ANNUAL SECTOR REPORT

GLOBAL BANKING SECTOR REPORT 2026

2025 Actuals and 2026 Year-to-Date Evidence from Major Banking Systems

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Contents

Executive takeaways

- **The covered banking systems remained profitable and well capitalised, but no common-date global balance sheet can be defensibly constructed.** The broadest structural anchor is the Financial Stability Board (FSB) sample: banks held $191.3 trillion of assets at end-2024, 38.0% of financial-system assets in the covered 21-jurisdiction-plus-euro-area group. This is not a 2025 world total. In the Basel Committee on Banking Supervision (BCBS) June 2025 sample, Group 1 banks reported a 13.9% CET1 ratio, 135.0% LCR and 123.8% NSFR. FSB, pp. 4 and 6-7; BCBS, Table 1. **[CL-GLOB-01, CL-BCBS-01, CL-COVER-01]**
- **International activity accelerated in 2025.** Cross-border bank credit reached $38.1 trillion and grew 11% on the BIS exchange-rate- and break-adjusted measure. Growth was +26% to emerging Europe, +16% to Africa and the Middle East and +12% to Latin America and the Caribbean, but -15% to China. These are cross-border positions, not domestic banking-system credit. BIS, Graphs 1-6. **[CL-XB-01, CL-XB-02]**
- **Balance-sheet expansion continued in most matched reporting systems, without supporting a global growth rate.** Among 61-63 economies with paired IMF annual observations, the equal-country-weighted median nominal local-currency growth in 2025 was 8.7% for assets, 9.3% for gross loans and 8.5% for customer deposits. The panel excludes the United States, China, Japan, the United Kingdom and several large euro-area systems. IMF FSIBSIS. **[CL-IMF-ACT-01]**
- **Profitability diverged more by revenue mix and repricing position than by a single regional rule.** In the BCBS sample, rolling twelve-month after-tax profit through June 2025 rose 5.5% in Europe, 15.7% in the Americas and 10.8% in the rest of the world. In Q1 2026, euro-area significant institutions reported net profit 5.0% above Q1 2025, while US large-bank ROE

rose from 12% in Q4 2025 to 14%, driven mainly by non-interest revenue; the US comparison is sequential and not M&A-adjusted. BCBS; ECB, pp. 11 and 68; Federal Reserve, pp. 14-15. **[CL-PROF-01, CL-ECB-01, CL-US-01]**

- **Asset-quality deterioration remained concentrated rather than system-wide in the verified aggregates.** The euro-area significant-institution NPL ratio excluding central-bank balances fell from 2.24% to 2.18% between Q1 2025 and Q1 2026, while cost of risk rose from 0.56% to 0.58%; Australia's residential NPL ratio fell from 1.08% to 0.99%, but commercial-real-estate exposure rose 8.7%. China's commercial-bank NPL ratio was 1.51% in Q1 2026, although the asset and prudential perimeters differ. ECB, pp. 15 and 50; APRA; NFRA. **[CL-AQ-01, CL-AUS-01, CL-CHN-01]**
- **The largest downside risk is a joint refinancing, funding and operational shock.** Commercial-real-estate refinancing, concentrated or uninsured deposits, sovereign-bank links, cross-currency funding and shared technology providers can reinforce one another. Official stress tests show substantial buffers in their own samples, but different scenarios cannot be ranked or aggregated. IMF GFSR, pp. 32 and 37-38; Federal Reserve stress test; APRA system-risk stress test. **[CL-RISK-01, CL-REG-09, CL-REG-10]**
- **Over the next twelve months, the base case is a slower earnings transition rather than a broad solvency event.** Gradual rate easing and lagged deposit repricing would leave NIM flat to mildly lower initially, credit growth modest and credit costs normalising from low levels. Decision-makers should prioritise combined signals: deposit beta and outflows, wholesale spreads, Stage 2/NPL migration, CRE refinancing gaps, capital headroom and critical-service recovery failures. No scenario probability is assigned. **[CL-SCEN-01]**

Scope, coverage and comparability

This report covers deposit banks, commercial and corporate banks, retail and universal banks, systemic investment banks and regulated credit institutions. Central banks, insurers, stand-alone asset managers and non-bank financial intermediaries are excluded from sector totals; they appear only where their interaction with banks affects funding, credit or resilience.

The measurement frame is deliberately split. "2025 actuals" means completed calendar-year 2025 observations, compared with 2024 where comparable. "2026 YTD" means data or events available by **28 July 2026, 16:08:31 UTC+3** and is compared with the same 2025 period where possible. Fiscal-year measures are labelled. Stocks use period-end observations; income and expense flows use period totals or published rolling-year measures.

Actual numerical coverage includes the United States, Canada, the euro area, the United Kingdom, Switzerland, Hungary, China, Japan, Australia, Indonesia, Brazil, the United Arab Emirates and South Africa, plus matched IMF country panels and BIS regional cross-border groupings. Hungary, Australia/Indonesia, Brazil, the UAE and South Africa are anchor jurisdictions rather than regional estimates. Equivalent aggregate primary-source tables were not verified for South Korea or India by the cutoff; those cells are marked **Insufficient evidence** rather than inferred from market commentary.

Measured global bank-asset coverage is **Not calculable**. The FSB sample represents more than 90% of world GDP, but that is not a bank-asset coverage ratio. BIS international banking statistics measure cross-border and international positions, not total bank assets. National perimeters range from insured institutions and significant institutions to commercial banks, authorised deposit-taking institutions and prudential conglomerates. The report therefore makes global thematic conclusions only where international sources support them and otherwise states the jurisdiction or sample explicitly.

Global macro-financial environment

The IMF's July 2026 update estimated world output growth at 3.5% in 2025 and projected 3.0% for 2026 and 3.4% for 2027. World headline inflation was estimated at 4.1% in 2025 and projected at 4.7% in 2026 and 3.9% in 2027; world trade-volume growth was 5.0%, 3.5% and 4.3%, respectively. The rise in projected 2026 inflation alongside slower growth creates an asymmetric banking backdrop: funding and discount rates may remain restrictive even as credit demand softens. These are macroeconomic projections, not bank-sector outcomes. IMF WEO Update, Table 1, p. 12.

