

Is the Nordic market building non-financial risk foundations fast enough to control AI at scale or are maturity gaps turning systemic?

Survey insights from 17 Nordic banks on non-financial risk, ESG and AI risk maturity and what the market is signaling about resilience priorities

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Executive summary

This survey examines current market practices, maturity levels and emerging challenges in non-financial risk, based on insights from financial institutions across Sweden, Finland, Denmark and Norway. Respondents include both small and medium-sized banks and large banks across the Nordic region, representing roles such as chief risk officers, heads of operational risk, operational resilience leaders, financial risk managers and other key stakeholders.

The objective of the survey was to provide an updated overview of banks' progress in non-financial risk (NFR), ESG risk, and AI risk management, which are areas that continue to evolve rapidly due to regulatory developments, technological advancements, and increasing expectations around governance and resilience. This year's survey also builds on prior year market assessments (Nordic Banking Model Risk Management Survey 2022 and Global BCM Risk Survey 2025) conducted by EY teams, offering refreshed insights into how banks have advanced and where notable challenges remain.

Participants responded to a structured questionnaire designed to provide a comparable view of practices across the Nordic region. This report summarizes the consolidated results from 17 banks and highlights key themes and patterns across the market. It provides a comparative overview of maturity levels within non-financial risk, ESG, and AI risk management, as well as insights into the challenges and priorities that banks consider most critical for the coming years.

Overall, the survey shows a Nordic market that is progressing well in non-financial risk, ESG and AI risk management, but with clear maturity gaps between large and small and medium-sized banks. Large banks operate broader and more enterprise structured frameworks, while small and medium-sized banks show more consistent but simpler practices. ESG is significantly more formalized in larger banks, and AI risk management remains in the least mature area across the region.

Compared with the EY Global NFR survey, Nordic banks show strong fundamentals in cyber, operational resilience and third-party risk, but lag slightly in formal strategy alignment, risk appetite integration and AI-specific controls. While no major country-level outliers emerge, some markets display more advanced resilience practices or stronger ESG structures, reflecting differing regulatory focus and organizational capacity.

Overall, Nordic banks are on a positive trajectory but will need to strengthen governance, data capabilities and formal frameworks, particularly in ESG and AI, to keep pace with rising regulatory expectations and evolving global practices.

Key observations and findings

Non-financial risk continues to evolve across the Nordic banking sector, with banks developing their frameworks at different speeds depending on size, operating model and organizational structure. Across the survey, a clear pattern emerges where large banks show more structured, integrated approaches, while small and medium-sized banks demonstrate broader variation and more flexible practices. Despite these differences, both groups show strong progress in core non-financial risk areas, with digital transformation, operational resilience, and cyber and IT risk standing out as shared priorities. The results also highlight how operating models, resource structures, and organizational complexity shape how each group approaches challenges, tooling and future investment areas such as AI.

- Large banks mainly align non-financial risk management with strategy through integrated planning, while small and medium-sized banks use a broader mix of mechanisms such as periodic executive reviews, selective use of performance linked metrics and more informal alignment practices.
- Incentive-linked methods such as risk adjusted performance metrics remain relatively uncommon across both large and small and medium-sized banks.
- Digital transformation is an influential external driver for all banks, with large banks also placing more emphasis on geopolitical developments while small and medium-sized banks noting regulatory harmonization.
- Small and medium-sized banks report more challenges related to tooling and dashboarding, while large banks highlight process consistency and information flow challenges.
- Cyber and IT risk monitoring is widespread, with large banks placing stronger emphasis on data and information risk and small and medium-sized banks monitor compliance and operational processes more frequently.

- Both bank groups highlight alignment with business priorities and emerging risks as key future challenges, with differences mainly driven by operating model complexity and resource capacity.
- Annual stress testing is the most common practice across all banks, with small and medium-sized banks showing more variation in testing frequency.
- Large banks are consistently partially aligned with external sourced taxonomy using internal methodologies, while small and medium-sized banks show a broader range of alignment levels.
- Incident and issue reporting forms the foundation of NFR monitoring for all banks, with large banks using a wider set of diagnostic and enterprise level reporting tools.
- Both size groups primarily prioritize incidents by severity and business activity or line.
- Basel III reforms are generally viewed as having a moderate impact overall, with large banks indicating comparatively higher impact levels.
- Small and medium-sized banks report more active use of AI, GenAI, and advanced analytics in NFR activities, while large banks more often indicate limited current use of innovation.
- Integration complexity and user experience considerations appear across both size groups when implementing GRC tools, with differing emphasis on cost, flexibility and capability needs.
- 63% of Nordic banks are using GRC tools provided by an external vendor, which includes banks of all sizes.
- Future AI priorities differ by size, with small and medium-sized banks focusing on analysis and scoring use cases and large banks placing more emphasis on training and data quality applications.

There is a consistent maturity gap between large and small and medium-sized Nordic banks with regard to ESG. Large banks have more frequent oversight and more structured stakeholder engagement, while small and medium-sized banks are still building formal structures and capabilities. This maturity difference affects how well ESG risks are integrated into overall risk management and decision making.

While large Nordic banks exhibit mature ESG, ESG does not appear as a top five category monitored by the NFR function. By contrast, ~23% of small and medium-sized banks include ESG among their top five NFR monitoring priorities. This could be explained by operating model choices where ESG oversight often sits in dedicated sustainability functions at large banks, while small and medium-sized banks have a more integrated setup.

- Large banks show significantly higher ESG maturity than small and medium-sized banks.
- Quarterly ESG reviews are now a common practice across the Nordic market, with a majority of both large and small and medium-sized banks conducting the reviews four times a year.
- Large banks demonstrate a more structured approach to human rights assessment where a majority have regular assessments in high-risk areas. In contrast, a large majority (67%) of small and medium-sized banks rely solely on ad hoc assessments.
- ESG does not appear in the top five monitoring priorities for large banks, whereas 23% of small and medium-sized banks include ESG in their top five.

AI risk management practices across Nordic banks show clear differences in maturity, structure and operational readiness. Large banks generally demonstrate more established governance mechanisms for AI. Small and medium-sized banks report earlier stage development and stronger focus on foundational controls, reflecting evolving AI adoption levels. Across the market, banks are gradually transitioning from ad hoc or general risk frameworks to more formal AI-specific practices, but implementation remains

uneven. The results reveal an AI risk landscape that is evolving but not yet fully institutionalized. Nordic banks have begun establishing governance structures, but the maturity gap between foundational and AI-specific controls is evident across all sizes. With the EU AI Act approaching, banks will need to accelerate efforts to formalize frameworks, strengthen risk classification, clarify roles and build the experience and capabilities required to manage AI safely at scale.

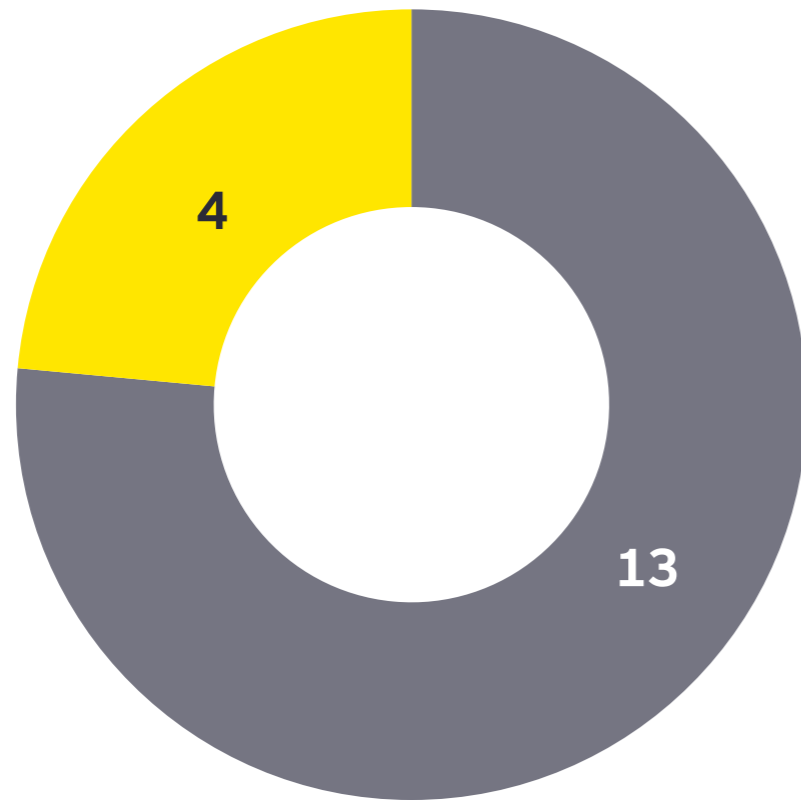
- Banks show varied progress in developing AI risk frameworks, with large banks generally having moved beyond initial planning, while small and medium-sized banks remain more concentrated in earlier and transitional stages of development.
- Basic governance practices are commonly in place across banks, while more advanced AI-specific controls, such as model validation, monitoring, and lifecycle management, are implemented to varying degrees.
- Risk classification under the EU AI Act is still limited, with many banks either relying on general frameworks or not yet having developed an AI-specific taxonomy.
- Responsible AI practices, role definitions and AI-related skills are still emerging, particularly among small and medium-sized banks, indicating that governance structures and accountability for AI risk are not yet fully established.

Participating banks

This survey includes responses from 17 Nordic banks from Sweden, Denmark, Finland and Norway. For the purpose of the analysis, they have been divided by size: large banks, and small and medium-sized banks.

Large banks are defined as those with total assets exceeding €80 billion, typically operating in several market areas. This category also includes banks that operate solely in one Nordic country but have gained a significant domestic market share. Small and medium-sized banks are those that are not defined as large banks.

Division by size



■ Large banks

■ Small and medium-sized banks



Non-financial risk

Facilitating alignment between non-financial risk management and business strategy depends heavily on structured planning

Survey responses show that banks most often align non-financial risk management with strategy through integrated planning processes, reported by 75% of large banks and 31% of small and medium-sized banks. This makes integrated planning the dominant formal mechanism among large banks, while adoption is more mixed among small and medium-sized banks.

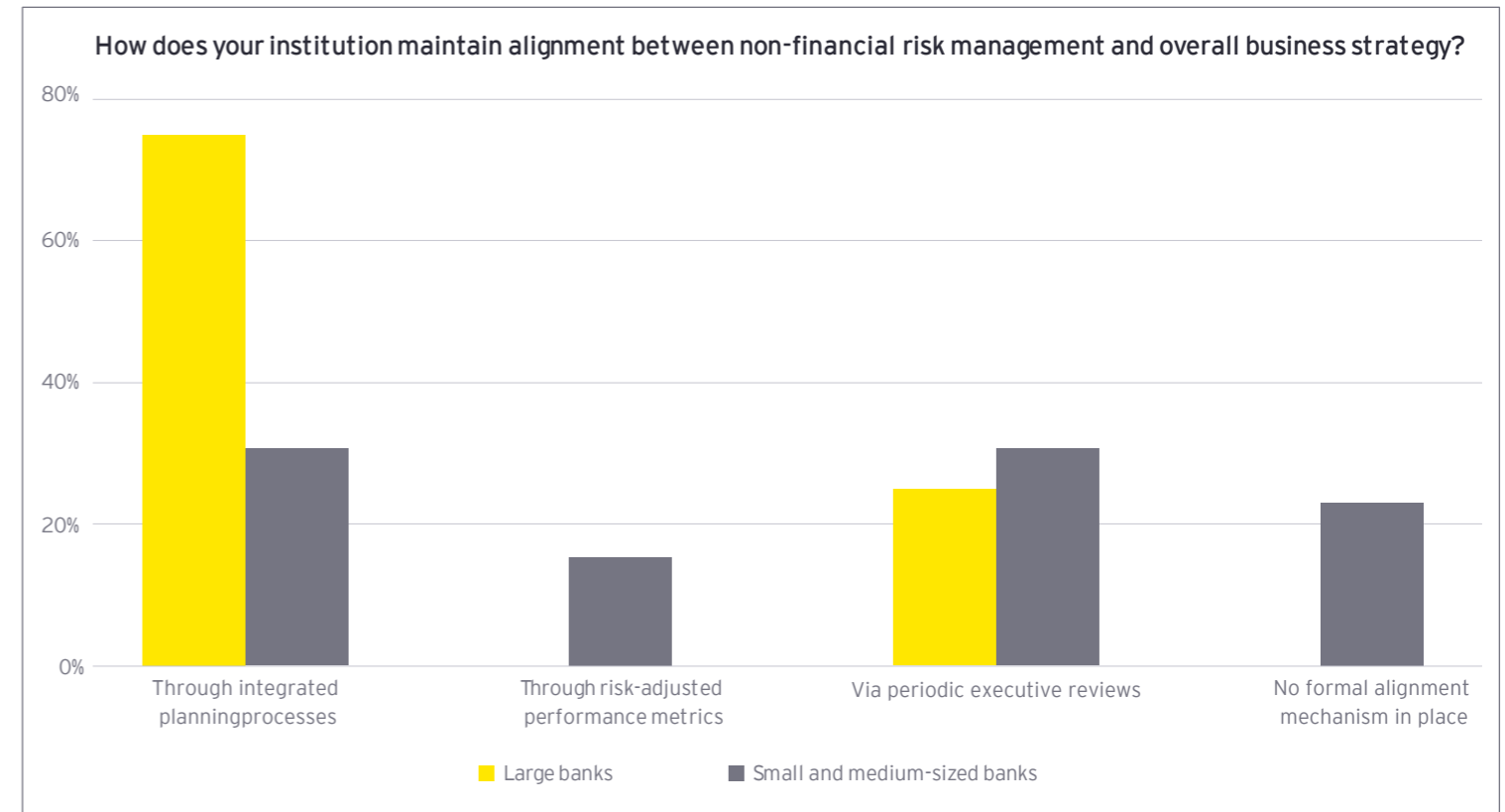
Periodic executive reviews appear equally common among small and medium-sized banks (31%) but are used less frequently by large banks (25%), indicating that small and medium-sized banks rely more evenly on a combination of available alignment mechanisms. Risk adjusted performance metrics are used infrequently overall, reported by 15% of small and medium-sized banks and 0% of large banks, suggesting that incentive linked mechanisms play only a limited role today.

A notable difference appears in the share reporting no formal alignment mechanism, selected by 23% of small and medium-sized banks and 0% of large banks. This indicates that while small and medium-sized banks may adopt a range of ad hoc practices, large banks generally have at least one structured alignment mechanism in place.

Overall, small and medium-sized banks appear more evenly distributed across the available alignment approaches, whereas large banks show a more concentrated reliance on integrated planning, paired with lower use of other methods. Performance linked alignment remains relatively uncommon across both groups.

While Nordic banks recognize the importance of integrating non-financial risk work into business strategy, formal structures and incentive-linked mechanisms remain underdeveloped, especially among small and medium-sized banks. This creates a risk that non-financial risk considerations are only partially embedded in strategy processes.

A similar pattern was visible in the 2022 Nordic Model Risk survey, where only around half of banks had formal governance and risk appetite structures in place indicating that partial strategic alignment has remained a long-standing characteristic in the Nordics. Compared with the EY Global NFR Survey 2025, Nordic banks show slightly less formalization, as global banks more commonly rely on top-down governance models, structured planning cycles and clearer risk appetite frameworks to link non-financial risk with business strategy.



Digital transformation and geopolitical shifts emerge as the strongest external drivers of non-financial risk strategies, but banks diverge on regulatory harmonization

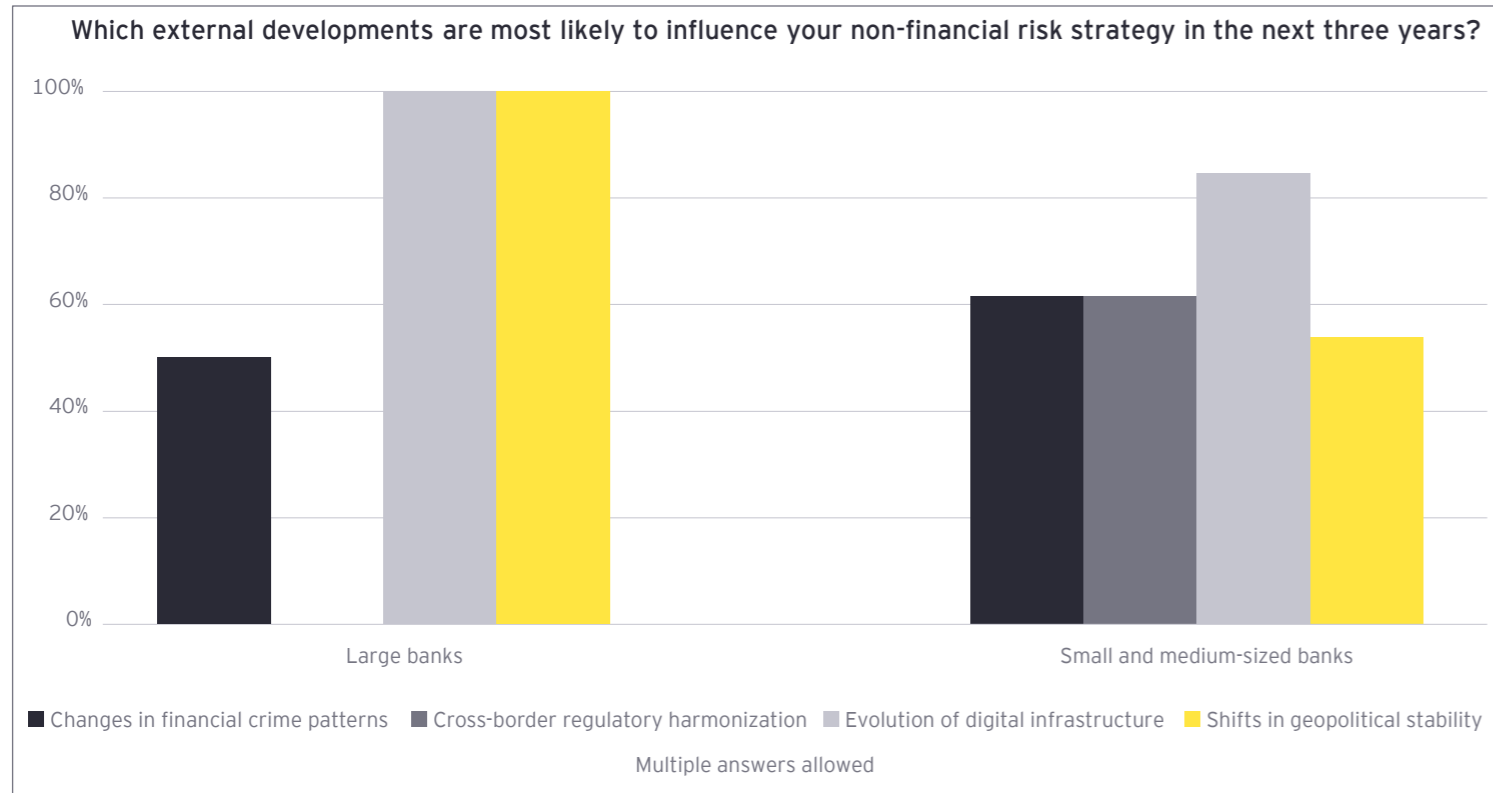
Responses show that banks expect their non-financial risk strategies to be influenced most strongly by digital transformation and geopolitical shifts in the coming years. The evolution of digital infrastructure stands out as the most selected factor, cited by all large banks and approximately 85% of small and medium-sized banks.

Shifts in geopolitical stability follow as the next most influential factor, selected by all large banks and 54% of small and medium-sized banks, making it the clearest point of difference between the two groups.

Changes in financial crime patterns also appear significant, selected by 62% of small and medium-sized banks and 50% of large banks, indicating a shared concern but with slightly greater emphasis among small and medium-sized banks.

