe's banks, despite the increasingly challenging global environment and complex geopolitical risks. According to the report, the institutions demonstrated robust capital and liquidity positions, as well as high profitability. The 105 banks examined received an average SREP score of 2.5 out of 4, which is slightly better than the 2.6 achieved in the previous year. Three-quarters of the banks had an unchanged SREP score compared with the previous year, while 19% improved and 6% deteriorated. Capital requirements for 2026 were reduced slightly for many institutions, including Deutsche Bank and Commerzbank. The supervisory authority regularly assesses the viability of banks' business models and risk management (Supervisory Review and Evaluation Process, or SREP).

Payout ratios remain high

bank	Payout ratio 2025p
Median	**50**
Svenska Handelsbanken AB	111
Danske Bank A/S	73
Swedbank AB	72
Intesa Sanpaolo SpA	70
Nordea Bank Abp	68
KBC Group NV	63
DNB Bank ASA	63
Skandinaviska Enskilda Banken	61
CaixaBank SA	61
ING Groep NV	55
Credit Agricole SA	52
NatWest Group PLC	50
HSBC Holdings PLC	50
UniCredit SpA	50
BNP Paribas SA	49
ABN AMRO Bank NV	49
Lloyds Banking Group PLC	47
Banco Bilbao Vizcaya Argentaria	47
Commerzbank AG	40
UBS Group AG	39%
Deutsche Bank AG	33
Banco Santander SA	26
Société Générale SA	25
Standard Chartered PLC	21
Barclays PLC	21
Erste Group Bank AG	10

Sources: Bloomberg, Helaba Research & Advisory

3 First steps towards deregulation foreseeable

Review of 2025 – Introduction of Basel IV

The Basel IV rules, which had been in preparation for years, came into force in Europe at the beginning of 2025 (see our publication **"Large European banks – Well Prepared for Basel IV"**). The core element was the introduction of the output floor for calculating regulatory capital requirements for mortgage loans. This ensures that the specified capital ratios can be reduced by a maximum of 27.5% when calculated using proprietary (internal) models compared to the standardized approach. However, this requirement will be introduced gradually until 2032.

According to our observations, European banks have prepared very well for the higher requirements over the past few years. Banks with large mortgage loan portfolios, particularly in Northern Europe, began adapting their business models at an early stage. Consequently, we do not anticipate that the implementation of the output floor will have a significant negative impact.

Furthermore, we do not anticipate any significant disadvantage compared to US banks. The output floor primarily affects European banks with large mortgage loan portfolios. In the US, mortgage loans are generally refinanced via the capital market. Additionally, private real estate loan markets are highly isolated from each other internationally due to regional orientation and differing legal frameworks.

US initiatives with an impact on Europe

Comprehensive regulatory reforms have fundamentally changed the legal framework for banks since the 2008 financial market crisis. Basel IV made the final adjustments. The efforts to protect the financial market and taxpayers in times of crisis are highly commendable. However, this resulted not only in stricter requirements, but also in more complicated and confusing rules. One example is regulatory capital ratios. Not only are there several different ratios, but there are also a wide variety of surcharges, which can vary from country to country. Another example is the numerous regulatory reports, which require a great deal of effort and tie up resources.

According to our observations, a phase of deregulation is already on the horizon. Pressure is primarily coming from the US. As mentioned above, the US did not fully implement Basel IV. Under the Trump administration, this pressure has increased further. The proposals are particularly aimed at easing capital requirements for banks. US banks could receive capital relief of up to USD 250 billion according to media reports. This amount would be available to lend in areas such as AI, arms, critical raw materials, etc. However, the ultimate goal appears to be the complete exemption of US Treasuries from capital requirements.

In the US, capital relief is to be achieved through lower RWA requirements. On the other hand, certain assets, such as government bonds and central bank balances, will be exempt from the unweighted capital ratio (leverage ratio). This would give EU banks with activities on the US repo market a noticeable competitive disadvantage.

According to media reports, a US proposal on the remaining Basel III adjustments is expected in early 2026. In response, the European Commission has announced an analysis of the competitiveness of the banking sector as part of its work programme. A report on this is expected in 2026.

Regulators have announced plans to reduce bureaucracy and simplification of processes

Far-reaching reforms to regulatory requirements for banks have made the industry much more stable than before the 2008 financial crisis. High-risk activities that did not form part of the core business have been scaled back, while equity and liquidity ratios have been substantially increased. The Single Rule Book, the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM) have established a framework to ensure both crisis prevention and smooth crisis management. However, the industry has yet to be put to the test in an emergency situation. The trauma of the financial crisis is still deeply felt by all involved. We assume that Europe will simplify and streamline excessive regulation while maintaining high standards and requirements. From a credit perspective, this would be the right way forward.