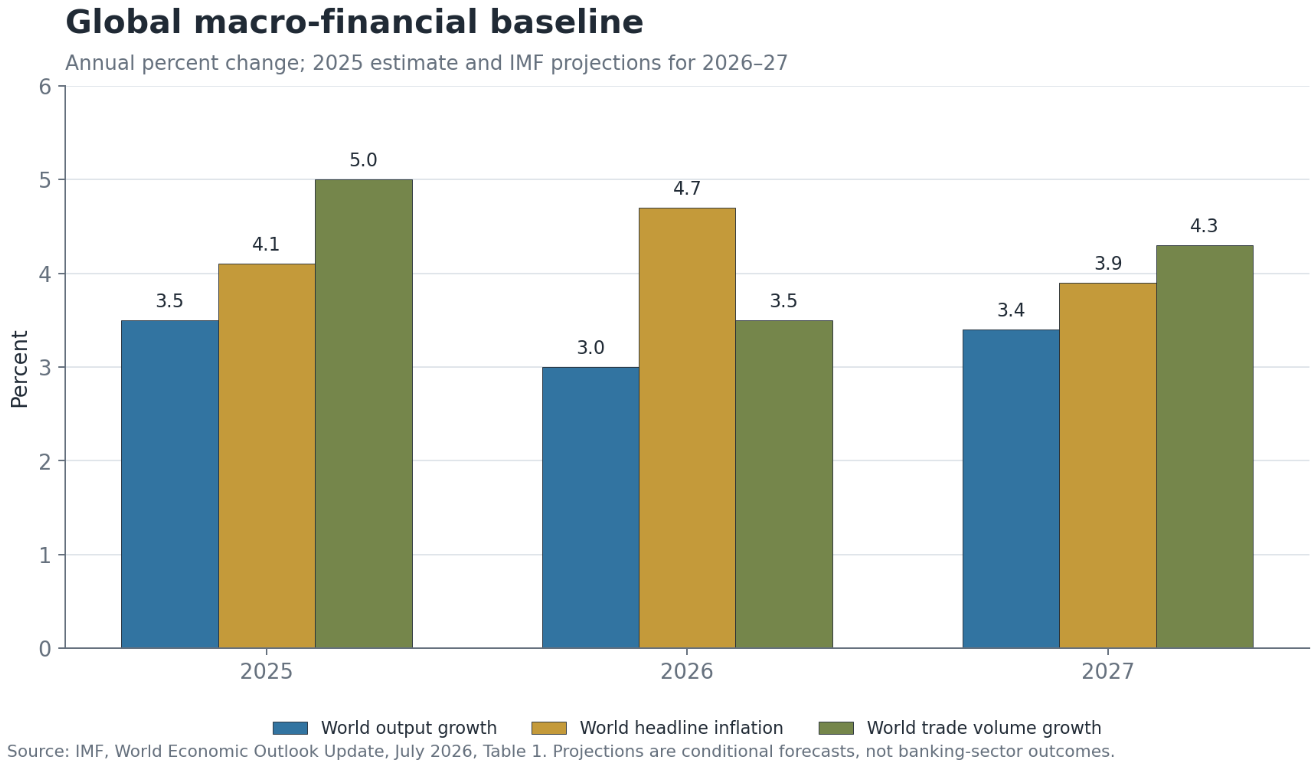


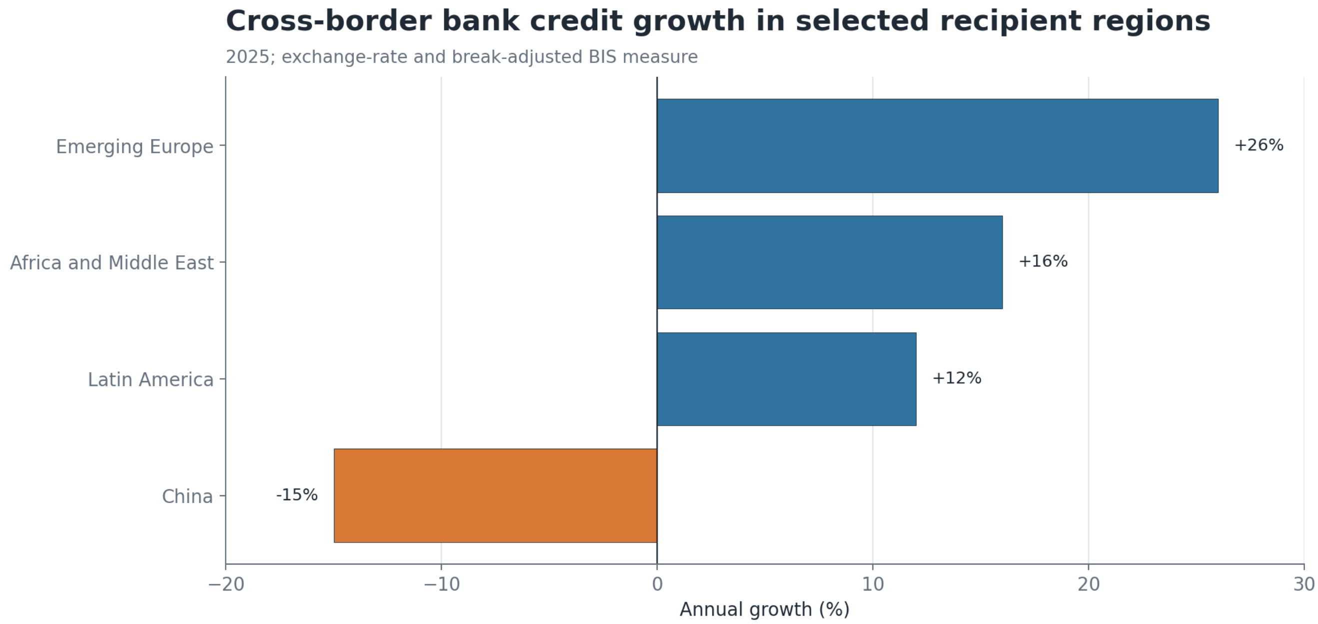
Chart 1 - Global macroeconomic outlook, 2025-2027 (% annual change). Coverage: world output, headline inflation and trade volume; 2025 estimate and 2026-27 projections. Takeaway: the 2026 mix is slower growth and higher inflation than in 2025. Read each series across years, not as banking variables. Limitation: projections are conditional and revisable. Source: IMF WEO Update, July 2026, Table 1.