The most divergent area is cross-border regulatory harmonization. It is selected by 62% of small and medium-sized banks but 0% of large banks, suggesting different levels of exposure, supervisory focus or strategic prioritization between the two size groups.

Overall, both large and small and medium-sized banks view digital transformation as the dominant external driver. Large banks place stronger emphasis on geopolitical stability, whereas small and medium-sized banks show higher sensitivity to regulatory harmonization and financial crime developments. This pattern highlights how external pressures shape non-financial risk strategies differently depending on institutional size, operating model and market footprint.



Banks face distinct non-financial risk operating model challenges driven by differences in resources, coordination and organizational structure

The responses indicate that small and medium-sized banks experience a broad set of operational and capability-related challenges. The most common include lack of adequate tooling for non-financial risk processes (54%), lack of dashboarding and monitoring capabilities (54%), and having the right mindset being risk based rather than control based (46%). They also frequently mention lack of first line management support (46%), lack of standardized processes (46%), and lack of skillset or capability (38%), pointing to constraints in resources, tooling and practical risk-management capacity.

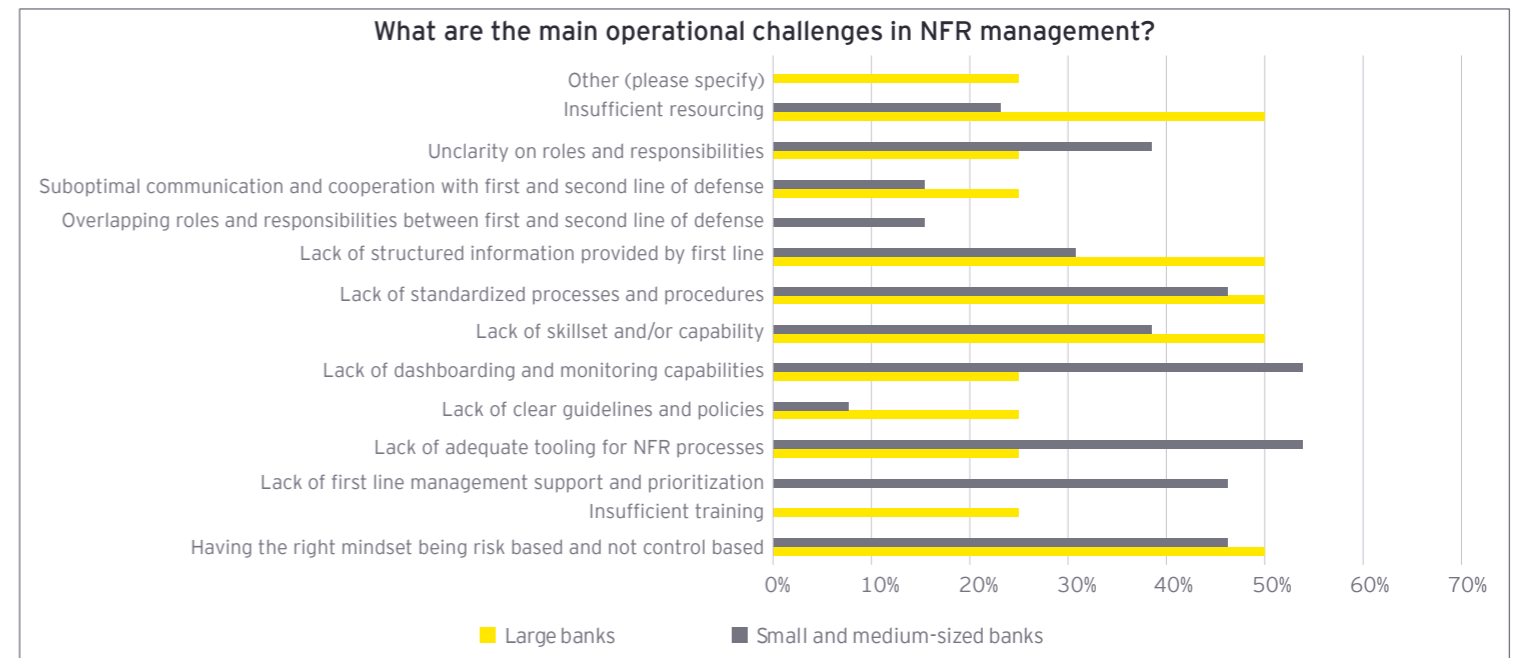
Large banks show a somewhat different pattern. Their most frequent challenges include lack of standardized processes and procedures (50%), lack of skillset or capability (50%), lack of structured information provided by the first line (50%), and having the right mindset being risk based rather than control based (50%). They also report challenges related to insufficient resourcing (50%), as well as lack of adequate tooling (25%), lack of clear guidelines (25%), and suboptimal communication and cooperation between first and second line (25%), reflecting issues tied to

coordination, information flow and clarity within more complex organizations.

The results show that small and medium-sized banks are more affected by tooling limitations, dashboarding gaps and first line engagement issues, while large banks more often point to process consistency, information structure, role clarity and capability gaps as the main friction points. Both groups highlight skillset challenges, but the underlying drivers differ by scale.

These themes echo the 2022 Nordic Model Risk survey, where resource limitations and uneven process structures also emerged as core weaknesses across banks.

Overall, the findings suggest that while all banks face constraints in their non-financial risk operating model, the nature of these challenges diverges significantly by size. This indicates a market where approaches to non-financial risk management are shaped as much by organizational structure and complexity as by maturity or resource availability.



Distinct monitoring patterns emerge as large banks prioritize data driven risks, while small and medium-sized banks focus on compliance and process related risks

Monitoring of cybersecurity and IT is near universal across the sample, with all large banks and 92% of small and medium-sized banks including it among their top monitored risks.

Small and medium-sized banks most frequently monitor compliance (62%) and operational (incl. process) risks (69%), alongside third-party risk (77%). They also report monitoring behavioral and culture (23%) and ESG (23%), both of which are not monitored by large banks. Monitoring of data and information is comparatively lower (31%), and resilience appears in 31% of responses.

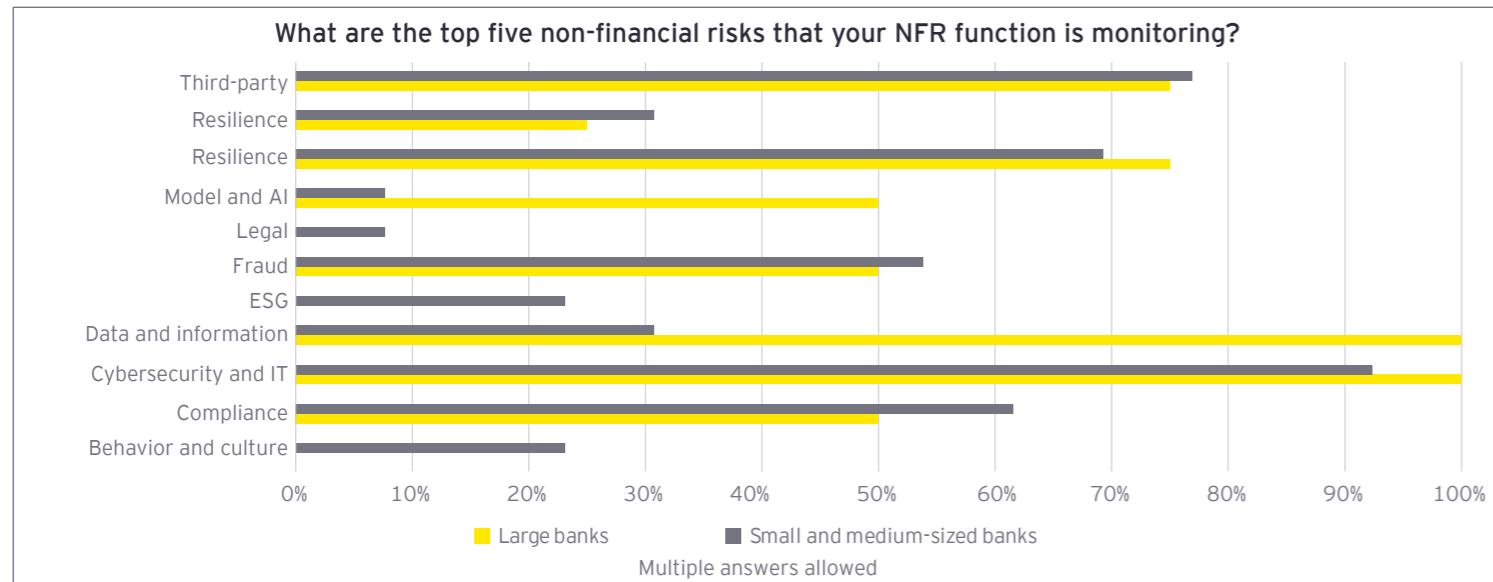
Large banks show a stronger emphasis on data and information risk, monitored by all banks, alongside strong monitoring of third-party risk (75%) and operational (incl. process) risk (75%). They also report material focus on model and AI (50%) and fraud (50%).

Compliance appears less frequently among large banks (50%), while behavioral and culture and ESG are not monitored at all.

Notable contrasts:

- ESG is monitored by 23% of small and medium-sized banks and none of large banks. This could be explained by operating model choices where ESG oversight often sits in dedicated sustainability functions at large banks, while small and medium-sized banks have a more integrated setup. [Read more about how social and governance risks are managed.](#)
- Data and information is monitored by all of the large banks and 31% of small and medium-sized banks.
- Operational (incl. process) is 69% for small and medium-sized banks and 75% for large banks.

Compared with the EY Global Survey 2025, the Nordic findings mirror global priorities around cyber and IT, operational, and third-party risk, which remain the main global non-financial risk focus areas. Nordic large banks show particularly strong emphasis on data and information risk, while small and medium-sized banks show notably high prioritization of compliance and process related operational risks relative to global norms.



Operational resilience components are widely adopted, with small and medium-sized banks displaying consistency in application

Small and medium-sized banks report very high inclusion of several components, most notably definitions of critical functions (92%) and mapping of all third parties and outsourced services (92%). They also show strong adoption of organizational mapping (76%), learning and feedback loops (76%), and mapping of ICT systems (69%).

In contrast, regular testing of operational resilience and recovery plans is reported by none of small and medium-sized banks, highlighting the largest implementation gap in this group.

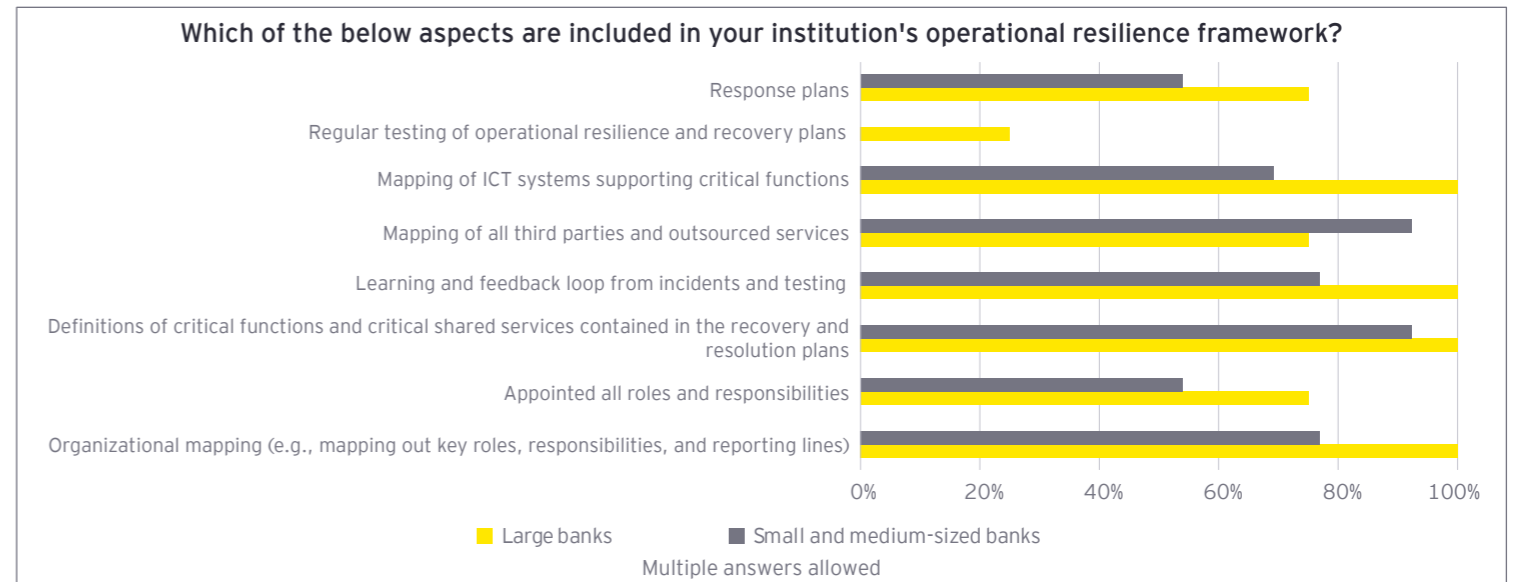
Response plans are included by 53% of small and medium-sized banks.

All large banks also show high inclusion across many areas, including organizational mapping, definitions of critical functions, learning and feedback loops, and mapping of ICT systems. They also report strong inclusion of third-party mapping (75%) and response plans (75%).

However, regular testing is significantly lower at 25%, marking the weakest area of adoption among large banks.

A clear difference appears around regular testing, where small and medium-sized banks report 0% inclusion, compared with 25% among large banks. Another notable difference is in third-party mapping, where small and medium-sized banks show 92% inclusion, compared to 75% for large banks.

Both size groups include the main components expected in an operational resilience framework. Small and medium-sized banks show generally consistent implementation across governance, mapping and response elements, whereas large banks demonstrate complete coverage in the core governance components but more variation in operational elements such as testing. This likely reflects differences in scale, maturity and complexity across banks.





Majority of banks show high maturity in identifying and prioritizing critical services, with Norway leading the way

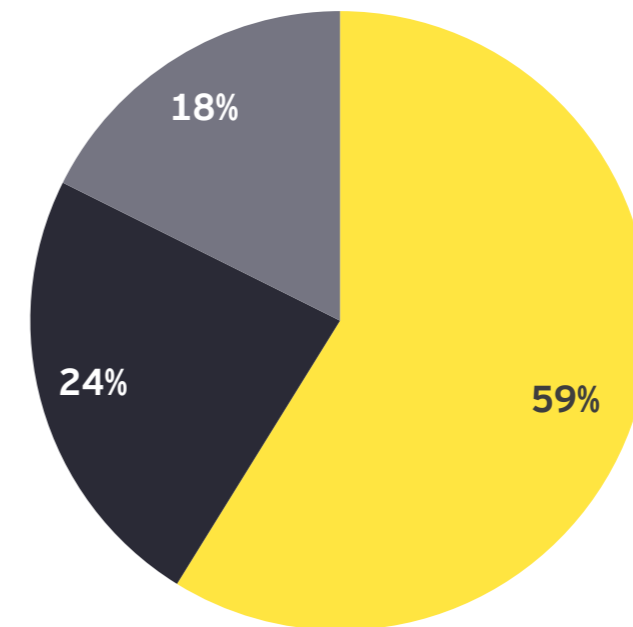
Most banks report having reached a mature stage in defining and prioritizing their important business services and business critical activities. A clear majority, 59% of respondents, state that they have identified and sorted these services based on relevance, signaling relatively high maturity in operation resilience preparations.

These results lead to a Nordic market that is progressing well yet remains at different stages of readiness. Many are applying relevance-based sorting, whereas others are still building the

groundwork needed to get there. Norway stands out, with 71% of respondents reporting full identification, documentation, and sorting of important business services and business-critical activities, reflecting a more advanced stage of implementation than the broader Nordic distribution.

Overall, the results depict the market as advancing steadily toward operational resilience objectives, while also highlighting the importance of continued focus on documenting, prioritizing, and integrating critical activities into resilience frameworks.

Has your institution identified and documented important business services and business critical activities?



- Yes, our institution has identified, documented and sorted business services and activities based on their relevance
- Yes, our institution has identified and documented important business services and critical activities, but not sorted them based on relevance
- Our institution is in the process of identifying and documenting important business services and critical activities

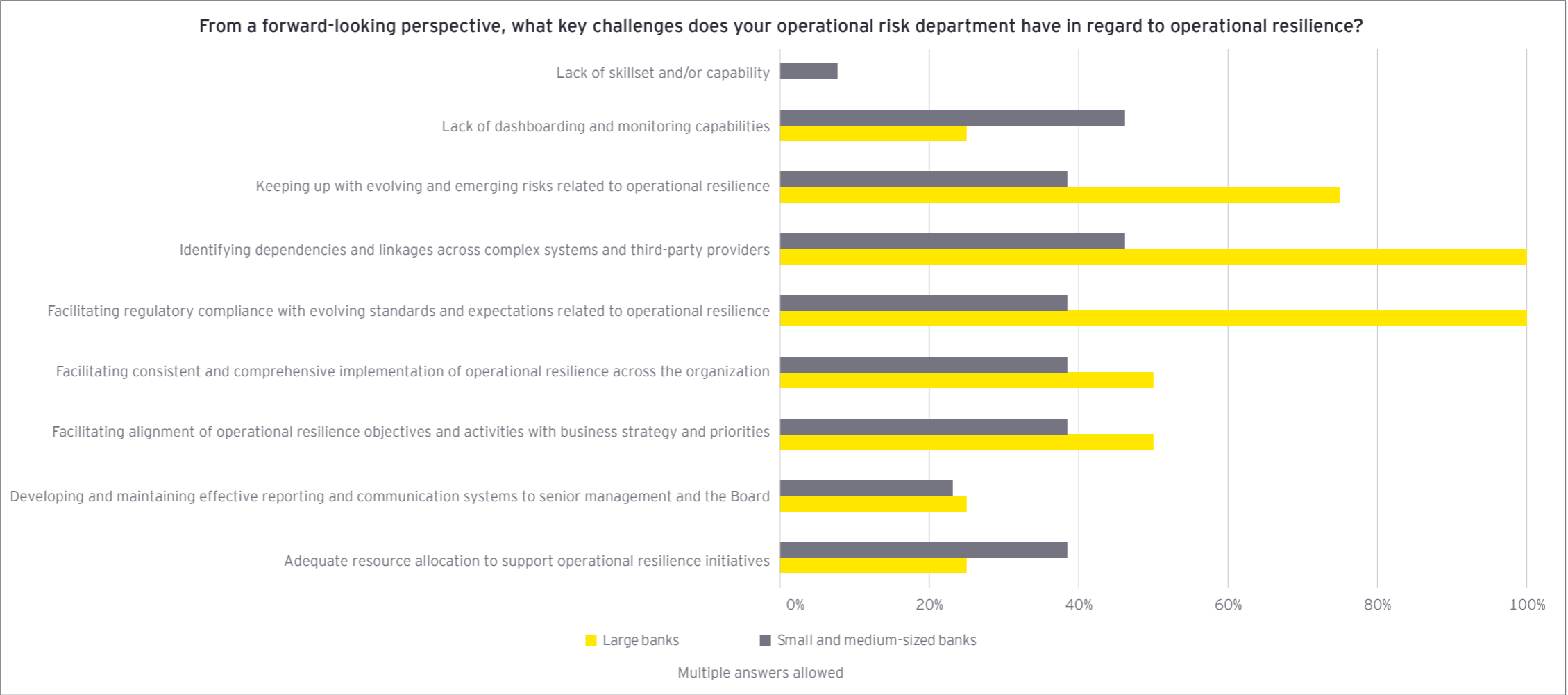
Nordic banks agree on future challenges with regard to operational resilience, underscoring alignment with business priorities and consistent implementation as key challenges

Operational risk teams across Nordic banks report similar forward-looking challenges, with the most common being identifying dependencies and linkages across complex systems and third-party providers (large: 100%; small and medium: 46%). Both groups also identify that maintaining regulatory compliance as well as keeping up with evolving and emerging risks as key challenges going forward.