The ECB Supervisory Board has already taken initial steps to reduce the regulatory burden. On 11 December 2025, it published a package of measures in line with the European Commission's plan to analyse the competitive situation in the banking sector. The package contains recommendations for regulatory and supervisory simplifications. These include simplifying capital buffer requirements and bringing European minimum liability capital requirements (MREL) more into line with international requirements (TLAC). Other recommendations include providing regulatory and supervisory relief for smaller institutions and simplifying EU-wide stress tests and reporting processes.

On the same day, ECB Banking Supervision published a report on simplifying supervision while maintaining the sector's resilience. This included recommendations to reform the Supervisory Review and Evaluation Process (SREP), introduce an initiative on supervisory culture and assess the effectiveness of supervision.

This package of measures was developed by a task force appointed by the ECB's Governing Council. The task force was chaired by ECB Vice-President Luis de Guindos. Several central bank governors were also members of the task force. The recommendations aim to ensure that the banking sector remains financially resilient and solvent. The goal is therefore to achieve greater clarity and efficiency while maintaining the same standards.

The ECB Supervisory Board's announcement on 19 December 2025 of the **acceleration of approval processes** for capital measures and securitisation transactions also falls into the category of "less bureaucracy". From January 2026, standardized procedures will be reviewed within just two weeks instead of three months. The ECB's new fast-track procedures apply to standardized processes. These include the review of share buybacks and securitisation transactions involving low risk or having a minor impact on the equity capital of the relevant banks.

Readjustment of ESG reporting as part of the Omnibus package

The EU is also adjusting the regulatory requirements for ESG reporting. On 26 February 2025, the European Commission **announced** that it would significantly simplify the Corporate Sustainability Reporting Directive (CSRD) regulations on sustainability reporting. This was part of the Omnibus Package, a set of proposals covering various legal areas across all sectors. As well as simplifying reporting, the package will also affect the EU taxonomy, the CO_2 border adjustment system, and European investment programs. The stated goal was to significantly reduce administrative burdens and increase the competitiveness of companies. The Commission aimed to reduce bureaucracy by at least 25% by the end of its term of office and by at least 35% for small and medium-sized enterprises (see our publication **"Large European banks – Transition to net zero forging ahead"**).

Originally, the CSRD was also set to apply to listed SMEs from 2026 onwards. This would have increased the number of companies subject to reporting requirements from around 11,000 at the end of 2023 to 47,000. This would have made it easier for banks to collect ESG data on their credit exposures. However, the relevant obligations will now be concentrated on the largest companies. Additionally, it is to be ensured that the sustainability reporting requirements for large companies do not burden smaller companies in the upstream value chains. Reporting obligations for companies, originally due to come into effect in 2026 or 2027, will be postponed by two years to 2028.

On December 9, 2025, the Legal Affairs Committee of the European Parliament and the Council of the European Union agreed on significant simplifications to sustainability reporting and due diligence requirements. The key points are:

- The threshold for mandatory CSRD reporting has been set to 1,000 employees and €450 million in annual turnover. (previously 250 employees and more than €50 million in annual turnover)
- The threshold for the application of the Corporate Sustainability Due Diligence Directive (CSDDD), also known as the European Supply Chain Act, is set at 5,000 employees and €1.5 billion in annual turnover. (previously 1,000 employees and €450 million in annual turnover)
- The obligation to draw up a transition plan to mitigate the effects of climate change in the CSDDD is removed.

This reduces the number of companies subject to reporting requirements to around 4,700. On December 16, the EU Parliament approved the agreement. The text of the directive now has to be approved by the EU Council. This is considered a mere formality. The amended directive will then be published in the Official Journal of the EU and will enter into force 20 days later. Member states will then have to transpose the amendments into national law.

The omnibus simplification package is therefore extremely comprehensive. The reduction in excessive regulation, which often failed to provide meaningful insights, is to be welcomed. However, in our view, financial institutions should not be required to report or collect data that their customers themselves have not reported or do not consider material. Nor should they be required to report on customers who are not subject to reporting requirements. The banking associations are also critical of the deletion of transition plans under the CSDDD.

Ultimately, data availability remains essential for identifying and managing ESG processes and risks. Even if institutions request additional information, the drastic relaxation of reporting requirements means banks will have less data for analysing ESG risks within their credit exposures.