The April 2026 Global Financial Stability Report judged financial-stability risks elevated amid geopolitical, energy-price and sovereign-yield shocks. It also reported that bank holdings of local-currency sovereign debt in weaker emerging markets had risen from about 15% before the pandemic to 20% in 2025, increasing the relevance of the sovereign-bank nexus. Its evidence on data-centre and other commercial-real-estate financing points to a growing intersection between banks, private credit and collateral valuation. These associations do not establish that sovereign exposure or data-centre lending will generate losses; they identify channels to test. IMF GFSR, pp. 4, 32 and 37-38.

Global banking sector at a glance

The strongest broad structural baseline is end-2024. In the FSB 21-jurisdiction-plus-euro-area group, bank assets were $191.3 trillion, 38.0% of covered financial-system assets, after 4.7% growth during 2024. Banks represented 58.6% of financial assets in covered emerging-market economies and 32.4% in advanced economies. Revisions, national-statistics improvements and the exclusion of Russia from 2021-24 aggregates impair edition-to-edition comparison. FSB, Table 0-2 and Graph 1-1.

For 2025, the most comparable international activity measure is cross-border bank credit. It reached $38.1 trillion at year-end and grew 11%; total cross-border claims, which also include derivatives and residual instruments, reached $46.0 trillion. The distinction matters: neither series measures domestic lending by domestic banks. BIS.



Source: BIS international banking statistics at end-December 2025. This is cross-border bank credit, not total domestic banking-system credit.

Chart 2 - Cross-border bank-credit growth by recipient region, 2025 (%). Coverage: BIS-reporting banking offices; exchange-rate- and break-adjusted annual growth. Takeaway: emerging Europe, Africa/Middle East and Latin America expanded while China contracted. Read the bars as international positions, not total credit creation. Limitation: regional definitions and borrower mix differ; domestic lending is excluded. Source: BIS, end-December 2025 release.

The matched IMF panel provides a diagnostic, not an aggregate. For 61-63 reporting economies, the 2025 equal-country-weighted median nominal local-currency growth was 8.7% for assets, 9.3% for gross loans and 8.5% for deposits. A 31-economy Q1 panel showed 7.2%, 6.7% and 7.3% year-on-year medians, respectively. Different inflation rates, fiscal periods and missing major systems mean these statistics cannot be read as world growth or converted into a loan-to-deposit ratio.

Regional performance

- **United States and Canada:** Latest verified evidence: FDIC-insured institutions ended 2025 with $25.26tn of assets, $13.48tn of loans and $18.44tn of domestic deposits; net income was $295.6bn, up 10.2%. Canada's six D-SIBs reported 13.7% CET1 at Q4 2025 and 13.5% at 30 April 2026.; Interpretation and limit: US assets/loans/deposits grew 4.8%/5.9%/3.9%; Canada retained a cushion over OSFI's supervisory expectation. Perimeters and fiscal calendars differ.
- **Euro area, UK and Switzerland:** Latest verified evidence: Euro-area Q1 assets €28.87tn, NIM 1.54%, ROE 10.02%, CET1 15.99%; UK Q1 CET1 14.2% and May LCR 142%; Swiss end-2025 CET1 18% and ROA 0.55%.; Interpretation and limit: Strong aggregate buffers, but national perimeters and reporting dates prevent ranking.
- **Central and Eastern Europe:** Latest verified evidence: Hungary's 2025 corporate/household loan growth was 7.3%/14.7%, RoE 18.9%, capital adequacy 20.1%, LCR 165.8% and NPL ratios 3.2%/1.6%. BIS cross-border credit to emerging Europe grew 26%.; Interpretation and limit: Hungary is an anchor, not a CEE aggregate; subsidised housing programmes affected household lending.
- **China:** Latest verified evidence: Q1 banking-institution assets RMB494.7tn (+8.0%); commercial-bank NPL ratio 1.51%, coverage 203.14%, LCR 151.65%.; Interpretation and limit: Expansion continued, but asset totals and prudential ratios use different institutional perimeters.
- **Japan and South Korea:** Latest verified evidence: Japanese capital ratios remained above requirements; four BOJ real-estate-related chart categories summed to 43.0% of domestic loans

at end-September 2025. An equivalent South Korean table was not verified.; Interpretation and limit: Japan is fiscal-year and sample-specific; South Korea is **Insufficient evidence** for quantitative comparison.

- **India, Southeast Asia and Australia:** Latest verified evidence: Australian ADI assets were AUD6.919tn (+5.7%) and year-ended NPAT AUD41.4bn (+3.6%) in March 2026. Indonesia ended 2025 with credit/deposit growth of 9.63%/13.83%, CAR 25.89% and gross NPLs 2.05%.; Interpretation and limit: Australia and Indonesia are anchors, not a regional aggregate. India is **Insufficient evidence** for quantitative publication.
- **Latin America:** Latest verified evidence: BIS cross-border credit grew 12%; Brazil ended 2025 with Basel ratio 17.24%, Tier 1 15.6%, core capital 14.3% and median ROE 11.7%.; Interpretation and limit: Brazil's January 2025 accounting change breaks asset-quality comparability.
- **Middle East and North Africa:** Latest verified evidence: BIS Africa/Middle East cross-border credit grew 16%; UAE Q1 assets rose 17.7%, loans 20.3% and deposits 17.4%, with CET1 14.3% and gross NPL ratio 3.2%.; Interpretation and limit: UAE is an anchor, not a MENA aggregate; BIS combines Africa and the Middle East.
- **Sub-Saharan Africa:** Latest verified evidence: South Africa's 2025 RoE was 15.74%; impaired advances rose from 4.74% to 5.18%, CET1 fell from 13.89% to 13.16%, and LCR fell from 158.26% to 155.28%.; Interpretation and limit: "Impaired advances" is not identical to NPL; South Africa is a concentrated anchor, not an SSA aggregate.