A clear size-based difference can be pointed out: Large banks converge on future challenges regarding operational resilience, whereas small and medium-sized banks are more varied in their outlook on challenges ahead.

All large banks flag both regulatory compliance and identifying system and third-party dependencies as key challenges. Among small and medium-sized banks, this is 38%-46%.

Small and medium sized banks more often cite the need for adequate resource allocation (38%), and dashboarding and monitoring gaps (46%), reflecting capacity differences. Larger banks face complexity-driven challenges, while small and medium-sized banks face capability and tooling-driven ones.

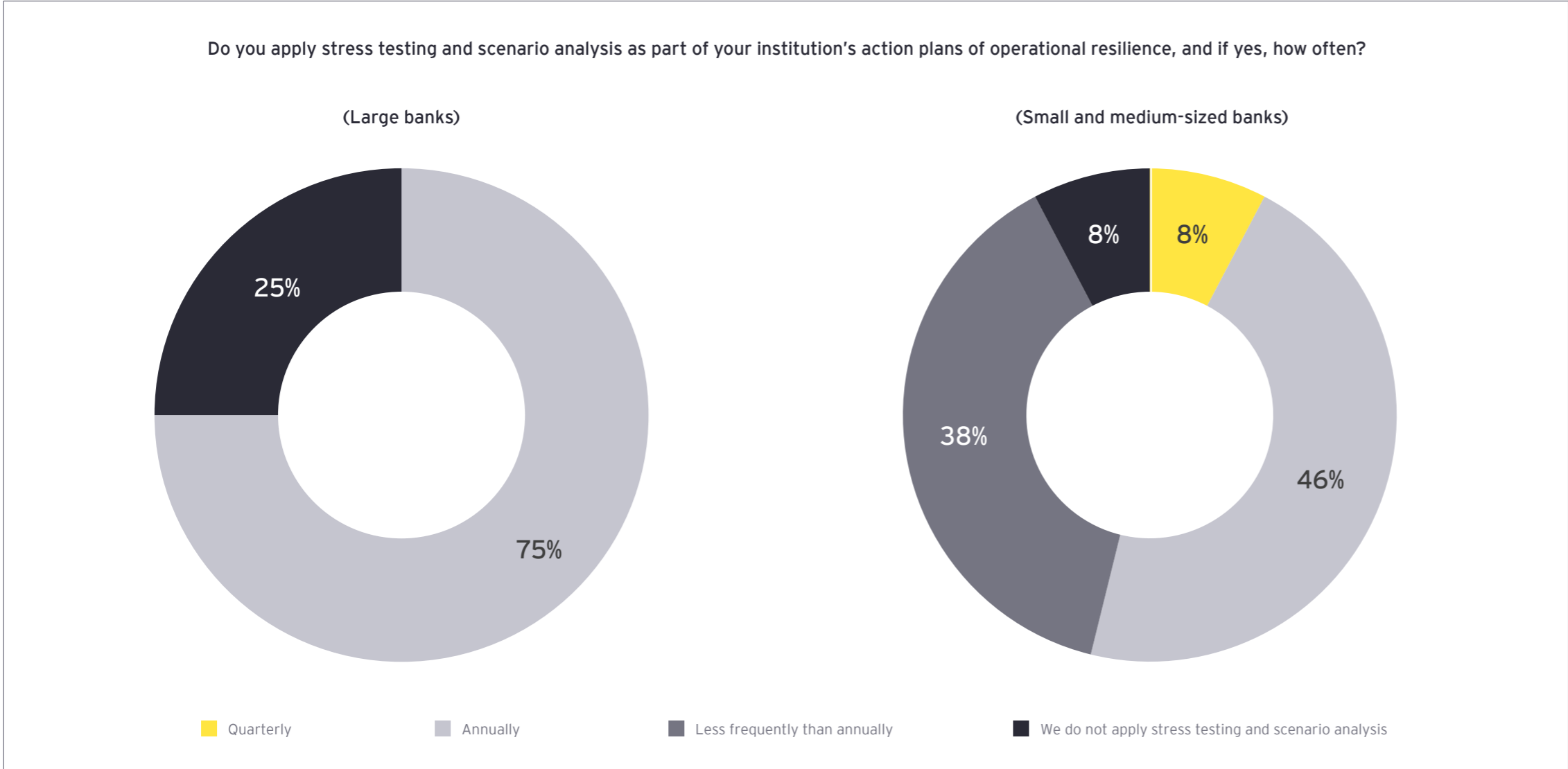


Action plans involving stress testing and scenario analysis are shaped by operating models and resource structures

Among small and medium-sized banks, 46% conduct stress testing annually, followed by 38% who perform it less frequently than annually. A smaller share (8%) conduct stress testing quarterly, and another 8% report that they do not apply stress testing at all.

Among large banks, 75% perform stress testing annually, while 25% report that they do not apply stress testing. No large banks conduct stress testing quarterly or less frequently than annually.

Annual testing is the most common approach across both groups, but small and medium-sized banks show more variation, including quarterly and less-than-annual testing. Large banks concentrate mainly on annual cycles, with a minority not conducting stress testing. Overall, the results point to broad adoption, with frequency shaped by differences in operating models and resource structures.





Use of external taxonomy alignment in the Nordics varies by size, with large banks mirroring global practice and small and medium-sized banks showing more diverse approaches

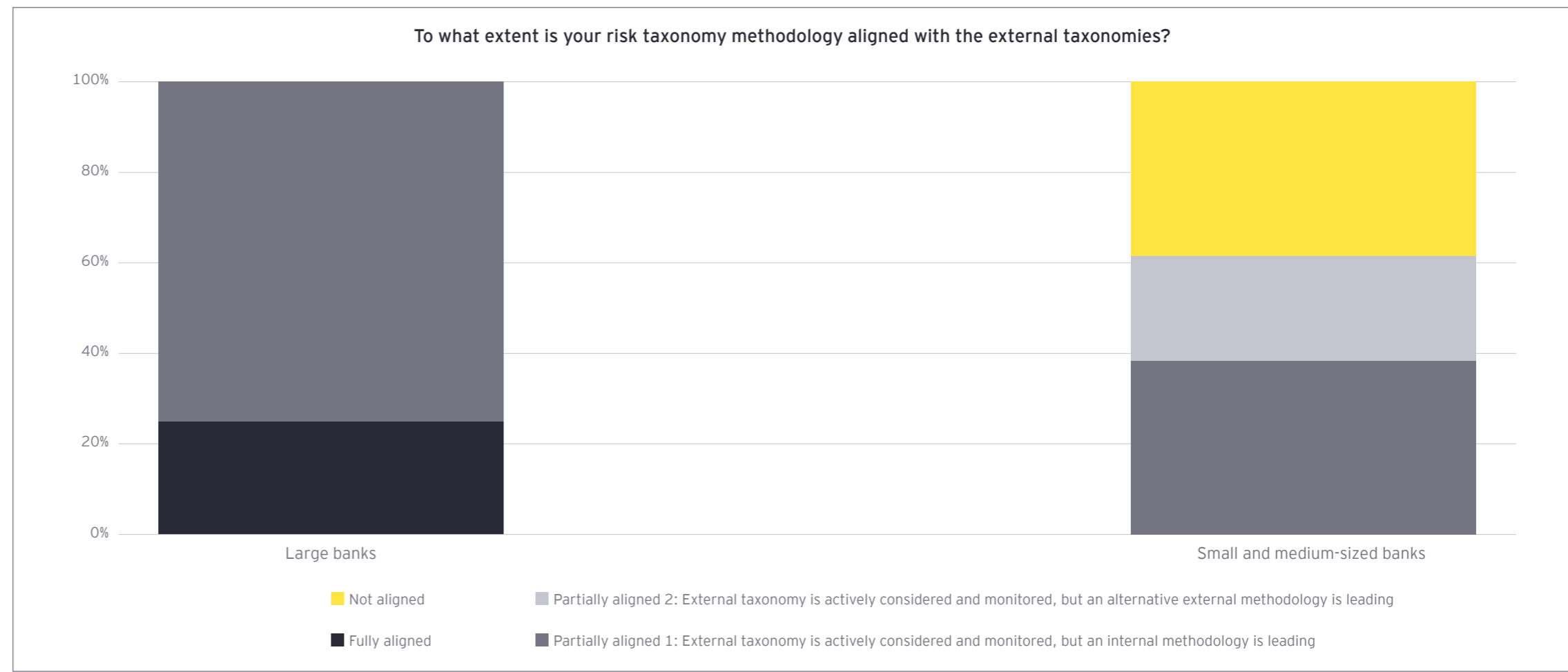
Survey responses show that small and medium-sized banks most often fall into the “partially aligned” categories, with 38% reporting partially aligned 1 (internal methodology leading) and 23% reporting partially aligned 2 (alternative external methodology leading). A further 38% report being not aligned, while none report full alignment. This shows a broadly even split across the three non-full alignment categories, rather than a majority in the “not aligned” category.

Among large banks, the majority (75%) report being partially aligned 1, where external taxonomy is considered but an internal

methodology leads. The remaining 25% report full alignment, and none indicate being partially aligned with an alternative external framework or not aligned.

Overall, this reflects mixed adoption among small and medium-sized banks, distributed across partial alignment (both types) and non-alignment, whereas large banks show consistent partial alignment, typically using external taxonomy as a reference point while maintaining their own internal taxonomy as the primary structure.

Compared with the EY Global NFR Survey 2025, where global respondents report broad alignment with external taxonomies (mostly partial and some full), the Nordic results differ slightly: large Nordic banks are predominantly partially aligned with internally led methodologies, while small and medium-sized banks show a more mixed pattern, with similar proportions across partially aligned (internal), partially aligned (external), and not aligned.

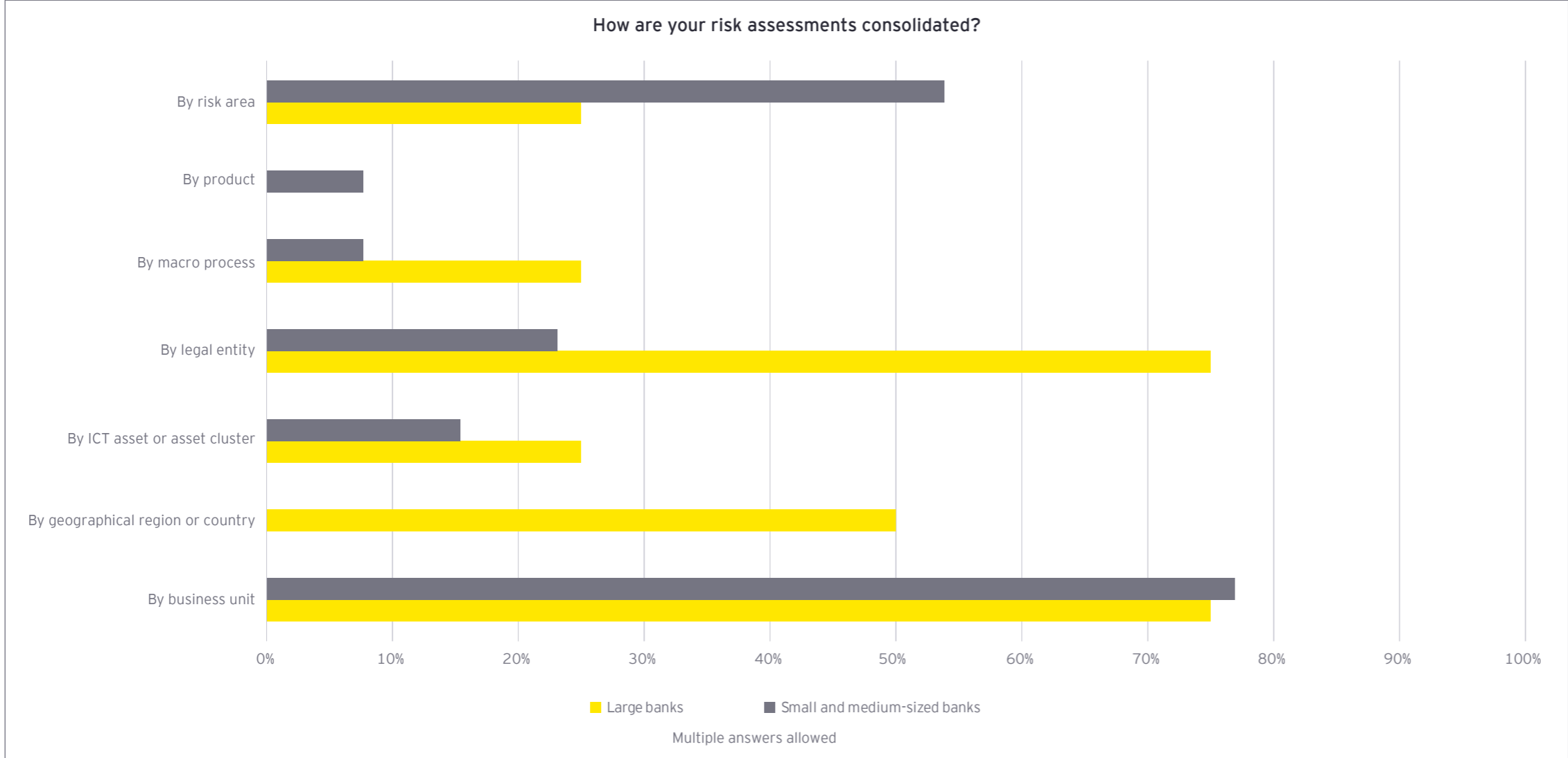


Risk assessments consolidation in the Nordics continues to differ between sizes, but with business unit alignment dominating across banks of all sizes

Survey responses show that risk assessments are most often consolidated by business unit, used by 77% of small and medium-sized banks and 75% of large banks. The second most common approach differs slightly between the groups. For small and medium-sized-banks, the second most common is consolidation by risk area (54%). For large banks, the second most common is consolidation by legal entity (75%).

Large banks also consolidate more frequently by geographical region (50%) and show higher use of ICT asset or asset cluster consolidation (25%) than small and medium-sized banks (0% and 15% respectively). Small and medium-sized banks, meanwhile, maintain slightly higher use of business unit-based consolidation than large banks and apply a wider mix of consolidation methods overall. Consolidation by product and by macro process appears less common across both groups, each staying below 25%.

Compared to the EY Global NFR Survey 2025 results, Nordic banks show broadly similar consolidation patterns, with both groups primarily organizing risk assessments by business unit. However, global respondents make more use of macro-process and geographical consolidation than Nordic banks. Large banks tend to consolidate by legal entity and geography more often than small and medium-sized banks, aligning with global trends, but overall, the Nordic region displays a more consistent pattern than what is observed globally.





Large banks lean on KRIs and incident reports, while small and medium-sized banks favor flexible and regular reporting in their non-financial risk reporting framework

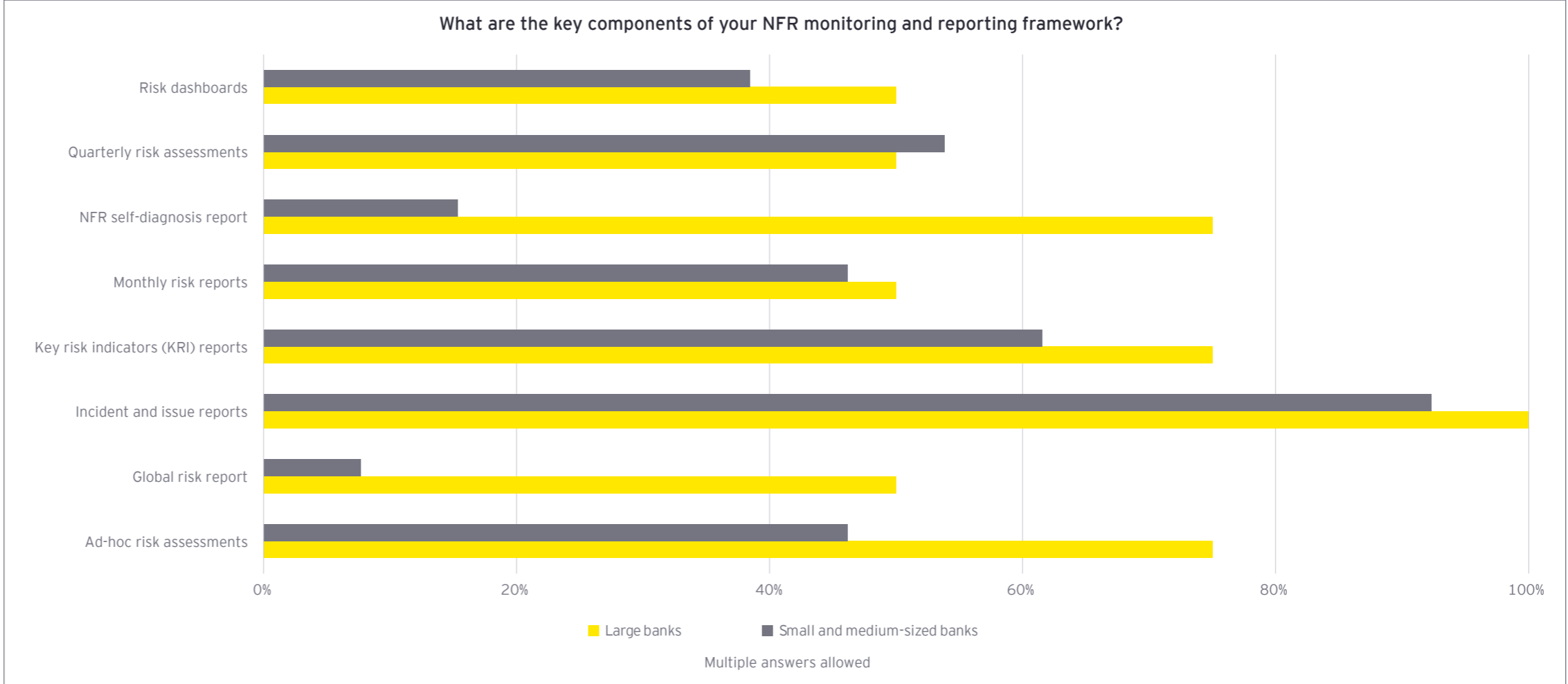
Incident and issue reports remain the most common element of non-financial risk monitoring across both groups, used by all large banks and 92% of small and medium-sized banks. These reports form the fundamental layer of NFR monitoring regardless of bank size.

Small and medium-sized banks focus, after incident and issue reports, mainly on key risk indicators reports (62%) and quarterly risk assessment (54%), indicating a reliance on periodic and structured reporting cycles.

In contrast, large banks' second tier of key common components are NFR self-diagnosis reports (75%), KRI reports (75%) and ad-hoc assessments (75%). This demonstrates a broader and more enterprise level reporting architecture, where diagnostic tools and centrally coordinated outputs play a larger role.

Risk dashboards are used by both groups but remain more prevalent among large banks (50%) than small and medium-sized banks (38%). This difference is consistent with the greater integration of enterprise-wide tooling typically found in larger banks.

When compared with global results, the Nordic pattern remains broadly aligned, particularly in the widespread use of incident reporting and KRIs. However, global respondents make greater use of dashboards, while Nordic banks, especially small and medium-sized ones, lean more heavily on quarterly, monthly and ad-hoc risk reporting. Large Nordic banks align more closely with global practices through their higher use of global risk reports and structured enterprise level outputs.



Integration of incident management differs by bank size, reflecting divergent operating models

All large banks report some level of integration: 75% are partially integrated and 25% are fully integrated. Among small and medium-sized banks, 38% manage the two separately, with the remaining split between partial (38%) and full integration (23%).

Incident and event management is more integrated in large banks, where at least partial alignment is the norm. Small and medium-sized banks show a mixed picture, with a notable group running separate processes and others moving toward partial or full

integration. The pattern points to differences in operating models and maturity levels rather than a single common approach across the market.