Regulatory outlook for 2026 - Cyber-attacks in the spotlight

In view of these challenges, the ECB's **supervisory priorities for the period 2026 to 2028** focus on two core themes. Priority 1 is to ensure that banks remain resilient to geopolitical risks and macro-financial uncertainties. The second priority is to ensure strong operational resilience and robust information and communication technology (ICT).

Regarding Priority 1, the supervisory authority states that the European banking sector has proven to be highly resilient to external shocks, such as the announcement of high US tariffs. However, there is a high probability of further geopolitical and macro-financial tensions, with the risk of sudden market corrections. The supervisory authority also highlights the increasing interdependence between banks and financial institutions outside the banking sector, as well as growing public debt in some countries, as risk factors. The resulting financing costs could impact banks. Therefore, geopolitical risks remain at the centre of the ECB's supervisory priorities. For instance, the 2026 thematic stress test will consider scenarios involving institution-specific geopolitical risks and examine their potential impact on banks' solvency.

The second priority concerns the mitigation of operational risks and disruptions to critical business processes and services. This includes defense against cyber attacks, among other things. Reports of serious cyber incidents have doubled in recent years. The **Digital Operational Resilience Act (DORA)** came into force at the beginning of 2025. The supervisory authority is urging banks to implement the relevant requirements swiftly and consistently. The ECB supervisory authority has certified that institutions are resilient to such attacks, as well as to other operational incidents. However, recent events such as the power outages in Europe have emphasized the need for banks to develop measures to mitigate the risks to which their critical infrastructures are exposed.

4 Risks cannot be completely avoided despite significant risk transfers

The use of artificial intelligence entails risks and opportunities

According to a **survey** of 317 industry experts conducted by the Association of Public Banks (VÖB), almost 80% of institutions use artificial intelligence (AI). This is an increase from 52% in the last survey in 2023. AI is most commonly used to automate manual processes and gather information. It is also becoming increasingly important in customer service, marketing, and fraud detection. Meanwhile, 57% of bank employees already use tools such as ChatGPT or Microsoft Copilot in their daily work.

Key success factors for the use of AI are access to high-quality data (53%), expertise (47%) and clear use cases (46%). However, compliance requirements are proving to be an increasing challenge (55%). The potential of generative AI in process management remains largely untapped.

Consequently, the use of artificial intelligence (AI) is advancing rapidly in the banking industry. It is important not to fall behind while managing change without causing disruption. The year 2025 has already demonstrated that the market's high expectations are being met with nervousness when they are not met.

Digitalisation linked to cyber risks

While the introduction of new digital payment instruments (such as the digital euro and euro stablecoins) offers extensive business opportunities for European banks, it also poses significant risks for the sector. Banks can access additional sources of income. These could include digital payments, custody, settlement and securities issuance, for example. First movers will gain a competitive advantage, while pressure on traditional deposit financing will increase. Competition from fintech’s, big tech companies and US dollar stablecoins will only add to this pressure.

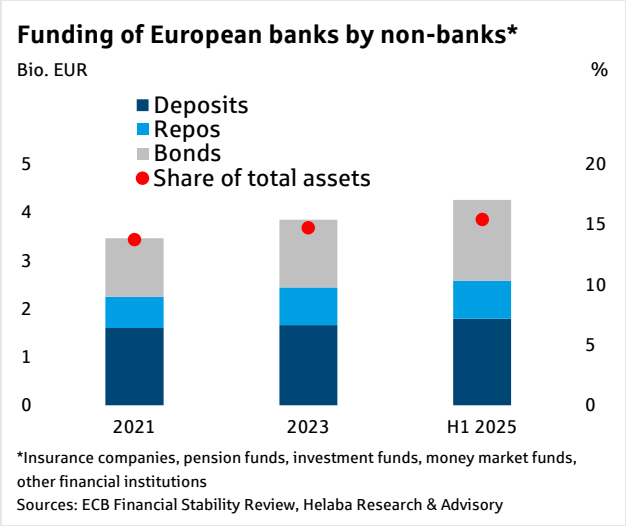
The biggest risks include disintermediation if banks lose market share in this area, as well as higher financing costs and margin pressure on deposits and lending. Other challenges include fraud risks, compliance requirements, the need for substantial IT investment and cybersecurity. Larger banking groups with more robust balance sheets are likely to be well equipped to build the necessary infrastructure and manage these risks.