Sources: FDIC Q4 2025; OSFI; ECB; Bank of England, pp. 102-104; SNB, pp. 19-23; MNB, pp. 5-6 and 33-49; NFRA; BOJ, pp. 16-23 and 75-77; APRA; OJK; Banco Central do Brasil, pp. 33, 35-36 and 46; CBUAE, Tables 3-4; SARB December 2025, p. 2.

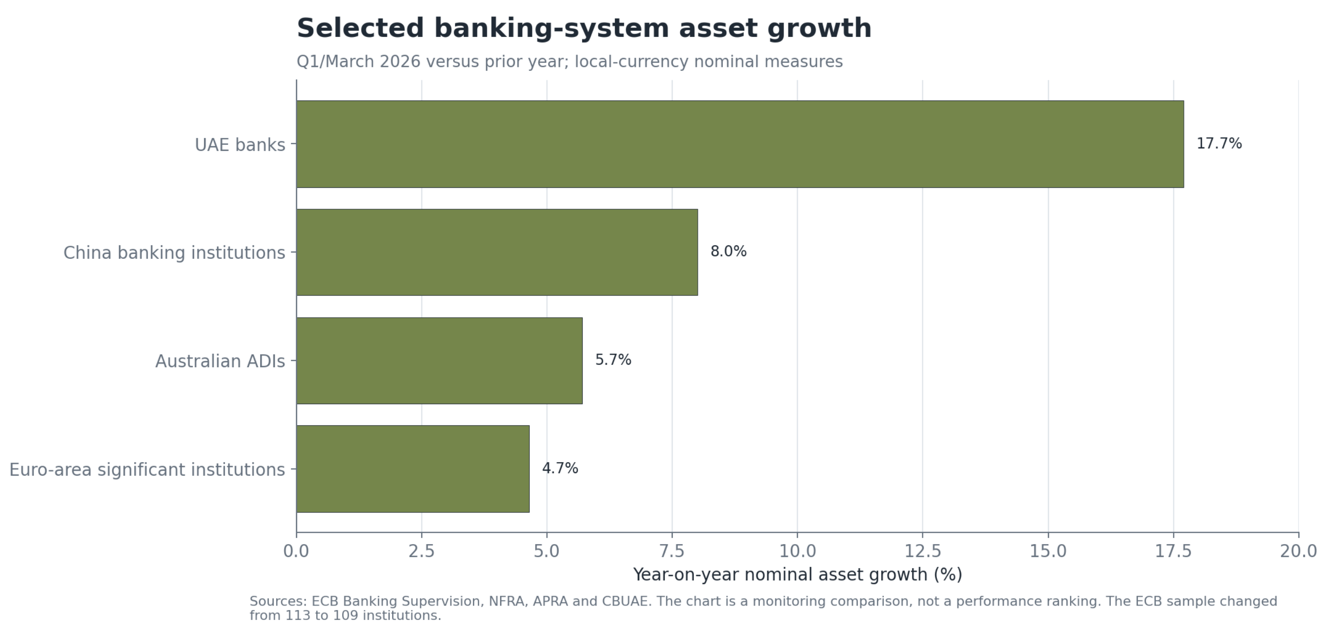


Chart 3 - Selected banking-system asset growth, latest Q1/March 2026 (% year on year, nominal local currency). Coverage: euro-area significant institutions, China banking institutions, Australian ADIs and 61 UAE banks. Takeaway: all four expanded, with the UAE fastest. Read each bar within its own supervisory perimeter. Limitation: no FX or inflation adjustment; euro-area sample changed from 113 to 109 institutions. Sources: ECB, NFRA, APRA and CBUAE links above.

Profitability and business-model drivers

Profit remained positive across the major samples, but its drivers shifted. BCBS Group 1 banks recorded €182.4 billion of after-tax profit in H1 2025; rolling twelve-month profit increased 5.5% in Europe, 15.7% in the Americas and 10.8% in the rest of the world. The regions are BCBS sample groupings, not complete banking-system totals. BCBS.

Euro-area significant institutions' Q1 2026 NIM edged from 1.53% to 1.54%, net interest income rose 4.4%, cost-to-income improved from 54.85% to 54.62%, and net profit rose 5.0% year on year. Because the number of institutions fell from 113 to 109, balance-sheet and flow growth are not constant-sample estimates. In the United States, end-2025 ROAA was 1.1% and ROE 11.2%; Q1 2026 large-bank ROE rose 2.0 percentage points sequentially to 14%, mainly on capital-markets, wealth, payments and other non-interest revenue while NII was flat. The Q1 sample contains 24 large banks and is not adjusted for M&A. APRA reported Australia's year-ended NPAT up 3.6% to AUD41.4 billion through March 2026; recomputation from the displayed rounded inputs gives 3.5%.

The evidence is consistent with a transition from broad rate-driven margin expansion toward a more heterogeneous mix of deposit repricing, loan volumes, fees and costs. It does not identify a common causal effect of policy rates: asset sensitivity, hedge books, deposit beta, loan mix and currency position differ by bank.

Credit growth and asset quality

US bank loans grew 5.6% in 2025 and all major categories expanded; aggregate delinquency was 1.6%, below the Federal Reserve's approximately 3% long-run reference. Consumer, CRE, C&I and residential delinquency measures rose slightly or were broadly near year-earlier levels, while card and auto delinquency ended lower year on year. Federal Reserve, pp. 12-13.

In the euro area, the NPL ratio excluding central-bank balances fell 0.06 percentage point to 2.18% and the Stage 2 share fell from 9.76% to 9.29%, but cost of risk rose 0.02 percentage point to 0.58%. This combination is consistent with contained aggregate stock deterioration alongside somewhat higher marginal provisioning; it is not evidence that every portfolio improved. In Australia, residential NPLs fell to 0.99%, while CRE exposure grew 8.7% to AUD487.6 billion and the share of new investor mortgages at debt-to-income ratios of six or more rose from 8.2% to 10.8%. In China, commercial-bank NPLs were RMB3.7 trillion, 1.51% of loans, with RMB7.5 trillion of provisions and 203.14% coverage; institutional coverage differs across those published totals.