Compared with the EY Global NFR Survey 2025 results, full, partial, and separate models all appear globally. In the Nordics, however, large banks are always integrated, either partially or fully, while small and medium-sized banks are more evenly divided between integrated and separate processes.



Severity and business line drive incident prioritization across banks, with subtle variations by size

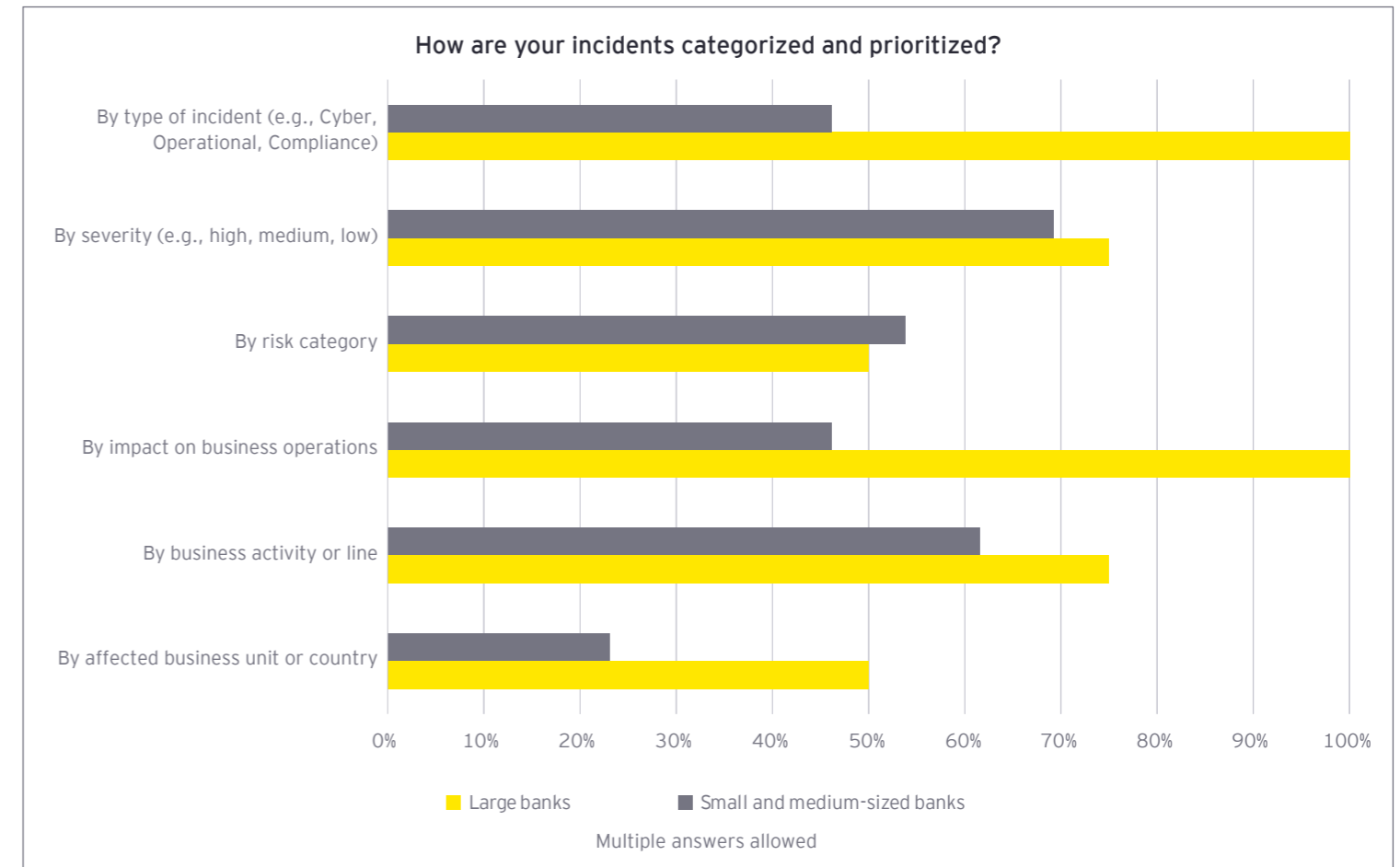
Survey responses show that large banks and small and medium-sized banks generally categorize and prioritize incidents using the same main approaches. The most common categorization methods for all banks are by severity and by business activity or line. Among large banks, 75% classify incidents by severity and 75% by business activity or line. Small and medium-sized banks show a similar pattern, with 69% using severity and 62% using business activity or line.

For large banks, impact on business operations and type of incident both are used by all respondents. Small and medium-sized banks adopt a broader mix of approaches with categorization by

risk category (54%), type of incident (46%) and impact on business operations (46%).

Overall, large banks most often prioritize incidents by impact on operations, type of incident, severity and business activity or line, while small and medium-sized banks focus on severity, business activity or line and type of incident.

Compared with the EY Global NFR Survey 2025, global respondents place the strongest emphasis on severity and operational impact, while Nordic banks take a more balanced, multi-criteria approach.

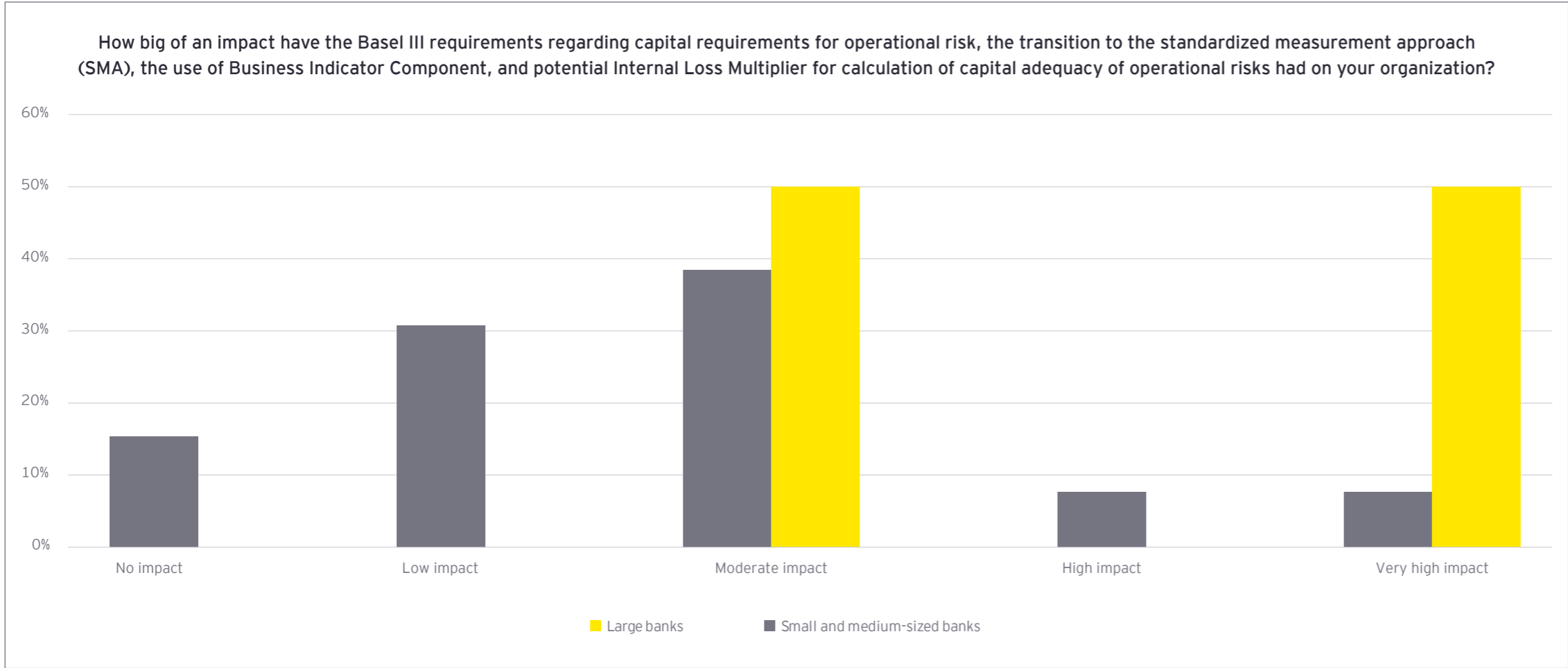


Basel III reform creates higher impact for large banks than small and medium-sized banks

The responses show that the Basel III changes create notable differences by size. For large banks, the view is evenly split on moderate impact and a very high impact, each at 50%. This indicates that large banks experience the framework change as a meaningful shift, likely due to their broader activity mix and exposure to the Business Indicator Component.

Among small and medium-sized banks, the most frequent response is moderate impact, though at a lower level (~38%), with additional responses spread across low impact and no impact. A smaller share also reports high or very high impact. This distribution suggests a more varied experience, reflecting differences in business models and how directly the Basel III components affect their capital requirements.

Both groups most often report a moderate impact, but large banks show a stronger concentration at the higher end of the scale, with half of them indicating a very high impact. Small and medium-sized banks show a wider spread of views, ranging from no impact to high impact, pointing to more diverse exposure to the new capital requirements.



Small and medium-sized banks more often leverage AI and advanced data analytics in their non-financial risk management function

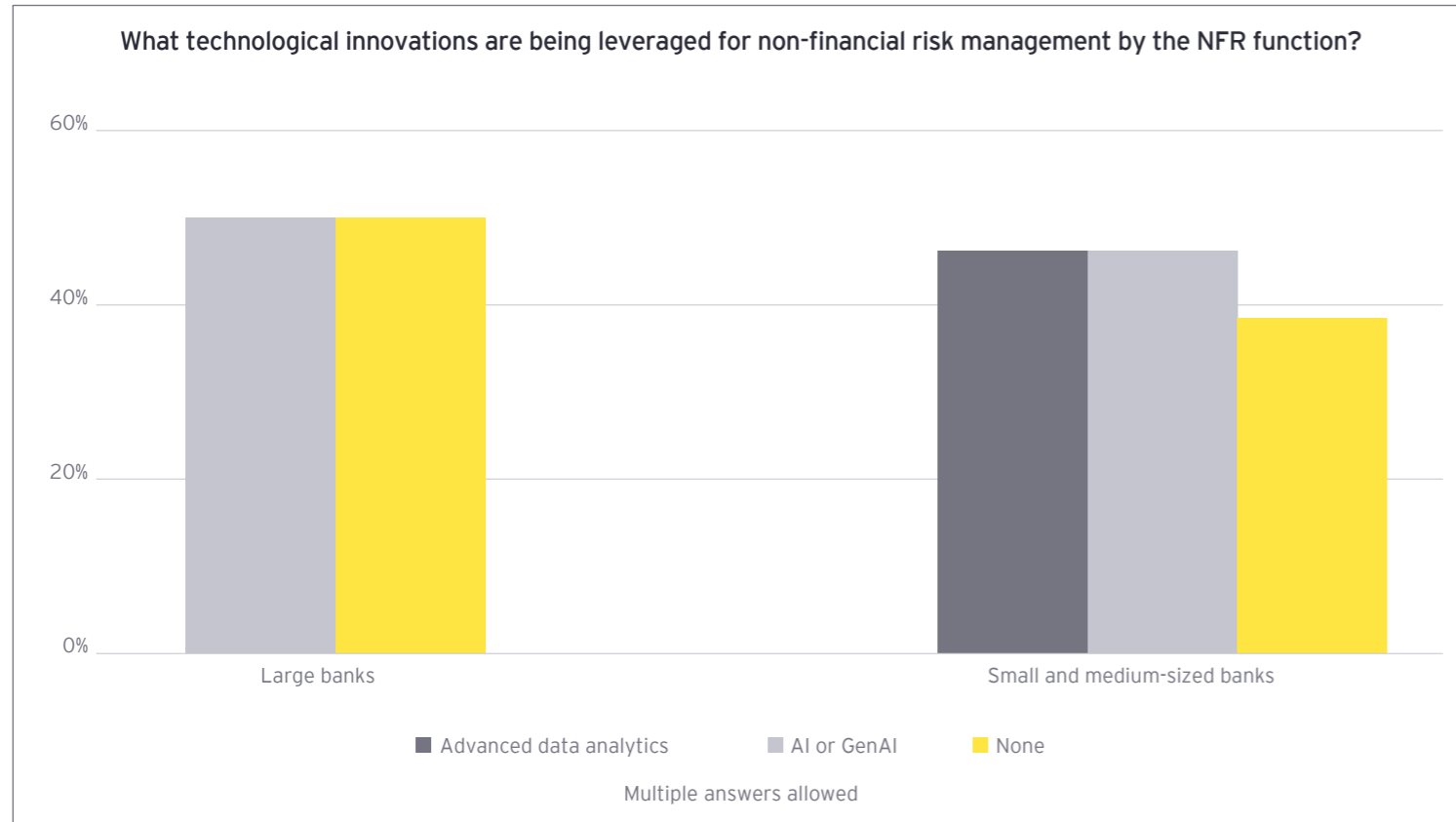
Small and medium-sized banks most often report using AI or GenAI and advanced data analytics, while large banks more often report either AI or GenAI or no specific innovation in use.

AI or GenAI is used by 46% of small and medium-sized banks and by 50% of large banks in their non-financial risk management function. Advanced data analytics appears in 46% of small and medium-sized banks compared with none of large banks. At the same time, 50% of large banks report using no technological innovations, compared with 38% of small and medium-sized banks.

Overall, small and medium-sized banks report more active use of AI, GenAI, and analytics in their NFR activities, while large banks more often indicate that no specific technological innovation is

currently in use. This points to different stages of adoption across the two groups.

The 2022 survey identified AI risk management as one of the least mature areas, with many banks not having a framework, and chatbots as the most common use case. Today's NFR survey results show broader adoption, especially in small and medium-sized banks. This marks a shift when AI risk management was still at an early stage and largely limited to chatbots, highlighting meaningful progress in AI adoption since then. The EY Global NFR Survey 2025 results show broad use of advanced analytics and AI or GenAI, which aligns more closely with the adoption levels seen among small and medium-sized Nordic banks than among the larger ones.



Common pain challenges when implementing Governance, Risk and Compliance (GRC) tools include integration complexity and user adoption concerns

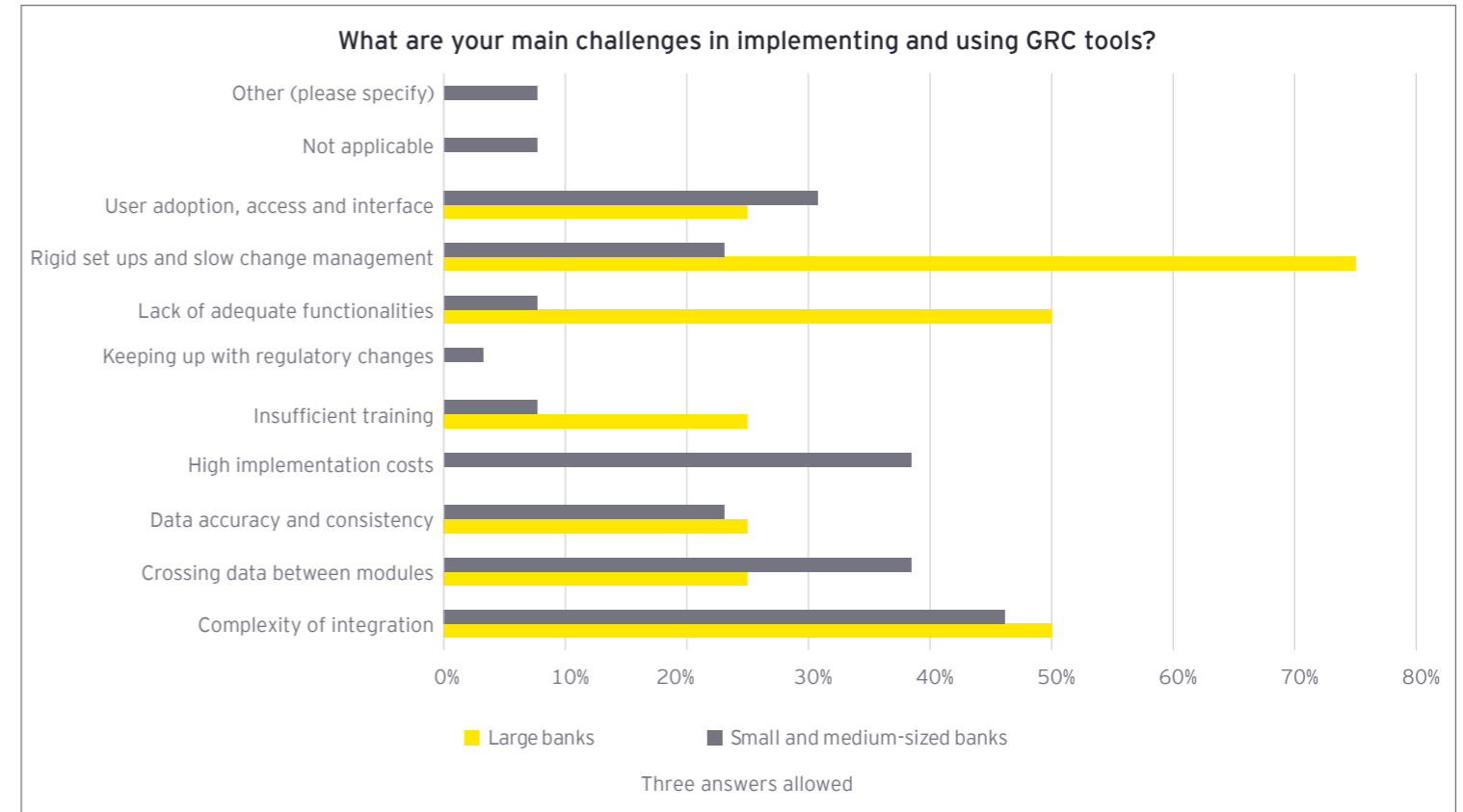
Survey responses show that small and medium-sized banks most often point to complexity of integration (46%), followed by crossing data between models and high implementation costs (both at 38%). These responses indicate that cost pressures and integration challenges play a central role for this group.

Among large banks, the most common challenge is rigid setups and slow change management (75%), with complexity of integration and lack of adequate functionalities also frequently mentioned (both at 50%). This suggests that larger banks face more limitations related to system flexibility and adapting GRC tools to evolving requirements, rather than cost pressures.

Across both groups, integration complexity and user adoption or interface concerns appear consistently. The variation lies in

emphasis: small and medium-sized banks highlight costs and data movement, while large banks highlight system rigidity and the pace of change. 8% of smaller banks responded "other", which highlights that lack of knowledge and urgency in the first line is a key challenge.

Compared with the EY Global NFR Survey 2025 results, several themes overlap, particularly integration complexity and user adoption or interface challenges. Globally, however, respondents place stronger emphasis on data accuracy and consistency, and high implementation costs appear more broadly across organizations. In contrast, Nordic large banks more commonly cite rigid setups and slow change, while Nordic small and medium-sized banks place relatively more weight on implementation cost and integration effort.



GRC toolset centers on incident handling and control related functions, where large banks also extend further into risk reporting

Small and medium-sized banks most often use incident management (77%), with control management (62%) and risk identification (54%) next, as functions in their GRC tools. A second tier includes risk assessment, risk reporting and third-party management. A minority select none.

Overall, both groups rely heavily on incident and control related capabilities. Large banks show broader coverage across audit and reporting features, while small and medium-sized banks place relatively more emphasis on incident handling and upfront risk identification, with wider use of third-party management.

