

Press release

AFME says actions to strengthen resilience are paying off in response to 2025 EU-wide stress test results

1 August 2025

Following the publication of the EU-wide stress test results by the European Banking Authority today, the Association for Financial Markets in Europe (AFME) issued a statement on behalf of its members that participated in the exercise.

Caroline Liesegang, Head of Prudential Regulation at AFME, said: *"AFME welcomes the results of this year's EBA stress tests. Despite an extreme 'adverse scenario' including high inflation, unemployment and a severe decline in EU GDP, plummeting by 6.3% over the 3-year period, this year's stress test shows that the steps that both banks and supervisors have taken over the years to strengthen the resilience of the EU banking sector are persistently paying off. The stress test also showcases the ability of banks to implement the new Basel 3 requirements efficiently, despite their operational and capital impact.*

"The results reflect that banks operating in the EU have sustained high asset quality, with comfortable levels of capital, and solid profitability in a challenging geopolitical environment. Strong European banks are integral to weathering potential economic shocks as well as supporting the challenging transitions corporates and governments are facing.

"Notwithstanding the overall positive outcome, we highlight the importance of comparable stress test exercises across jurisdictions. The severity of the market risk scenario in the EU, such as equity and FX shocks, is a much higher than those observed in other stress tests like the US CCAR. Comparability is in particular relevant for the next exercise which is anticipated with an integrated climate risk stress test component. The EU will take a leading role here, and it will be crucial that the results are communicated effectively by the authorities so as not to disadvantage firms part taking in the EU stress test.

"We also urge the EBA to take a fresh look at the stress test methodology and remove, or at least recalibrate, some of the existing components that often override banks' bottom-up projections. We also caution against further introduction of top-down elements in the stress test. The EBA stress test follows a constrained bottom-up approach, involving banks identifying risks using their own models to understand bank-specific issues and encourage better risk management practices. Supervisory standardisation via top-down models would jeopardise those important features.

"We look forward to working with the EBA in further evolving the methodology for the 2027 stress test."

- ENDS -

AFME Contact

Rebecca Hansford

Head of Media Relations

rebecca.hansford@afme.eu

+44 (0)20 3828 2693

+44 (0)7825 081 686

Notes:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu
2. Follow us on X, formerly Twitter, [@AFME_EU](https://twitter.com/AFME_EU)