The principal portfolio risks are refinancing-sensitive office and weaker retail CRE, leveraged and weaker corporate borrowers, unsecured consumer vintages, high debt-to-income mortgages, and sovereign exposures in weaker emerging markets. Housing risk is jurisdiction-specific: aggregate prices can remain stable while affordability, variable-rate resets or investor leverage worsen.

Capital, liquidity and funding

The BCBS June 2025 sample provides the most comparable international prudential view. Group 1 CET1 was unchanged at 13.9%, leverage at 6.1%, LCR rose 0.9 percentage point to 135.0%, and NSFR rose 1.0 percentage point to 123.8% in the unbalanced sample. All reporting banks were above 100% for LCR and NSFR, but sample composition prevents interpreting the fall in reported accounting assets as economic contraction.

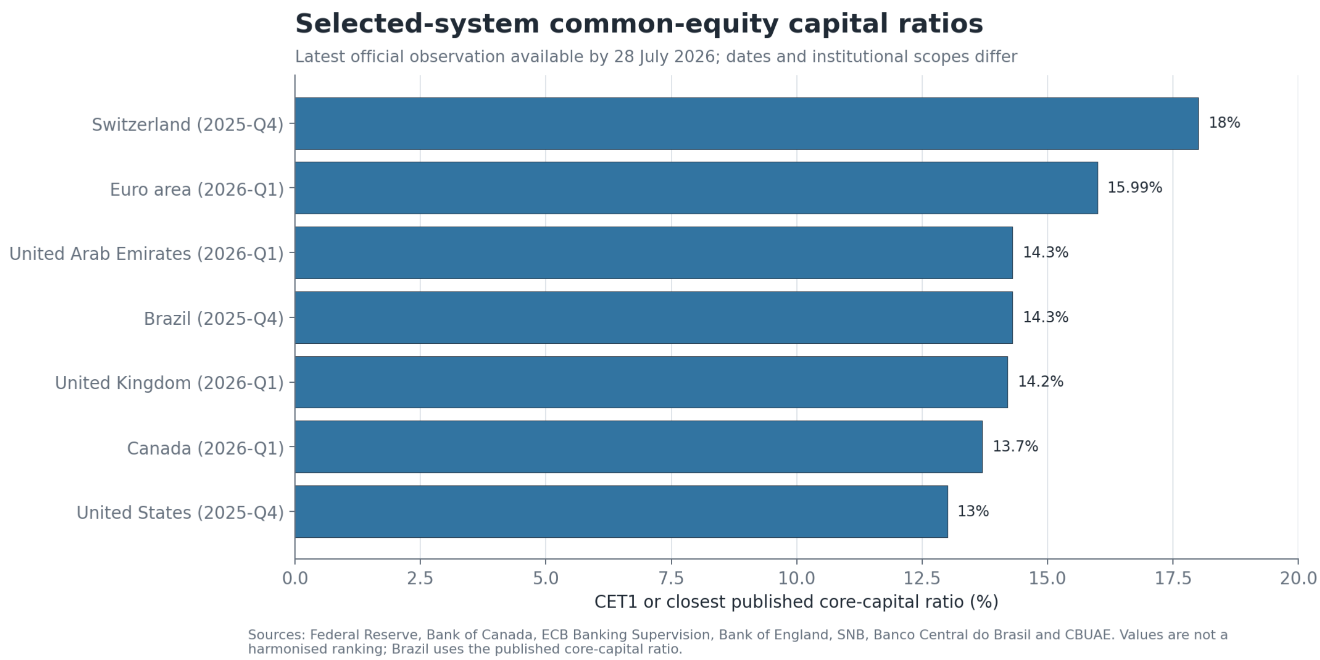


Chart 4 - Selected CET1 or closest core-capital ratios, latest available (%). Coverage: selected official aggregates dated Q4 2025 or Q1 2026. Takeaway: all reported systems show material core capital, but the levels are not a safety ranking. Read labels for period and perimeter. Limitation: Brazil is a core-capital ratio; US value is approximate; definitions, risk weights and requirements differ. Sources: Federal Reserve, Bank of Canada, ECB, Bank of England, SNB, BCB and CBUAE.