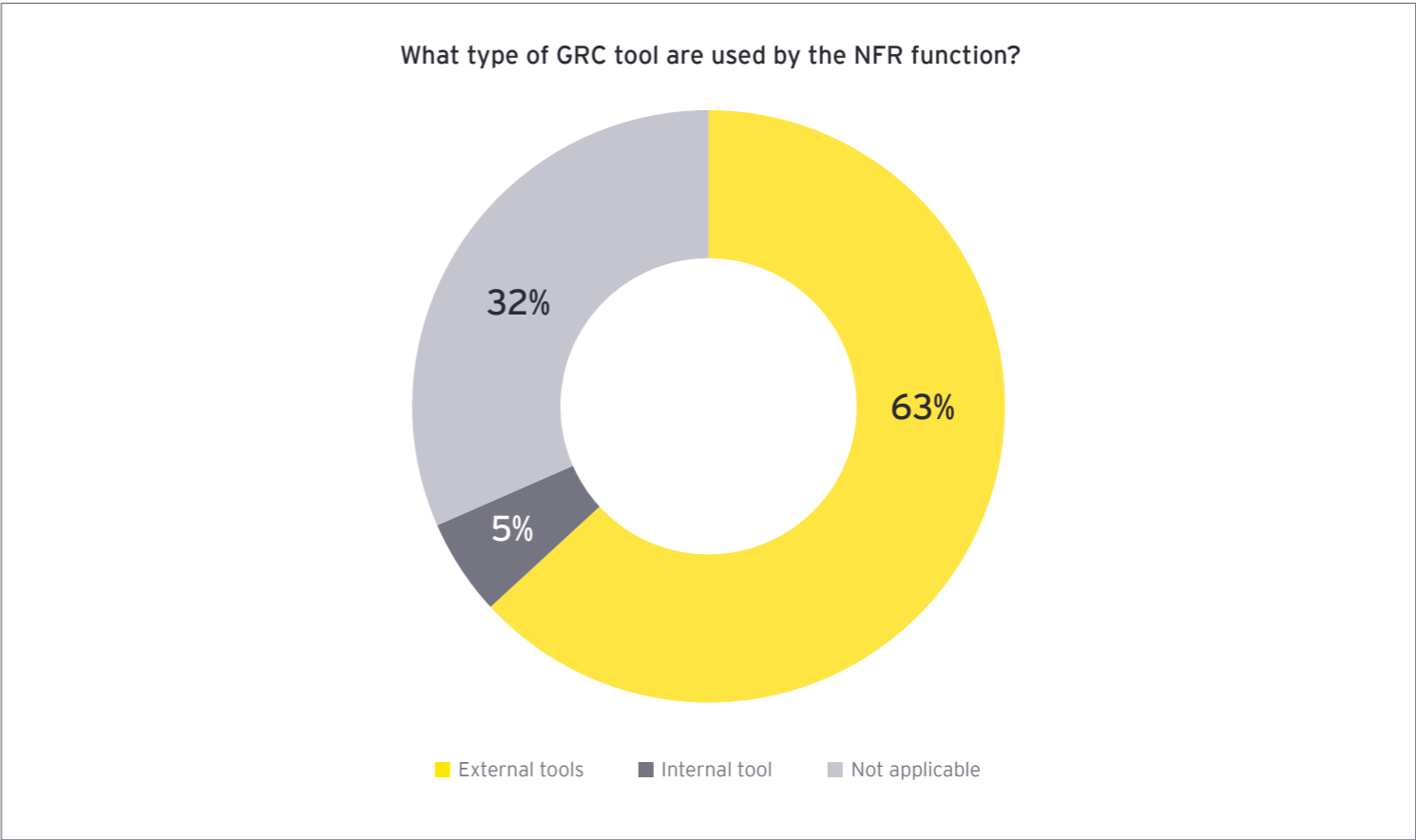
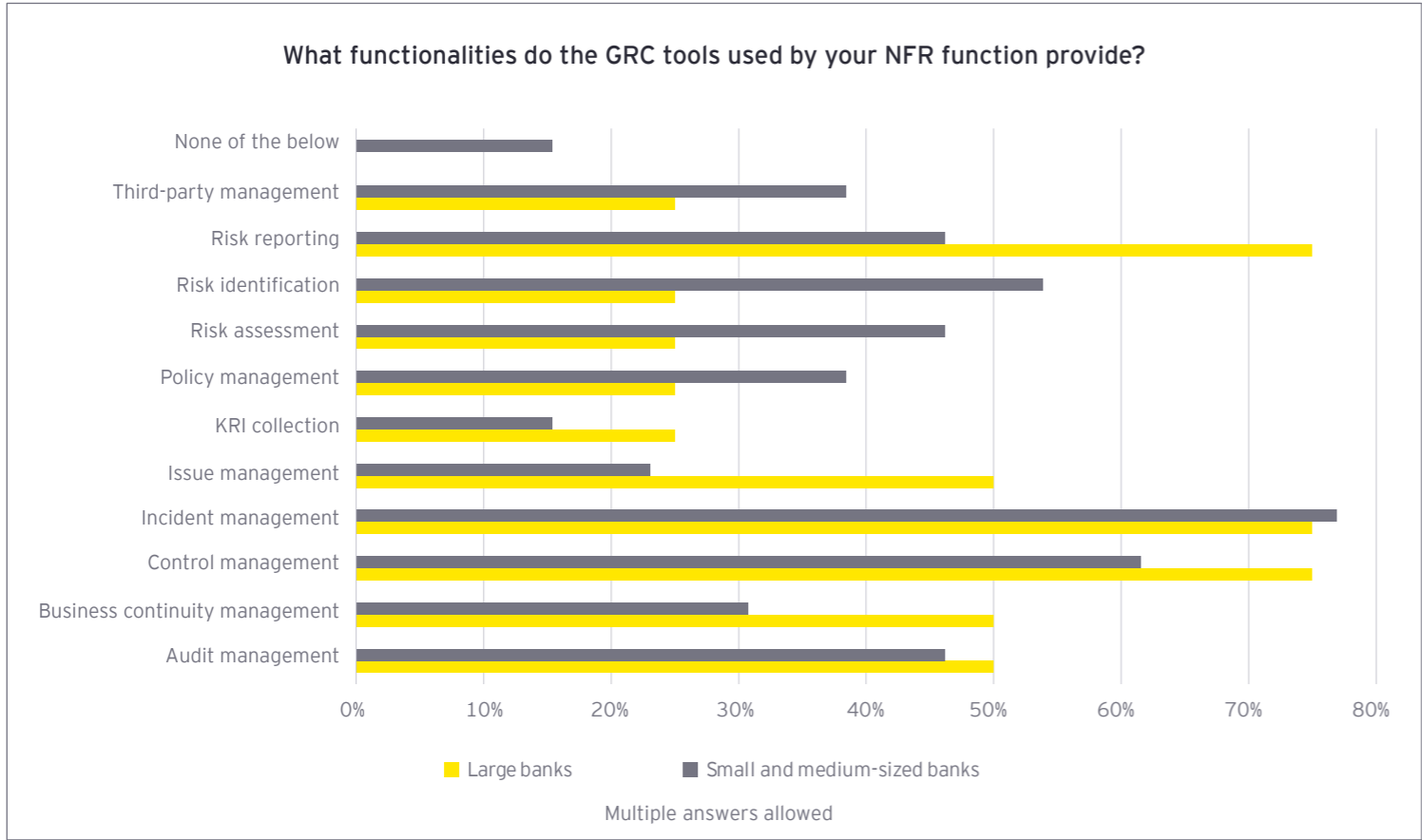
Large banks show the highest use of incident management (75%), control management (75%) and risk reporting (75%), with risk audit management, issue management and business continuity management (each at 50%) also strong. Use of KRI collection is present but lower.

Global results show a similar core set of functionalities. Business continuity management is also widely used globally, which aligns more closely with the broader usage seen among large Nordic banks.

Use of external vendors for GRC tools diverge across the Nordic banking market

Survey responses shows that a majority (63%) of responses uses external vendors for GRC tools in the NFR function. Only 5% of responses indicate that they use internally developed tools for the non-financial risk function. The remaining 32% responded "not applicable" which could indicate less standardized or less vendor-driven GRC setups, relying more on niche or internally developed solutions, and in some cases, no formal GRC vendor tool at all.

A similar fragmentation was visible in the 2022 Model Risk survey, where most banks used external vendor models with in-house adaptations rather than a single standardized platform.





Future AI use in the non-financial risk function varies and shows clear size-based priorities

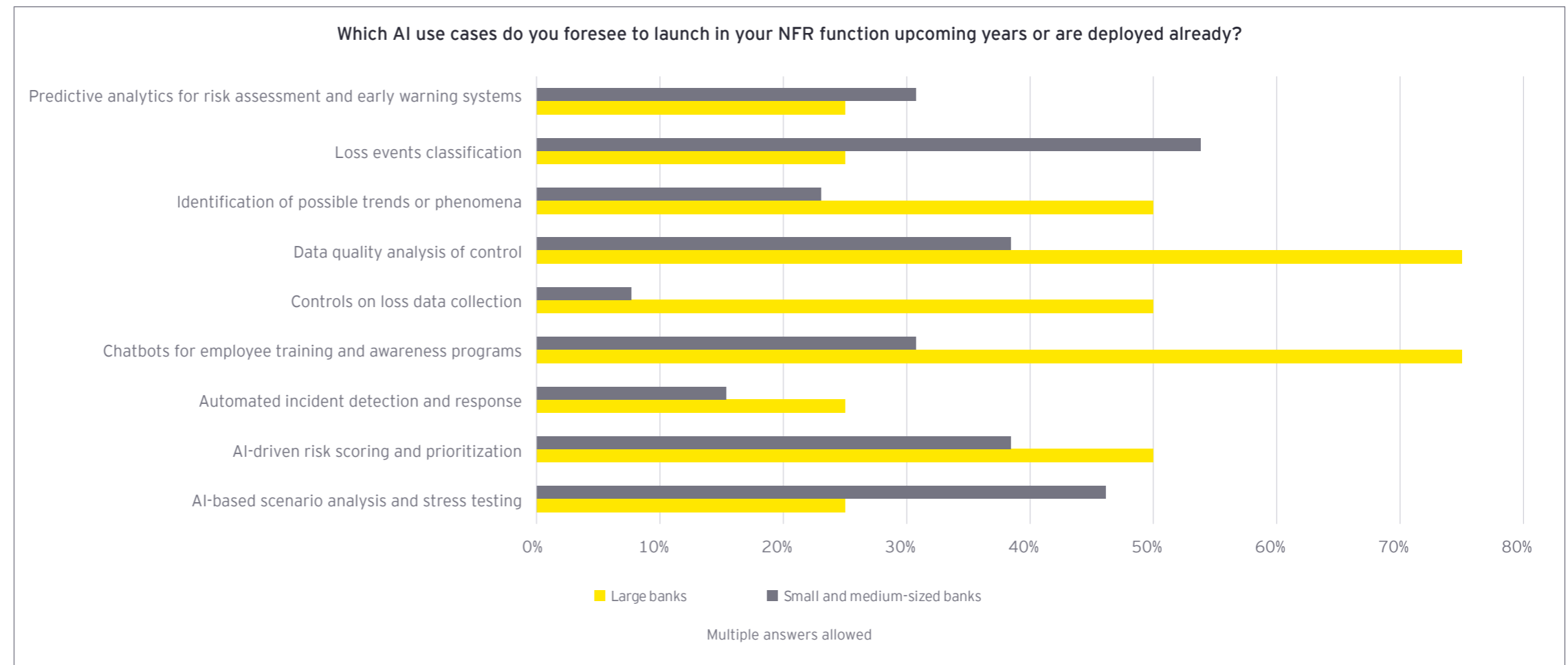
Survey responses show different AI priorities by size. Small and medium-sized banks most often select loss event classification (54%), followed by AI-based scenario analysis and stress testing (46%) and AI-driven risk scoring and prioritization (38%). This points to a focus on risk assessment and decision support use cases.

Large banks most frequently select chatbots for employee training and awareness (75%) and data quality analysis of controls (75%), with identification of possible trends or phenomena also frequently selected (50%). This indicates more emphasis on data quality, control processes and workforce enablement.

Overall, both groups show interest in AI-driven risk scoring and prioritization, while small and medium-sized banks lean more toward scenario-based and scoring applications, and large banks lean more toward data or control quality and training.

These findings complement the AI Risk Management section of the report, which focuses on governance and control maturity. While that section highlights uneven progress in AI risk frameworks and controls, this analysis illustrates how banks are already prioritizing different AI use cases within the NFR function, reflecting varying operating models and maturity levels. [Read more about AI Risk Management on page 24.](#)

This builds on the 2022 Model Risk survey, where chatbots dominated early AI use; today's broader adoption of scenario analysis and scoring suggests an expansion toward more analytical AI capabilities. The global survey results show strong interest in predictive analytics, NLP for regulatory tasks, and machine learning for fraud detection, which differs from the Nordic pattern. Nordic small and medium-sized banks focus more on scenario analysis and scoring, while large Nordic banks prioritize training chatbots and data quality controls, with loss event classification common across both groups.



ESG

This section introduces the core themes of social- and governance-related ESG risks by examining how banks structure their ESG, how banks engage with stakeholders on key social issues such as diversity and human rights, how they identify and assess human rights risks across operations and supply chains, and how these practices collectively reflect an institution's overall maturity in managing social and governance matters.

By analyzing how banks respond to these questions, we can gain valuable insight into their maturity in identifying, structuring, and managing social- and governance-related ESG risks. The responses can indicate the extent to which ESG risks are embedded within the broader risk framework, material risk assessment and ongoing risk monitoring.

ESG is structured differently depending on the size of the bank

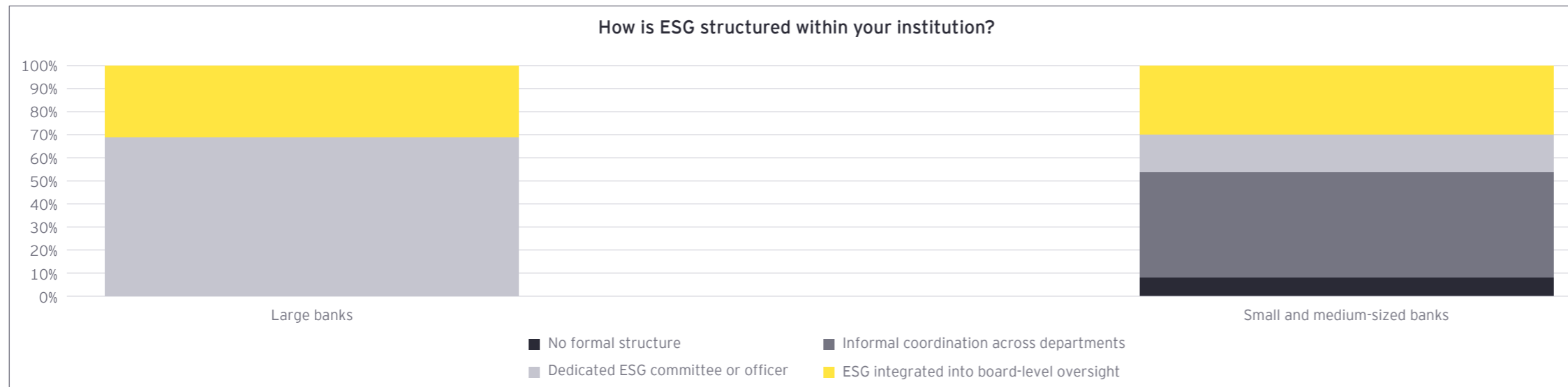
An assessment of ESG structures across banks indicates a clear distinction between large banks and their small and medium-sized counterparts.

Large banks predominantly exhibit formalized and advanced ESG frameworks. They predominantly rely on dedicated ESG committees or officers, with 75% reporting this as their primary structure. A further 25% have ESG integrated into board-level oversight, and none of the large banks report informal coordination or an absence of formal structures. This demonstrates a consistently institutionalized approach to ESG among large banks.

In contrast, small and medium-sized banks display a more varied and less embedded governance structure. Informal coordination across departments remains the most common approach (46%),

indicating that ESG considerations are recognized but not yet structurally integrated. Around 15% have created a dedicated ESG role or committee, and 8% report having no formal ESG at all. Notably, however, a higher proportion of small and medium-sized banks report ESG oversight at the board level (31%) compared with large banks (25%). This could suggest that while small and medium-sized banks may lack formalized structures, some compensate by elevating ESG to the highest governance layer.

Overall, the findings suggest that large banks have more fully institutionalized ESG, which may enhance their preparedness for regulatory requirements. Meanwhile, the more varied structures among small and medium-sized banks highlight differing levels of formalization. Nonetheless, the comparatively strong board level involvement could be an interesting indication of ESG risk management's strategic direction.



The board and executive teams review ESG risks increasingly frequently where quarterly reviews are the most common

Among large banks, ESG risks are predominantly reviewed on a quarterly basis, with 75% of banks conducting these reviews four times per year. This points to a strong integration of ESG considerations into ongoing risk governance processes. The remaining 25% perform annual reviews, and notably, none report never having conducted such an assessment.

Small and medium-sized banks demonstrate a more varied pattern. While 54% also conduct quarterly reviews, indicating increasing structure in their ESG oversight, 38% rely on annual reviews, reflecting differing levels of maturity and capacity.

A small proportion, 8%, report never having carried out a formal ESG risk review, indicating that ESG considerations are not yet fully embedded within their risk oversight frameworks.