The ECB also points out that a large-scale withdrawal from cryptocurrency could significantly impact the stability of the global financial system. The two largest stablecoins are among the most significant holders of US government bonds. Their reserves are comparable to those of the 20 largest money market funds. According to the ECB, a run on these stablecoins could trigger a fire sale of their reserve assets, which could disrupt the functioning of US government bond markets.

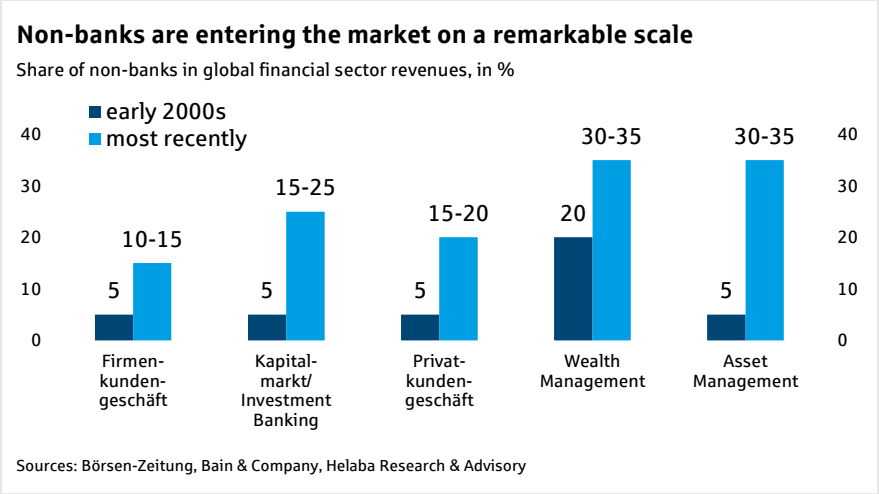
In this context, the growing relevance of cyber risks should be emphasized once again. According to **Bundeskriminalamt**, 333,268 cybercrime cases were committed against German companies, authorities, and other entities both domestically and abroad in 2024. A study by the industry association **Bitkom** found that the resulting damage amounted to around EUR 290 billion in 2024. This equated to 6.7% of German economic output. Due to their IT-based business model, banks have at least a high level of expertise in IT security. In recent years, the legal framework has also advanced considerably, with the introduction of the DORA Regulation to enhance the cyber security and resilience of financial companies, and the BiCA Regulation to safeguard investors and ensure market integrity.

Strong growth of non-banks also attributable to risk transfer from banks

In its latest Financial Stability Review, the ECB highlighted the systemic risks that arise from the relationship between banks and the non-bank financial sector. The ECB warns that the growing interdependence between banks in the euro area and leveraged financial intermediaries – including hedge funds, non-bank lenders, and real estate funds – could have serious consequences. In the event of market turmoil, these intermediaries could exacerbate systemic risks by triggering outflows of funds, counterparty defaults and liquidity outflows.



The importance of non-banks for the financial sector is steadily increasing. According to a Bain & Company study, their earnings share has risen significantly in recent years, particularly in asset management, but also in lending. The consulting firm expects this trend to continue.



Non-banks are less regulated than banks, which must meet stringent requirements and undergo stress tests to assess their risk-bearing capacity. Active risk management is an integral part of banks' business models. As mentioned above, one of the possible measures is the placement of risks within the framework of SRTs. We also expect the trend of shifting risks to the non-banking sector to continue. Both the banks themselves and the regulators should take possible consequences in crises into account.

Geopolitical risks remain high

Geopolitical and economic risks remain a key focus. According to **our economic outlook**, further trade restrictions from the US are expected in 2026. However, it is also realistic to assume that a spiral of escalation like that seen last year can be avoided, at least on a large scale, and that the bulk of protectionist interventions are behind us. In our negative economic scenario, however, geopolitical escalation plays an important role if the trade dispute between the US and China flares up again, for example. There is also friction in the EU's relations with both the US and China.

Currency risks are closely linked to geopolitical risks. Fluctuating exchange rates can significantly impact the results of banks with high foreign exposure. This particularly affects large international institutions.

Disappointment in insolvencies would weigh on asset quality

As outlined above, we anticipate that asset quality will remain stable in 2026. However, in our negative economic scenario involving more insolvencies, an increase in problem loan ratios would be unavoidable. The corresponding additions to loan loss provisions would impact banks' profits.

We are critical of the already high government debt ratios in many countries. In particular, market-leading banks in individual countries continue to hold large portfolios of government bonds from their respective home countries. A devaluation of these portfolios would also hit banks' profits hard.

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