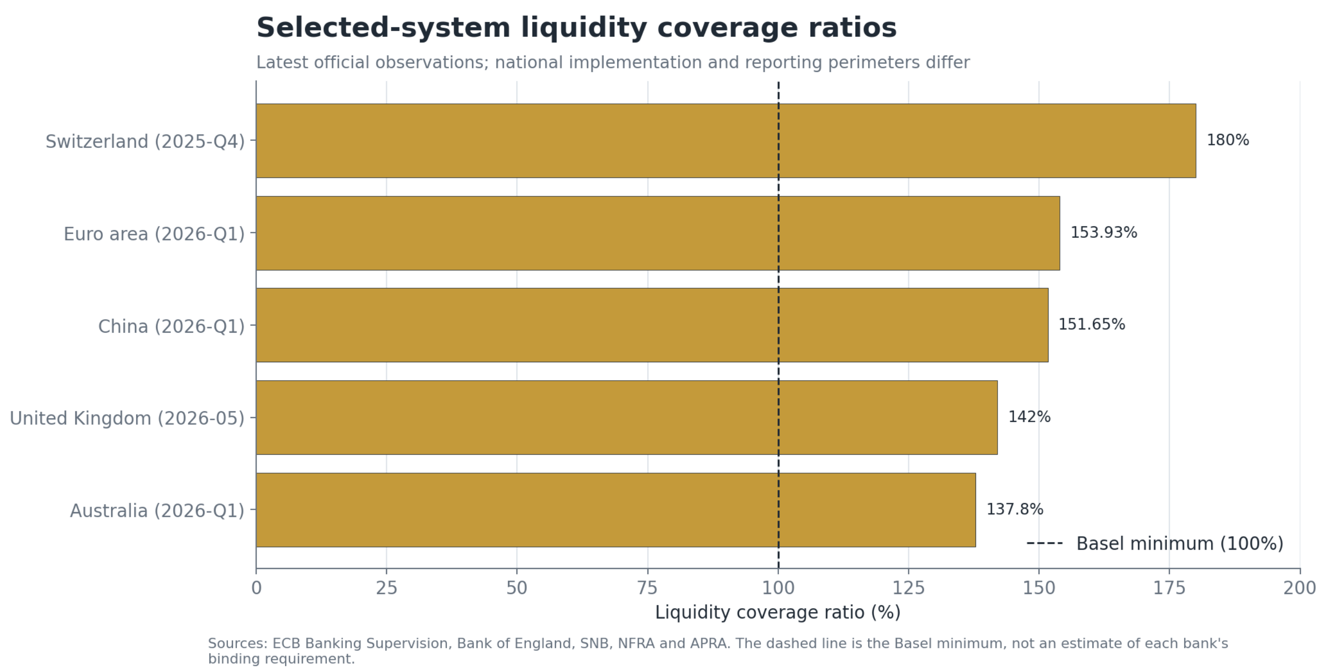


Chart 5 - Selected LCRs, latest available (%). Coverage: euro area, UK, Switzerland, China and Australia at dates from end-2025 to May 2026. Takeaway: published aggregates are above the Basel 100% minimum. Read the dashed line only as the Basel minimum, not each bank’s binding requirement. Limitation: definitions, waivers, currencies, dates and institutional scopes differ; Switzerland is approximate. Sources: ECB, BoE, SNB, NFRA and APRA.

Funding risk is more concentrated than aggregate liquidity ratios imply. US uninsured deposits had risen slightly from 2023-24 lows by early 2026 but remained below 2022, while wholesale funding was above 2022 despite a small H2 2025 decline. Cross-border groups also face currency-basis and collateral channels that domestic LCRs may not reveal. The relevant decision metric is combined headroom-cash and unencumbered high-quality liquid assets, stable deposits, secured-funding capacity and operational access to central-bank facilities-not LCR alone.

Market structure, failures and consolidation

The verified failure evidence is US-specific. The FDIC recorded two insured-bank failures with $113.3 million of assets in full-year 2025. Four institutions with $625.83 million of reported assets had failed by 17 July 2026. The comparison is incomplete-year versus full-year and does not establish a global failure trend. FDIC 2025; FDIC 2026.

Capital One completed its acquisition of Discover on 18 May 2025. At approval, the combined organisation was estimated at $637.8 billion of assets, 2.2% of US insured-depository-organisation assets, and $469.9 billion of deposits, 2.6% of the national total. Federal Reserve approved M&A applications increased from 99 in 2024 to 145 in 2025, or 46.5%, but approvals are not completed transactions. Federal Reserve order, pp. 2-3; Federal Reserve S&R Report, pp. 34-35.

Concentration differs sharply by market. At end-2025, the five largest credit institutions held 34.37%-95.2% of assets across EU member states; the ECB-reported EU average was 69.33%. These figures should not be combined with US nationwide deal shares. The FSB judged foundational resolution frameworks mostly in place but retained funding in resolution and cross-border bail-in execution as operational gaps. ECB; FSB Resolution Report.

Regulation and supervisory developments

Final Basel III implementation remained staggered. At end-September 2025, revised credit and operational-risk standards and the output floor were effective in about 80% of 27 BCBS jurisdictions, CVA in nearly 70% and revised market risk in nearly 40%. Legal effectiveness does not prove comparable bank-level implementation. BCBS RCAP.

At the cutoff, the United States had proposals, not final rules, for three capital reforms published on 19 March 2026. UK PRA Policy Statement PS1/26 set most Basel 3.1 rules for 1 January 2027 and market-risk internal models for 1 January 2028. The European Commission’s 4 June 2026 FRTB adjustments were a delegated act subject to Parliament and Council scrutiny, intended for 1 January 2027. Cross-border banks must therefore distinguish current, enacted future and proposed requirements. Federal Reserve; PRA PS1/26; European Commission Q&A.

The 2025 FSB list contained 29 G-SIBs. Bank of America and ICBC moved to higher loss-absorbency buckets and Deutsche Bank to a lower bucket; resulting higher requirements apply from 1 January 2027. In the reporting subsets, TLAC and MREL shortfalls were small, but the metrics must not be added: the BCBS TLAC figure covers 14 G-SIBs, while SRB MREL covers Banking Union entities. FSB; SRB.

Official stress tests support conditional resilience, not cross-country ranking. In the EBA 2025 test, 64 banks covering about 75% of EU assets lost 370 basis points of CET1 to 12.1% under the adverse scenario. Seven UK groups covering about 75% of real-economy lending fell from 14.5% to 11.0%, above a 6.2% hurdle. Thirty-two US banks fell from 12.8% to an 11.2% minimum in the 2026 scenario and all remained above minimum requirements.