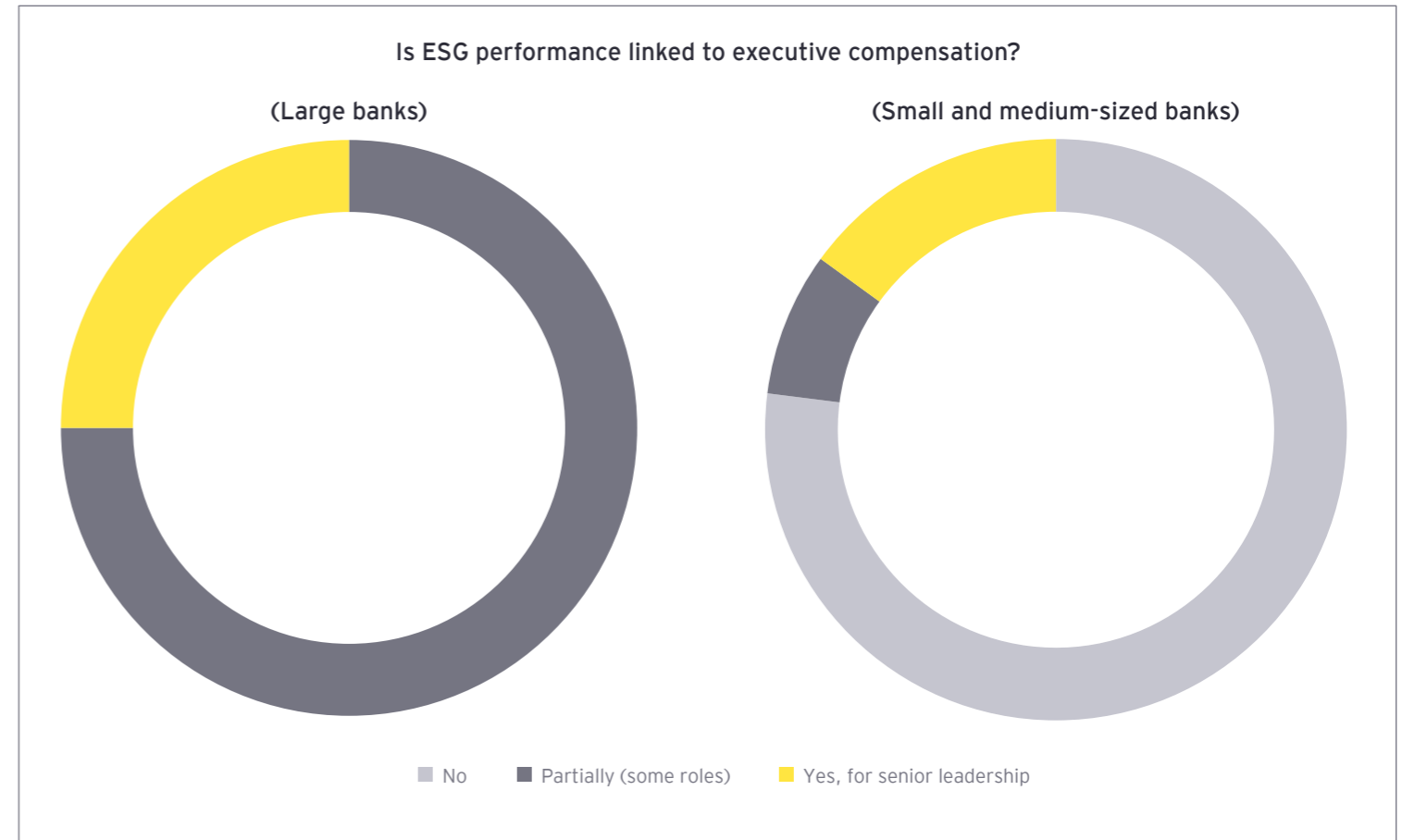
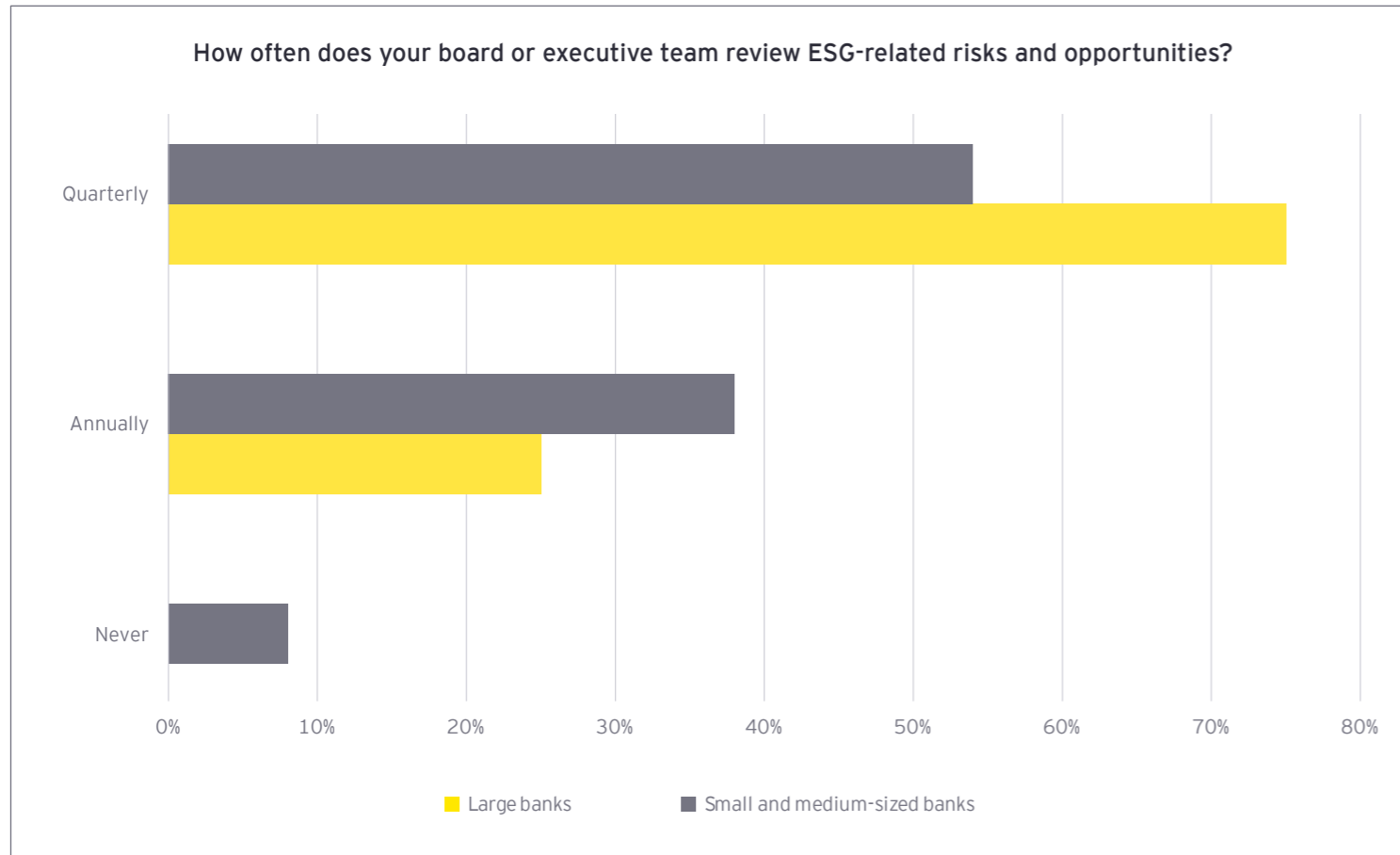
Overall, quarterly ESG reviews are now a common practice across the Nordic market, with a majority of both large and small and medium-sized banks conducting them. However, the wider spread of review frequencies among small and medium-sized banks suggests that ESG is less consistently embedded, which may limit their ability to respond proactively to evolving expectations and regulatory development.

ESG-linked compensation is emerging among larger banks, while it is less integrated at small and medium-sized banks

Most large banks show clear signs of maturity in ESG-linked compensation. While none have implemented ESG-linked compensation across all roles, there is also none with no such incentives at all. Instead, 75% apply ESG-linked compensation to selected roles, and the remaining 25% extend these incentives to senior leadership only. This pattern indicates that ESG considerations are increasingly embedded in remuneration frameworks among large banks, even if they are not yet fully organization wide.

For small and medium-sized banks, ESG-linked compensation is significantly less common. 77% report having no such mechanisms in place. Only 8% apply ESG-related incentives to a limited set of roles, and 15% extend them to senior leadership.

Overall, the data shows that Nordic banks are progressing in integrating ESG into compensation, but the practice remains concentrated in selected roles and senior leadership. Larger banks have come further toward aligning incentives with ESG, whereas small and medium-sized banks are still in early stages of adoption.



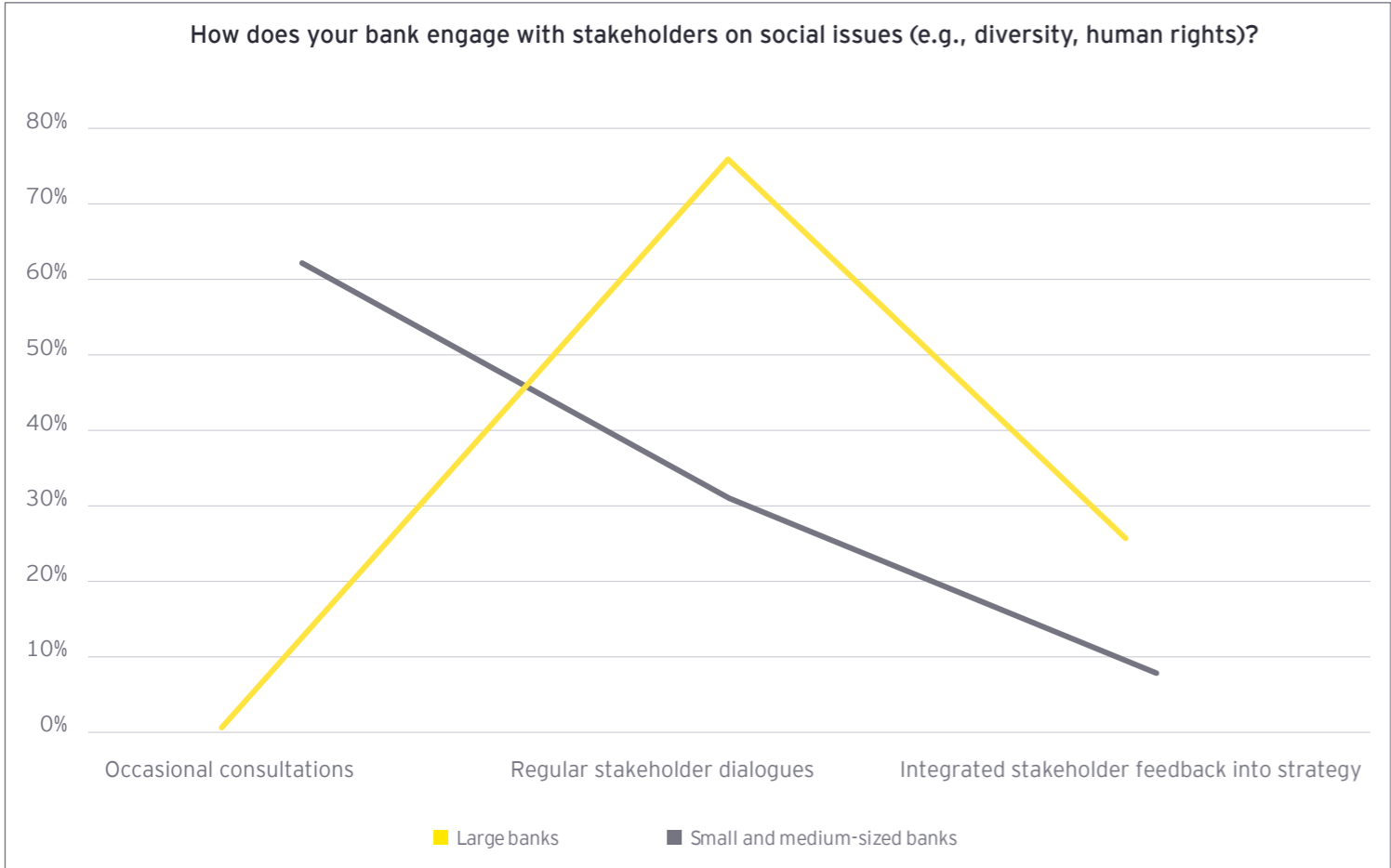
Large banks lead on structured stakeholder engagement

Large banks predominantly maintain regular stakeholder dialogues, with 75% reporting regular engagement with customers, communities, employees and other external groups. The remaining 25% integrate stakeholder feedback directly into strategy, reflecting a more institutionalized and proactive approach to social risk management.

In contrast, small and medium-sized banks rely far more heavily on occasional consultations, with 62% indicating this as their primary approach. Only 31% conduct regular stakeholder dialogues, and just 8% report formally integrating stakeholder insights into

strategy. This pattern points to a less embedded and more reactive approach compared with their larger peers.

Overall, the findings suggest that large banks demonstrate a higher level of maturity in stakeholder engagement, using continuous dialogue to strengthen awareness of social risks and support responsible business practices. Small and medium-sized banks tend to take a more reactive and less structured approach, which may limit their ability to identify emerging social issues or respond proactively to stakeholder expectations.

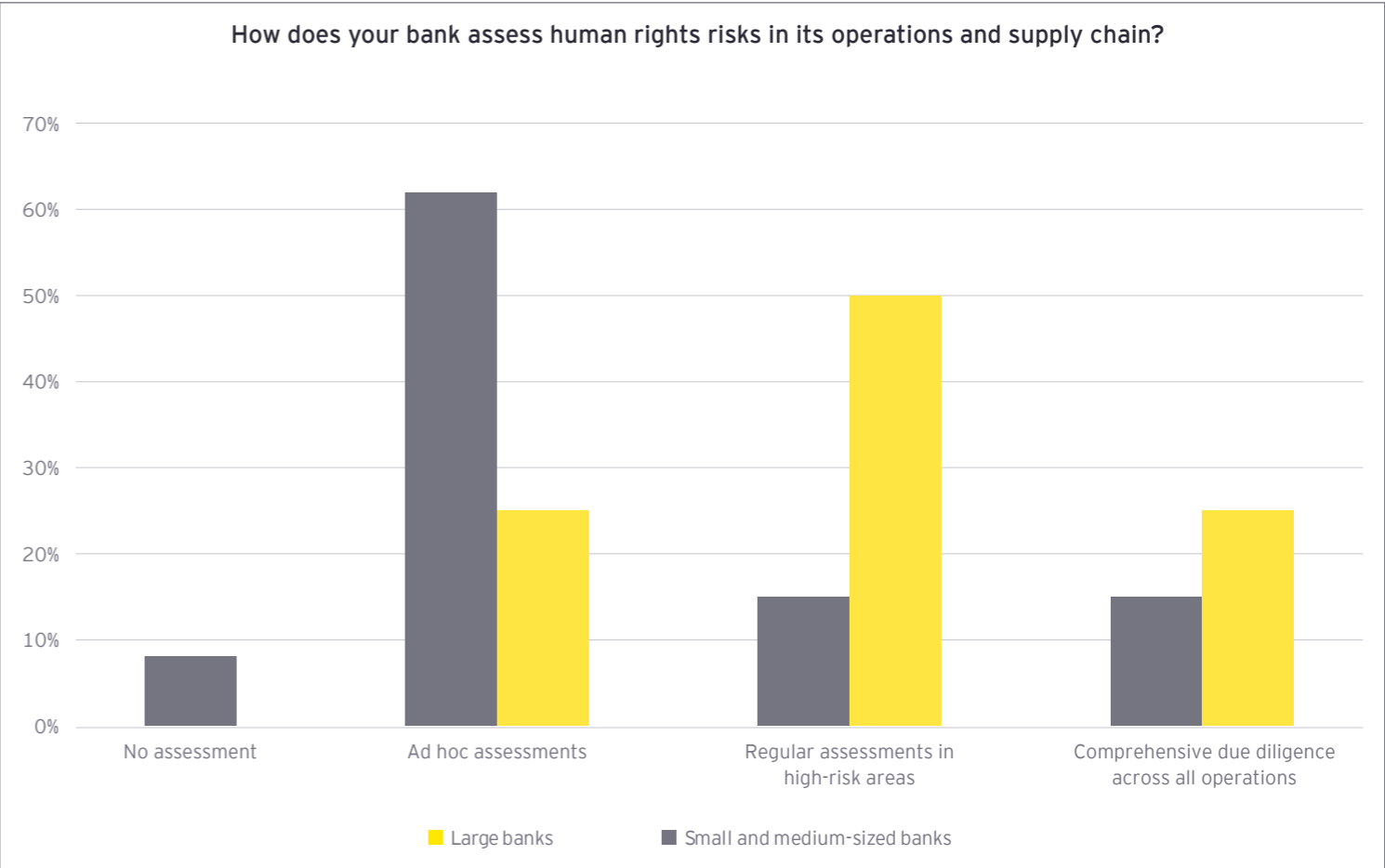


Human rights risk assessment maturity varies significantly

Large banks demonstrate a more structured approach to human rights assessment. None report having no assessment in place. Instead, assessments are split across three levels of maturity: 25% conduct ad hoc human rights assessments, 50% carry out regular assessments focused on high-risk areas, and 25% undertake comprehensive due diligence processes across their operations and supply chains. This distribution indicates that large banks have moved beyond reactive practices and are embedding more formalized human rights due diligence into their governance structures.

Small and medium-sized banks exhibit substantially lower levels of maturity. A majority, 62%, rely solely on ad hoc assessments. Far fewer conduct regular assessments in high-risk areas (15%), and another 15% conduct a more comprehensive due diligence. An additional 8% report having no human rights assessment in place at all.

Overall, the data indicates that large banks are progressively adopting more structured and risk-based approaches to human rights due diligence, aligning with emerging regulatory expectations such as CSDDD. In contrast, small and medium-sized banks remain in the early stages of developing consistent and scalable assessment processes.

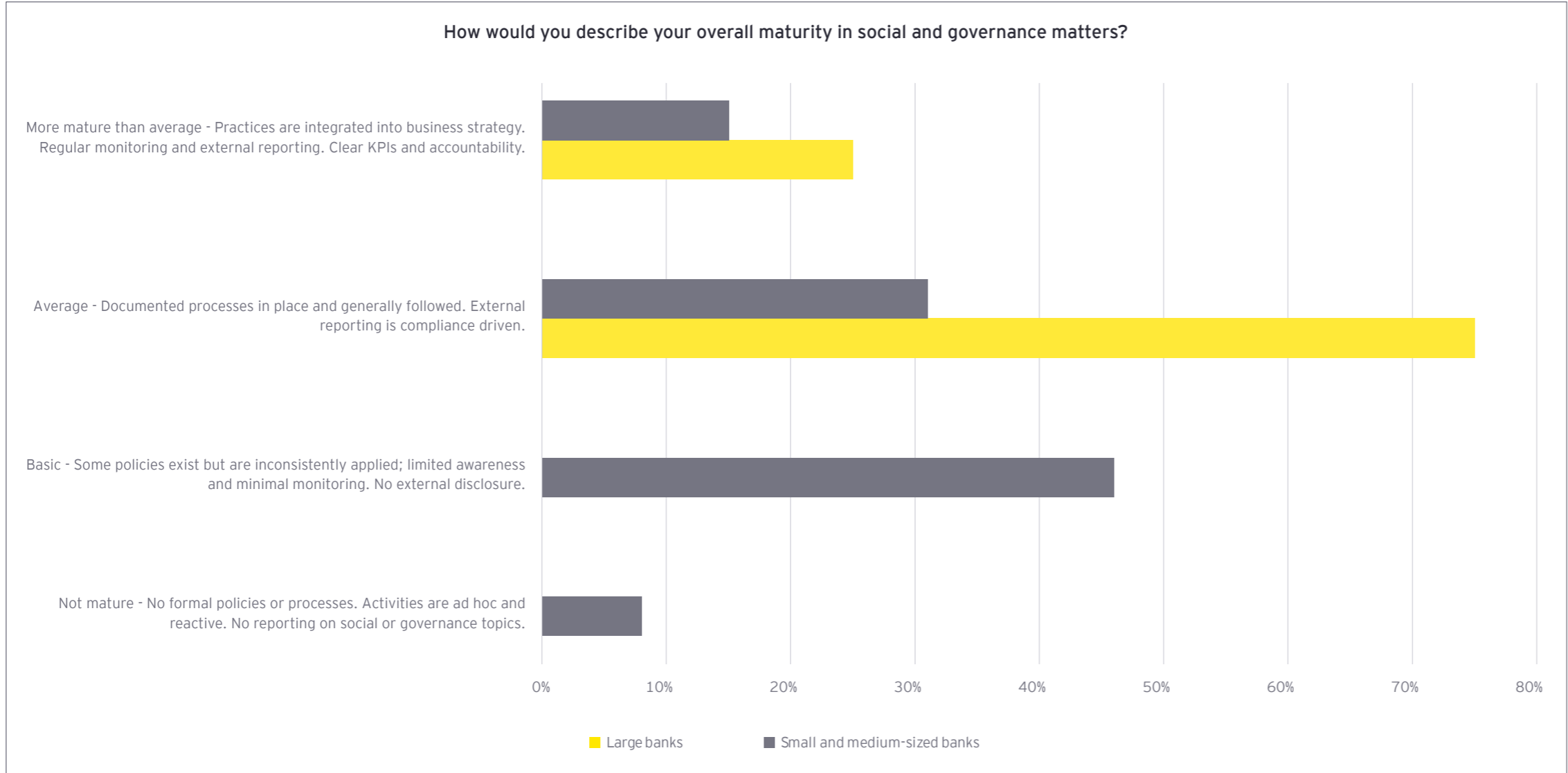


Maturity positioning in social and governance matters showcases differences between large and small and medium-sized banks

Large banks predominantly position themselves in the mid-to-high maturity range. 75% classify their maturity as “Average”, reflecting documented processes, established governance routines and compliance-driven reporting. The remaining 25% consider themselves “More mature than average”, indicating stronger strategic integration, clearer KPIs, and more advanced oversight structures. Notably, none of the large banks describe themselves as “Basic” or “Not mature”.

Small and medium-sized banks display a broader spread across maturity levels and cluster more heavily toward the lower end. 46% rate themselves as “Basic”, indicating inconsistent applied policies and limited monitoring. 31% place themselves in the “Average” category, and 15% consider themselves “More mature than average”. A small share (8%) identifies as “Not mature”, highlighting that foundational ESG practices are still being established in parts of this segment. Overall, the

updated maturity distribution reinforces the pattern observed throughout earlier social and governance-related findings: large banks have progressed further in embedding structured ESG and integrating social risk considerations, such as human rights assessments. In contrast, small and medium-sized banks show greater variation, with many still in the early stages of establishing formal ESG structures and developing the capabilities required to systematically identify, assess, and manage social risks.



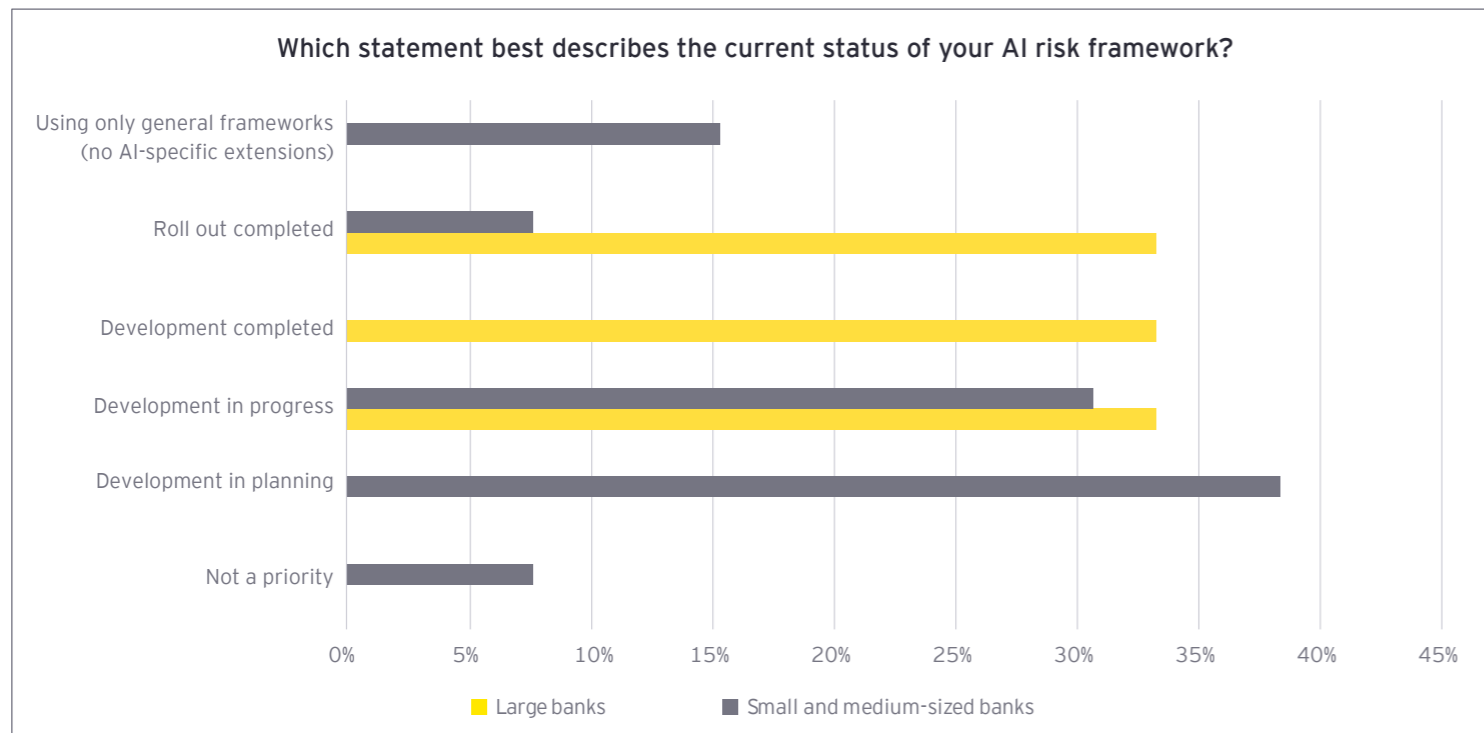
AI risk management

Nordic banks advance AI risk frameworks at different speeds

The survey results indicate that Nordic banks are at different stages of maturity when it comes to establishing an AI risk framework. Large banks generally appear to have progressed further in formalizing their approaches, while small and medium-sized banks are more frequently found in earlier phases of development. Small and medium-sized banks predominantly report that their AI risk frameworks are either in the planning phase or currently under development. A significantly higher percentage of these banks indicate that development is ongoing, reflecting an increased awareness of AI-related risks but also highlighting that formalized frameworks are still being established. A smaller

proportion (8%) of small and medium-sized banks state that AI risk is not currently a priority, which may reflect more limited AI adoption, resource constraints, or competing regulatory and operational priorities.

Overall, the findings suggest that while AI risk is increasingly recognized across the Nordic banking sector, there remains a clear maturity gap between large banks and small and medium-sized banks. The results indicate a transition phase, where many banks are moving from ad hoc or general risk management approaches toward more structured and AI-specific risk frameworks.

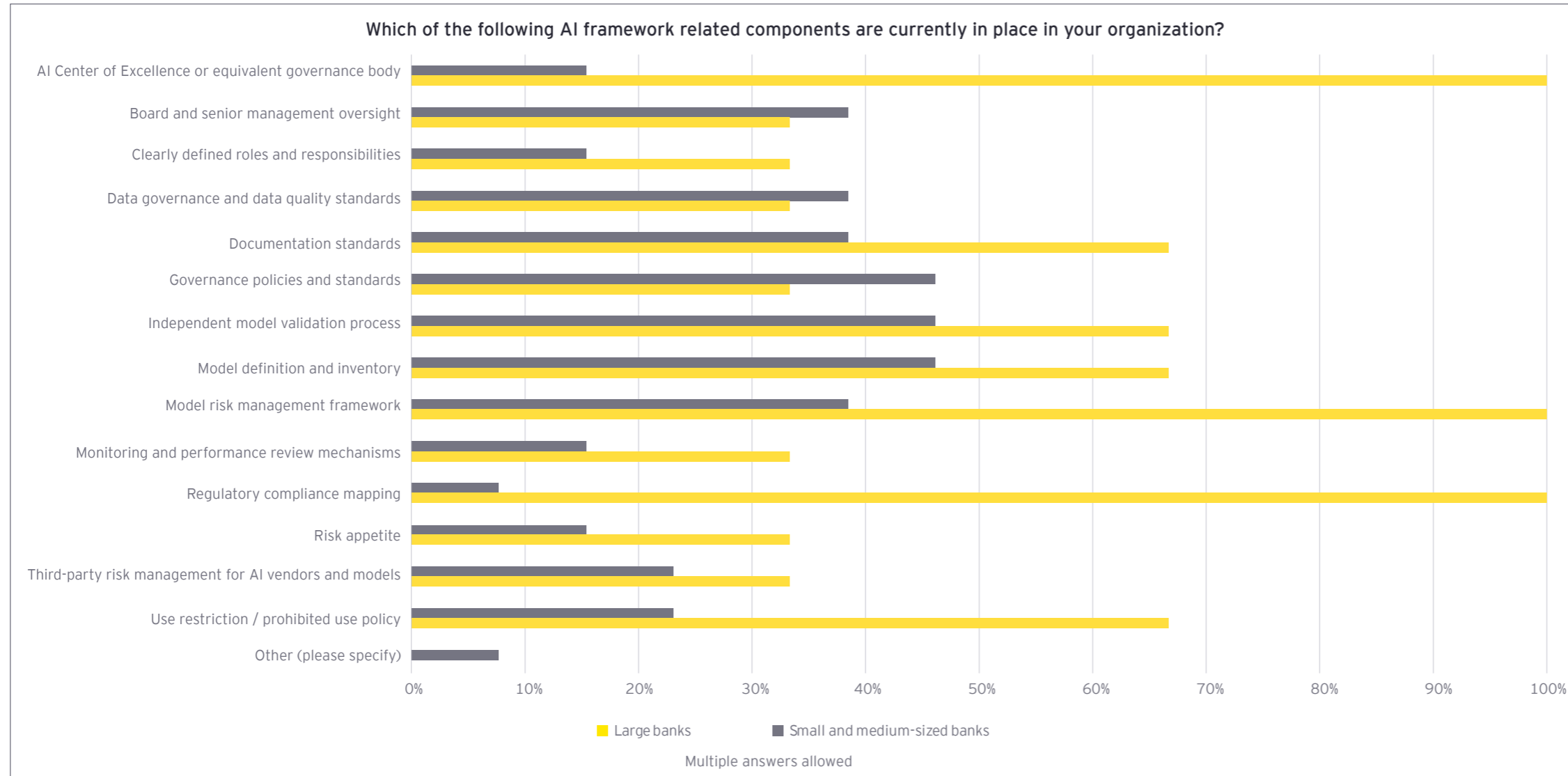


Foundational AI governance components are in place, with different focus areas across bank sizes

The results show that both large banks and small and medium-sized banks have established a broad set of AI governance components, though with different areas of emphasis. Large banks report higher implementation of more AI-specific and risk-oriented components, including model risk management frameworks, regulatory compliance mapping, independent model validation, and use restriction or prohibited use policies. This indicates a stronger focus on formal risk control and regulatory alignment.

Small and medium-sized banks, on the other hand, more frequently report implementation of governance policies and standards, documentation standards, data governance and data quality standards, and board or senior management oversight. This suggests a stronger emphasis on foundational governance structures and general control frameworks rather than specialized AI-specific mechanisms.

Overall, the findings indicate that while both bank groups have put important AI governance components in place, their implementation reflects different priorities and stages of maturity. Large banks appear to focus more on advanced AI risk controls, whereas small and medium-sized banks emphasize broader governance and documentation practices as a basis for further development.



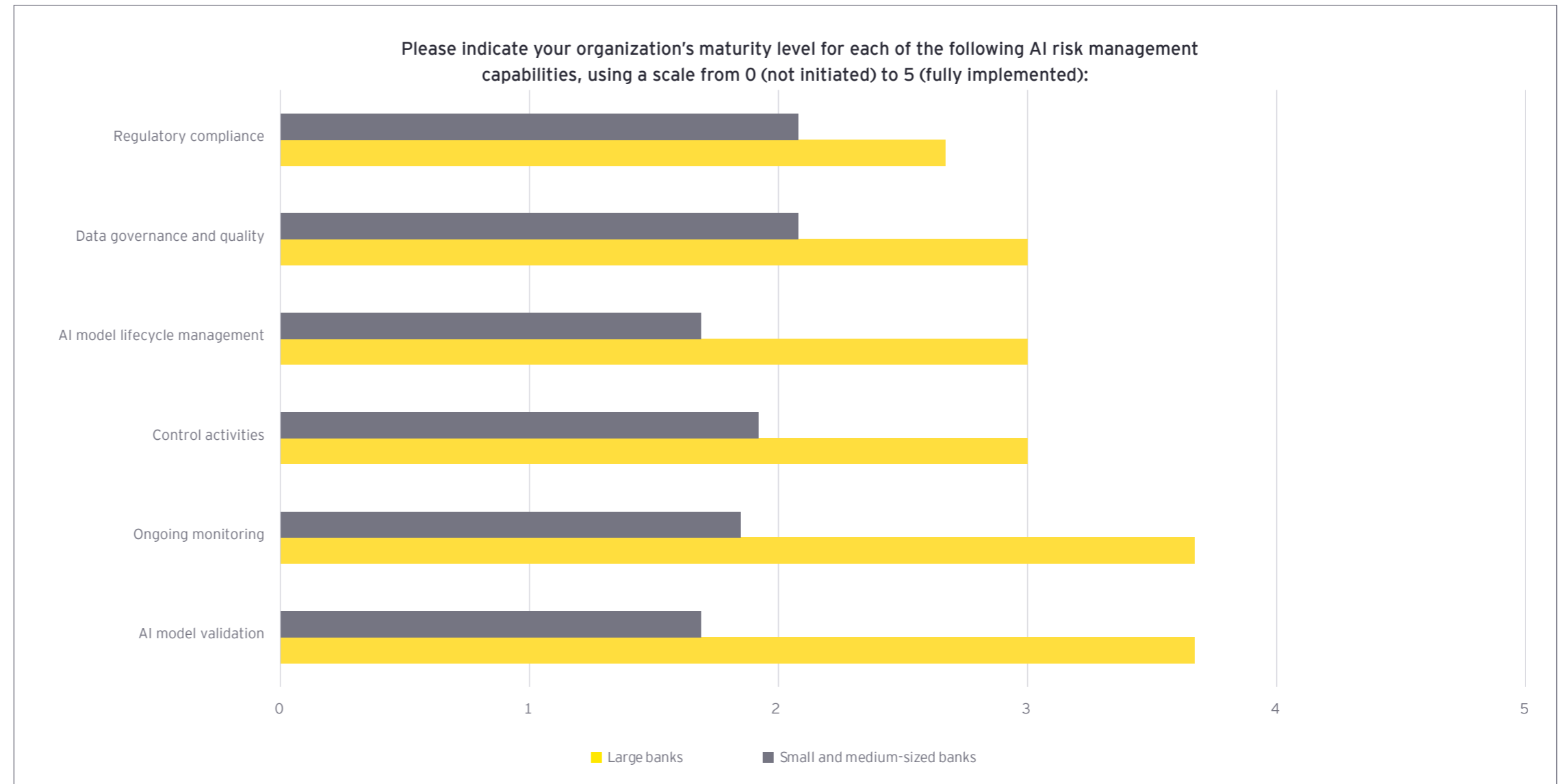


Large banks show higher maturity across key AI risk capabilities

The results show a consistent maturity gap between large banks and small and medium-sized banks across the assessed AI risk management capabilities. Large banks report higher maturity levels particularly in AI model validation, ongoing monitoring and AI model lifecycle management. These findings suggest that larger banks have progressed further in operationalizing AI-specific controls within established governance frameworks.

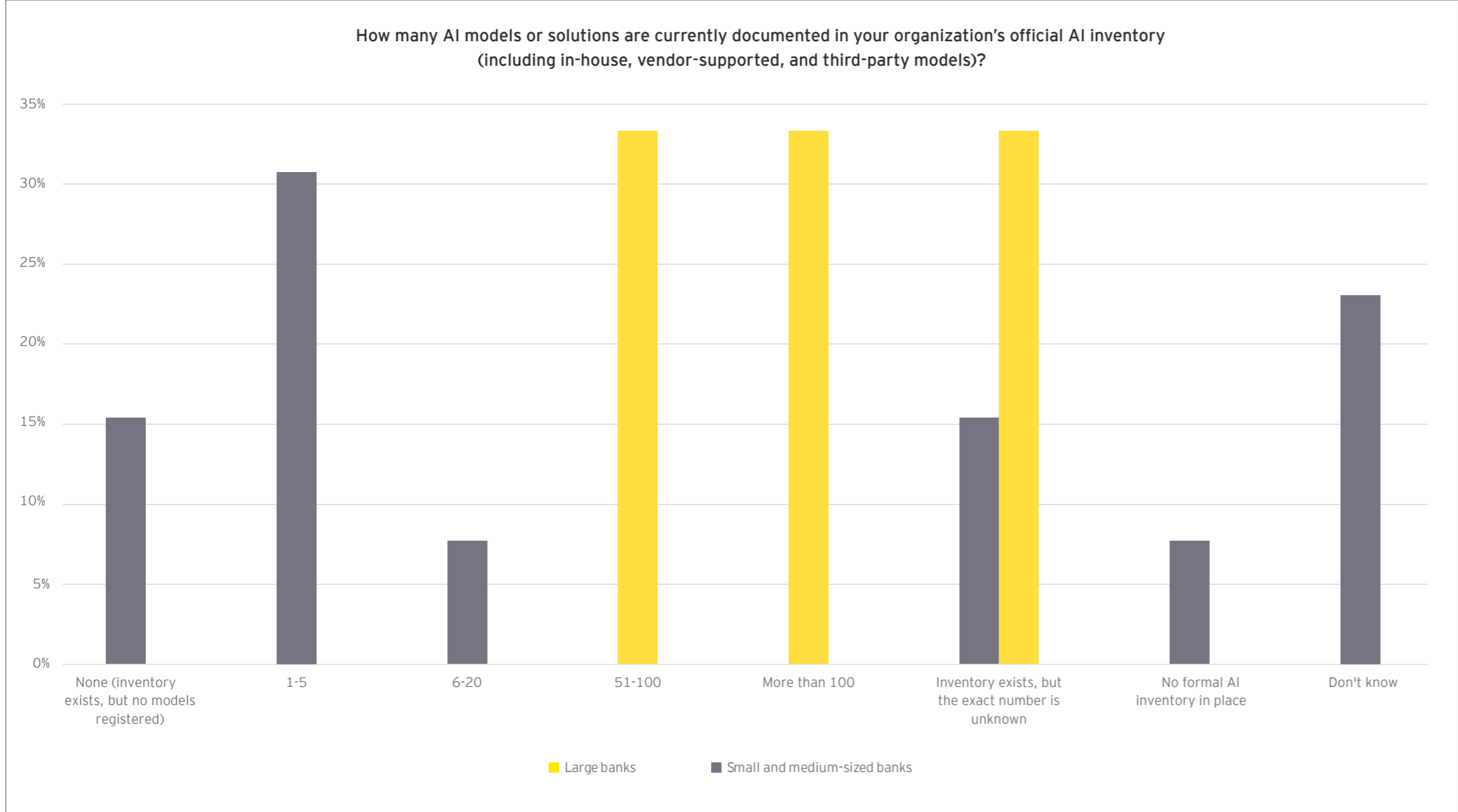
Small and medium-sized banks generally report lower maturity, although they demonstrate relatively strong performance in data governance, quality controls, and regulatory compliance alignment. This indicates that foundational governance structures are in place, while more specialized AI risk capabilities are still developing.

Overall, the results suggest that while both segments have initiated efforts to formalize AI risk management practices, large banks are further along in implementing structured, end-to-end AI governance capabilities.



AI model inventories are emerging, with large banks documenting more models

The results show that large banks typically document a higher number of AI models within their official AI inventories, reflecting broader AI adoption and more established inventory practices. However, several large banks report that an inventory exists without full clarity on the exact number of models. Small and medium-sized banks most often report a limited number of documented AI models or a lack of a formal AI inventory. This indicates that while AI inventories are increasingly recognized as important, consistent and comprehensive documentation remains an area of ongoing development across the sector.





AI risk classification practices under the EU AI Act are still developing

The survey results show varying levels of maturity across Nordic banks when it comes to classifying and prioritizing AI models based on defined risk categories. Large banks more frequently report that they apply the EU AI Act risk categories when classifying AI models. This indicates that a portion of large banks have already taken concrete steps toward operationalizing AI risk classification within their governance frameworks.