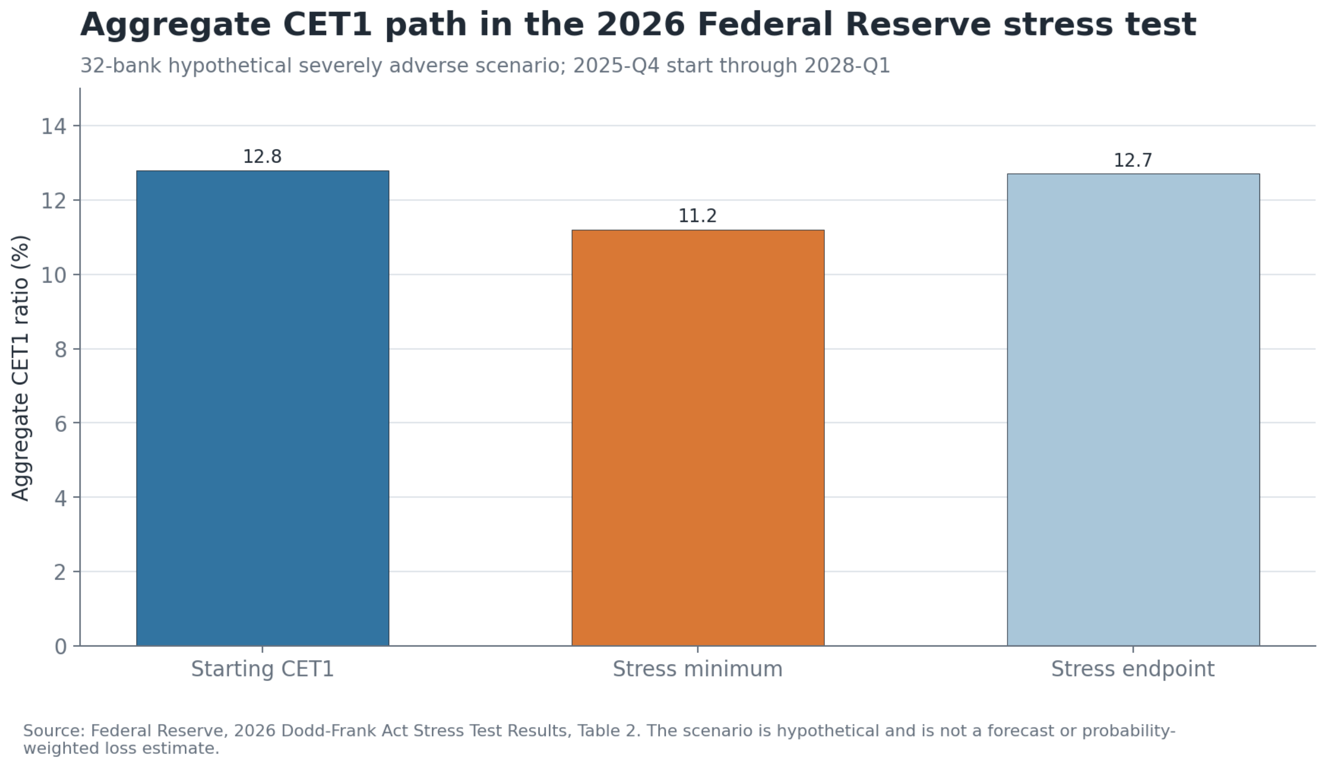


Chart 6 - Federal Reserve 2026 stress-test aggregate CET1 path (%). Coverage: 32 banks; starting Q4 2025 and hypothetical horizon to Q1 2028. Takeaway: the projected minimum was 11.2%, 1.6 percentage points below the start, before recovery. Read the last two bars as scenario outputs, not forecasts. Limitation: sample and methodology differ from 2025 and from foreign tests. Source: Federal Reserve 2026 DFAST Results.

Technology, AI, cyber and operational resilience

AI adoption expanded faster than comparable supervisory measurement. The FSB's October 2025 report described official monitoring as early-stage and identified third-party dependency, correlated behaviour, cyber risk and model/data governance as potential vulnerabilities. Its June 2026 report proposed 12 sound practices but remained a consultation at the cutoff. Neither source quantifies AI's contribution to bank revenue, costs or losses. FSB AI monitoring; FSB consultation.

BCBS's December 2025 third-party-risk principles and June 2026 ICT practices review emphasise change control, design and testing, capacity management and external dependencies. The review covered 16 authorities and incident evidence from 12 jurisdictions in 2022-24; reporting thresholds differ. The 3,383 major ICT incidents reported in DORA's first year covered the wider financial sector, averaged 0.18 per financial entity and were only 10% cyber-classified. They are not a bank-only global incident rate. BCBS; ESAs.

Boards should require an inventory of material AI uses and owners; map critical services to applications, people, data, cloud and nth parties; measure provider concentration, substitutability and exit time; test human override and recovery objectives; and track critical-service downtime, change-failure rates, unsupported assets and unresolved high-severity model findings.

Twelve-month outlook and scenarios

The horizon is **29 July 2026-28 July 2027**. Scenarios are conditional risk-management paths, not point forecasts; no numerical probabilities are assigned.

- **Rates and curve:** Base case: Gradual easing; modest steepening; Upside case: Faster disinflation; orderly easing and positive curve; Downside case: Higher-for-longer or abrupt risk-off easing; volatile curves
- **Growth, jobs, inflation:** Base case: Positive but subdued growth; small unemployment rise; slow disinflation; Upside case: Firmer growth/jobs; inflation converges faster; Downside case: Contraction and materially higher unemployment; energy/geopolitical inflation shock
- **Credit and deposits:** Base case: Low/moderate demand; deposit costs reprice with a lag; Upside case: Broader demand; lower deposit competition and funding spreads; Downside case: Demand contracts; deposit migration and wholesale spreads rise
- **Defaults and credit cost:** Base case: Normalise from low levels; concentrated CRE/corporate stress; Upside case: Stage 2/NPL formation and cost of risk decline; Downside case: Corporate, consumer and CRE defaults and provisions rise
- **Property:** Base case: Weak office/retail CRE; broadly stable aggregate housing; Upside case: CRE volumes/values stabilise; no material housing correction; Downside case: CRE refinancing gaps widen; more rate-sensitive housing markets fall
- **FX and cross-border funding:** Base case: Major currencies orderly; markets open; Upside case: Orderly EM currencies and dollar funding; Downside case: EM depreciation, wider sovereign and cross-currency spreads
- **Regulation:** Base case: Divergent but predictable implementation; Upside case: Smooth implementation; Downside case: Transition costs arrive under earnings pressure
- **Geopolitical/operations:** Base case: Isolated incidents; no prolonged multi-bank outage; Upside case: No major escalation or shared-provider failure; Downside case: Geopolitical shock plus cyber/shared-provider interruption
- **NIM:** Base case: Flat to mildly lower initially; Upside case: Mixed, then stable/modestly higher; Downside case: Lower for banks with outflows or expensive replacement funding
- **Credit growth/asset quality:** Base case: Modest / gradual softening; Upside case: Stronger / improves; Downside case: Weak or contracting / deteriorates
- **Profit and capital generation:** Base case: Positive, but slower where margins compress; Upside case: Stronger; more distribution capacity subject to supervision; Downside case: Lower; distributions or RWA may be constrained
- **Liquidity:** Base case: Manageable; deposit competition persists; Upside case: Pressure eases; Downside case: Sharp pressure in uninsured, concentrated and wholesale-funded models
- **Most exposed:** Base case: Asset-sensitive, CRE-concentrated, deposit-concentrated banks; Upside case: Diversified, well-capitalised deposit and fee franchises benefit; Downside case: Regional/specialist CRE, unsecured consumer, leveraged finance, dollar-funded and technology-concentrated banks

The Federal Reserve scenario’s 10% unemployment, 39% CRE-price decline and 30% house-price decline, and APRA’s approximately 15%/$170 billion simulated bank-funding reduction, are useful tail-severity references. They are not forecasts and are not combined into one probability.