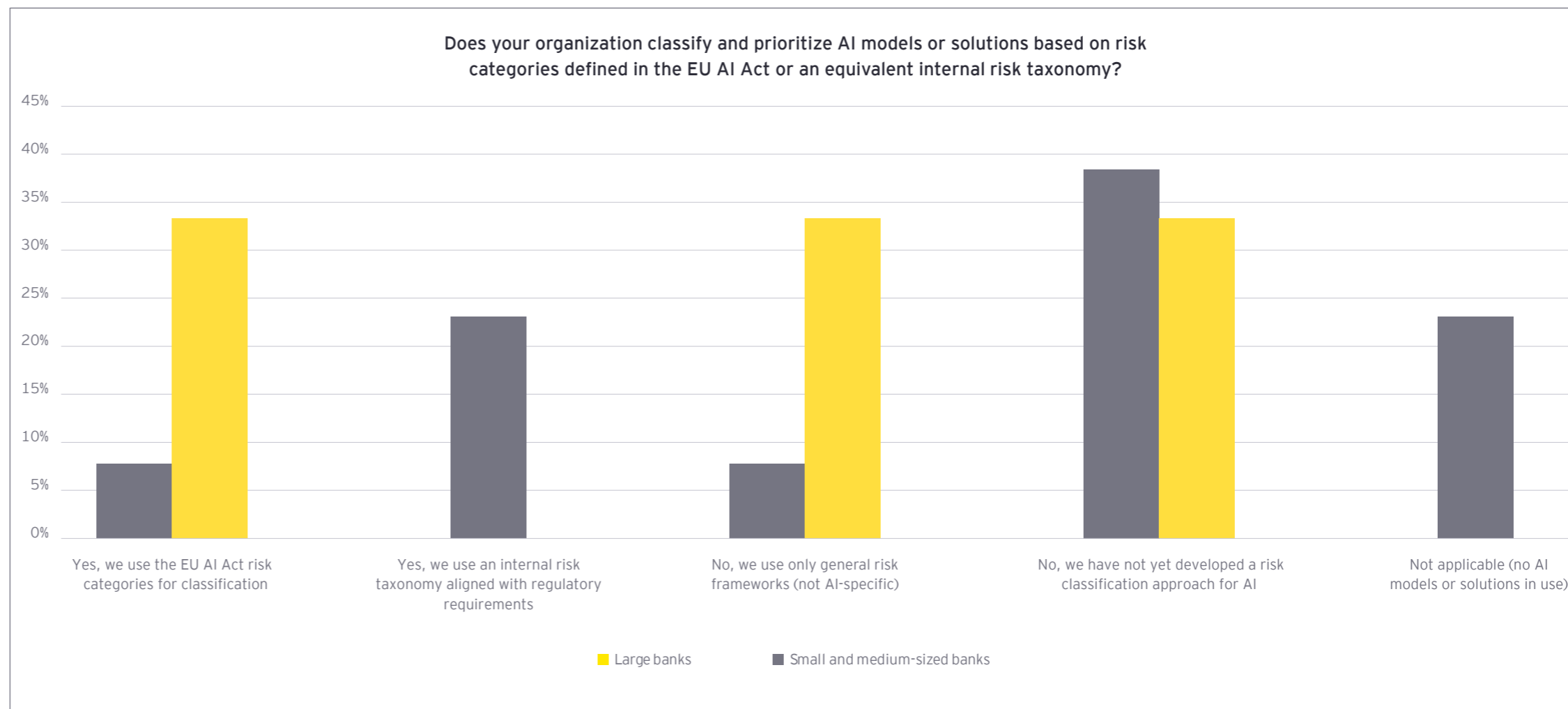
At the same time, a notable share of large banks indicate that they currently rely on general risk frameworks that are not AI-specific.

In addition, a substantial proportion reports that a dedicated AI risk classification approach has not yet been developed. This suggests that even among large banks, the integration of AI-specific risk taxonomies is still ongoing and not yet consistently implemented across the sector.

Small and medium-sized banks are more likely to report that they have not yet developed an approach for classifying AI models based on risk. While some indicate the use of internal risk

taxonomies aligned with regulatory requirements, fewer report direct use of the EU AI Act risk categories.

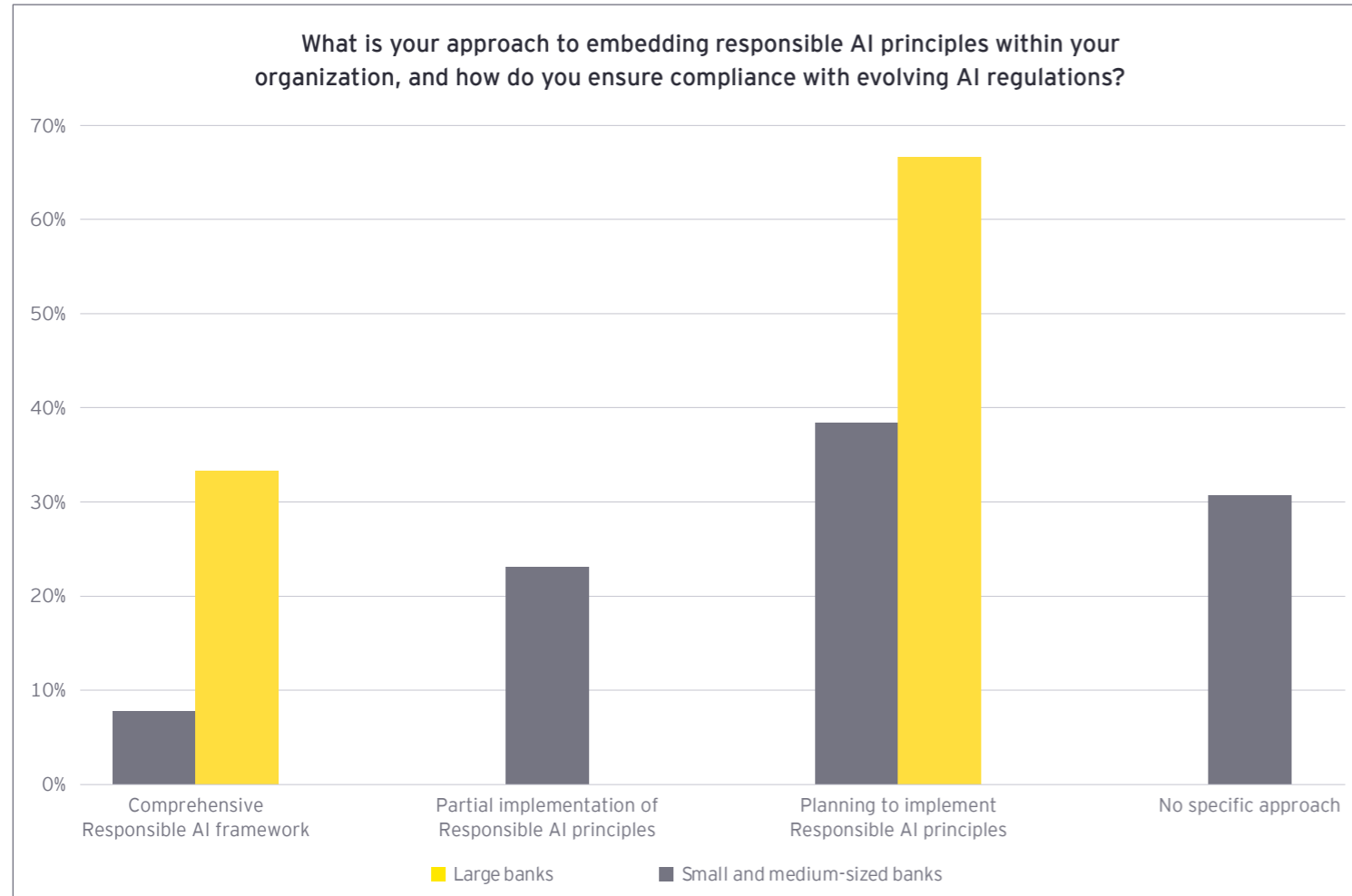
Overall, the findings indicate that while awareness of the need for AI risk classification is increasing, many banks are still in the early stages of translating regulatory concepts into practical classification and prioritization mechanisms. This highlights an important area for further development as banks prepare for increased regulatory expectations related to AI risk governance.



Responsible AI implementation remains early stage across the market

The survey findings show that most banks are still in the early stages of embedding responsible AI principles into their organizations. A large majority of the responding large banks report that they are planning to implement responsible AI principles, indicating that work is underway but not yet fully operationalized. A similar trend is observed among small and medium-sized banks. Only a limited share of all banks indicate that they have already established a comprehensive responsible AI framework, suggesting that full integration of responsible AI remains at an early maturity level across the sector.

A notable proportion of small and medium-sized banks report that they currently have no specific approach in place. This underscores a broader challenge in formalizing responsible AI practices and facilitating alignment with emerging AI regulatory expectations. Overall, the results suggest that while responsible AI is recognized as an important priority, many banks are still in the process of developing the governance structures and processes needed to translate these principles into practice.



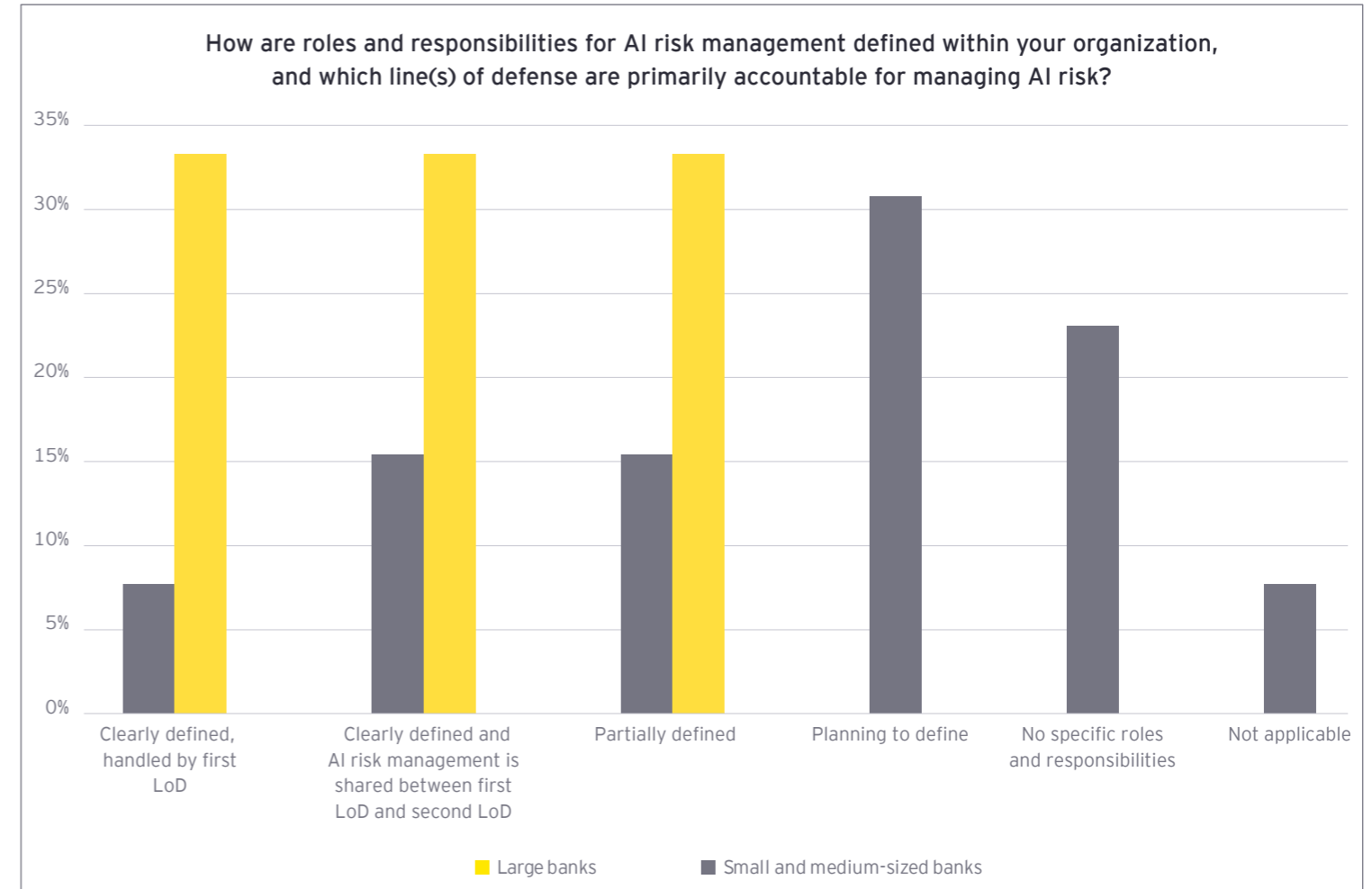
Roles and responsibilities for AI risk are still being defined across banks

The results show a clearer distinction between large banks and small and medium-sized banks in how roles and responsibilities for AI risk management are defined. Among large banks, responsibilities are consistently either clearly defined within the first line of defense, shared between the first and second lines of defense, or partially defined. None of the large banks report that roles are still only in the planning phase or that no specific roles and responsibilities are in place.

responsibilities are still being planned or that no specific roles have yet been defined, while others indicate partial or clearly defined structures. A smaller proportion also report that the question is not applicable.

Overall, the findings suggest that large banks have moved beyond the initial definition phase and have established at least some level of formal accountability for AI risk. Small and medium-sized banks, however, remain at earlier and more varied stages of maturity, indicating that the formalization of AI risk ownership is still ongoing across this group.

In contrast, small and medium-sized banks display a more dispersed picture. A significant share report that roles and

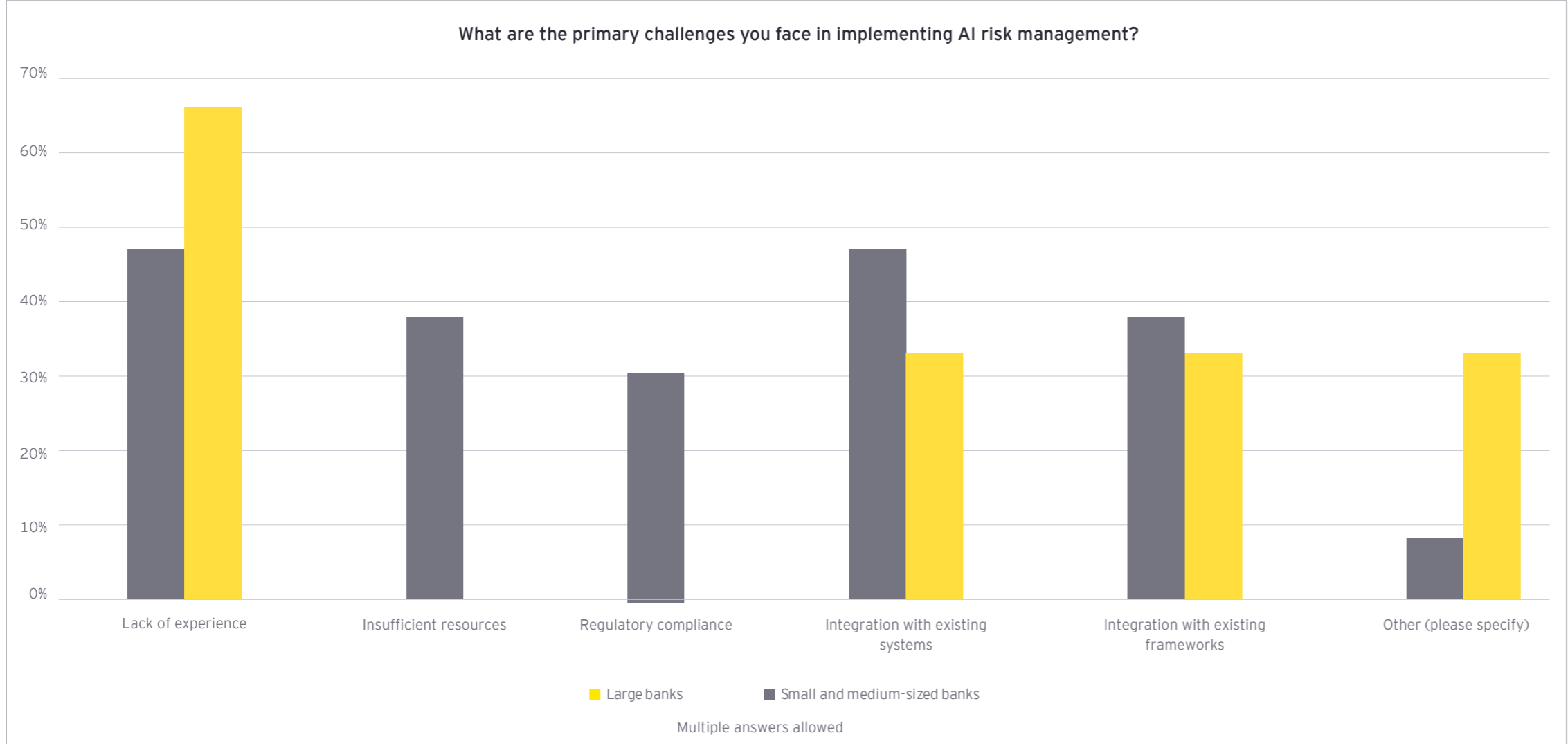


Banks face capability, resource, and integration challenges in implementing AI risk management

The survey results show that banks face several structural and operational challenges in implementing AI risk management, with clear differences between large banks and small and medium-sized banks. Among large banks, the most frequently cited challenges relate to a lack of experience and difficulties integrating AI risk management into existing frameworks. These findings suggest that while large banks may have more advanced AI initiatives, they continue to encounter obstacles in aligning AI-specific risk requirements with established governance structures.

Small and medium-sized banks report a broader range of challenges, with insufficient resources, integration with existing systems, and regulatory compliance emerging as key concerns. A notable share also highlights a lack of experience, reflecting that skills and capacity constraints persist across the sector, albeit to varying degrees. 20% of large banks report "other" as a primary challenge, which includes for instance rapid pace of technology changes.

Overall, the responses indicate that banks are working to balance increasing regulatory expectations with practical limitations related to talent, technology integration and operational readiness.



Our insights from supervisory expectations in Sweden

Regulatory pressure in Sweden is increasing as supervisory activities have recently been made on this area through benchmark assessments of 33 banks in February 2026. The regulator has focused on Swedish banks and credit market companies and how they apply operational frameworks in practice. The market benchmark conducted highlights that, despite established routines, several weaknesses continue to undermine the effectiveness of operational risk management.

Firstly, inconsistencies in the use of the regulatory definition of operational risk, ultimately steering away from a unified industry view and possibly creating an ambiguous understanding of the term. Alternative terms or attempts at firm-specific clarifications can create uncertainty in relation to capital calculations and the design of risk frameworks. In the benchmark it is noted that there is a significant variation in taxonomy structures, including overlapping categories and differing levels of detail, as well as a reliance on qualitative risk appetites without quantitative measures. There seems to be a tendency to communicate risk appetite qualitatively, with terms such as “low” or “medium”, might risk steering to become subjective, leading to a restricted ability to link appetite to limits and indicators. Limit setting practices also vary widely across the Swedish market, and there is a stress of the need for measurable limits that are grounded in the firm’s products, services and IT systems, and in alignment with a coherent taxonomy.

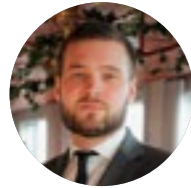
Reporting practices show gaps as well. While boards and CEOs receive regular operational risk reports, around a quarter of firms do not include external environment monitoring. By pointing out that external risks can serve as early warning signals, local regulator underscores their belief that external environment monitoring should regularly be part of the operational risk reports.

Resource allocation also differs significantly across banks, with many firms lacking dedicated professionals and distributing operational risk responsibilities across multiple functions. Here there seems to be a discrepancy: the firms’ own understanding of the need for resources for operational risk management might not be at level with supervisory expectations. Furthermore, the importance of supporting IT systems for operational risk work is high. While a well-designed system can help improve identification, assessment and follow up, tailor-made systems bring cost, complexity, and sometimes a false sense of security. Expectations of a strong risk culture still exist and means that without such, even advanced systems add limited value. Expanding the incident reporting practices is often emphasized to include even small internal incidents, since they can be viewed as important signals of emerging and underlying risks.

Regulators continue to point at gaps documentation of material processes, lack of clear descriptions of activities, dependencies, supporting IT systems and controls. Strong and up-to-date documentation is viewed as critical for operational risk management and continuity planning. The market should expect that local regulators in the Nordics will use their benchmark insights and expect improvement to frameworks. The Nordic EY NFR Survey results are aligned with EY’s view of the supervisory expectations in the areas of documentation maturity, capability constraints and structural variation across banks.



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