Strategic implications and early-warning indicators

Management should distinguish a slow earnings transition from a compounding solvency, liquidity or operational event. No universal threshold is valid across jurisdictions; escalation should be bank-specific and triggered by correlated movements.

- **Rates, curve, deposit beta and product migration:** Escalation signal: Asset yields fall before deposit costs; operational balances migrate; concentration rises; Decision use: NIM, pricing and liquidity actions
- **Wholesale/CDS spreads, cross-currency basis and facility use:** Escalation signal: Persistent spread widening or rising facility use without a system event; Decision use: Funding contingency
- **Stage 2, NPL, past-due and cost of risk:** Escalation signal: Deterioration broadens across sectors/vintages or provisions lag migration; Decision use: Underwriting, provisioning, capital
- **CRE valuation, vacancy, debt service and maturities:** Escalation signal: Falling collateral values coincide with large refinancing needs; Decision use: Portfolio limits and workout capacity

- **CET1 headroom, RWA density and distributions:** Escalation signal: Headroom falls and payouts exceed retained capital generation; Decision use: Capital plan
- **LCR, NSFR, encumbrance and depositor concentration:** Escalation signal: Multiple liquidity measures weaken together; Decision use: Liquidity buffer and collateral plan
- **Critical-service recovery and provider concentration:** Escalation signal: Repeated outages, missed objectives or no tested substitute; Decision use: Operational resilience and exit plan
- **AI inventory, model drift and shadow AI:** Escalation signal: Material uses outside governance or weak override/data controls; Decision use: Model, conduct and cyber controls
- **Sovereign spreads and bank sovereign exposure:** Escalation signal: Co-movement rises alongside deposit or FX pressure; Decision use: Country and concentration risk

Methodology

Evidence priority was BIS/BCBS, IMF and FSB, followed by national central banks, supervisors, deposit insurers and resolution authorities. Every retained numerical claim maps to a direct official table, report, API series or release. News was not used as primary numerical evidence.

Stocks use period-end values; flows use period totals or the authority's rolling-year measure. Percentage changes use (100(x_t/x_{t-1}-1)); ratio movements use percentage points. Weighted ratios are accepted only when an authority reports or enables (\sum numerator/\sum denominator). Equal-country medians are explicitly labelled and are never called weighted global ratios. No cross-currency total was calculated, so period-end/annual-average FX conversion was not invoked. Local-currency growth is nominal unless stated otherwise.

The IMF annual diagnostic retains non-aggregate economies with both 2024 and 2025 observations, finite values and positive base stocks; it reports the median within-economy growth. The Q1 diagnostic applies the same rule to 2025 Q1 and 2026 Q1. Ratio change is the median of within-economy percentage-point changes, not the change between two median levels. The API versions are FSIC 13.0.1 and FSIBSIS 18.0.0; a cutoff check found no target-series observations updated after `2026-07-28T13:08:31Z`.

QA tested missing values, duplicates, finite values, units, exact period pairs, aggregate-code exclusion, denominator validity, calculation-ID uniqueness and plausible prudential ranges. Sample changes, fiscal/calendar differences, accounting standards, consolidation, NPL/Stage 3 definitions and live-data revisions were reviewed. Global joins, FX aggregation and global coverage were prohibited because the common-date numerator, denominator and perimeter controls failed.

Data coverage and limitations

- The evidence combines end-2024 FSB structure, end-2025 BIS cross-border activity, June 2025 BCBS monitoring, FY2025 national results and Q1/May 2026 national updates. It is not a single-date census.
- Measured global bank-asset coverage is **Not calculable**. GDP coverage and cross-border-claims coverage are not substitutes.
- IMF panels are equal-country-weighted, nominal local-currency diagnostics and omit several largest systems. Annual labels may mix fiscal and calendar conventions.
- National sources use different institutional perimeters, consolidation bases, accounting standards and definitions of NPL, Stage 3, CET1, NIM, cost of risk, LCR and NSFR.
- Euro-area institution count changed; US large-bank quarterly profitability is not M&A-adjusted; stress-test samples and scenarios differ.
- India, South Korea and Southeast Asia lack verified equivalent aggregate primary tables at the cutoff. CEE, MENA and Sub-Saharan Africa use regional cross-border data or anchor jurisdictions.
- The Brazil accounting change in January 2025 impairs asset-quality time comparison. Some 2026 data are provisional and all live IMF data can revise.

- No causal identification design was used. Diagnostic wording denotes association or consistency, not causation. Scenario directions have no assigned probabilities.

References

Primary sources are the FSB Global Monitoring Report 2025, BIS end-December 2025 international banking statistics, BCBS Basel III Monitoring Report, IMF FSIC, IMF FSIBSIS, IMF July 2026 WEO Update, IMF April 2026 GFSR Chapter 1, ECB Q1 2026 Supervisory Banking Statistics, Federal Reserve June 2026 Supervision and Regulation Report, Bank of Canada 2026 Financial Stability Report, Bank of England July 2026 Financial Stability Report, SNB 2026 Financial Stability Report, NFRA Q1 2026 statistics, APRA March 2026 ADI statistics, Banco Central do Brasil May 2026 FSR, CBUAE June 2026 Quarterly Economic Review, FDIC failures, FSB 2025 Resolution Report, Federal Reserve 2026 stress test, PRA PS1/26, FSB AI monitoring and BCBS ICT practices.