

Geopolitical risk reverse stress test of euro area banks

2026 SSM thematic stress test: final results

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Introduction

ECB Banking Supervision has concluded its 2026 thematic stress test for euro area significant institutions. 110 banks directly supervised by the ECB took part in the exercise. They were asked to produce a geopolitical risk reverse stress test in the context of their internal capital adequacy assessment process (ICAAP).

Geopolitical risk is one of the SSM supervisory priorities for the period 2026-28.¹ ECB Banking Supervision is therefore performing several activities related to banks' management of geopolitical risk.² One of the focus areas concerns banks' internal stress test projections for capital, liquidity and recovery planning to ensure that banks proactively account for relevant geopolitical events. Deficiencies in this area may translate into imbalances between risk taking and risk control. This is especially important in an environment in which institutions face economic, financial, operational and competitive headwinds caused by geopolitical events.

The purpose of the 2026 SSM thematic stress test was to further strengthen banks' capital and recovery planning in view of prevailing geopolitical risks. Having a solid and well-founded understanding of how geopolitical risk events can unfold and how they may affect a bank's business is a prerequisite for sound risk management and capital planning. Geopolitical tensions and associated macroeconomic uncertainty mean that banks need to take a forward-looking approach to their risk assessments. Accordingly, the overarching goal of the exercise has been to test and foster banks' stress-testing capabilities against the backdrop of heightened geopolitical risk.³

In the reverse stress test, the ECB provided banks with a pre-defined capital depletion target and then asked each bank to generate its own geopolitical risk scenario to achieve that target. The exercise is therefore fundamentally different from, and not comparable with, the biennial EU-wide solvency stress tests carried out in collaboration with the European Banking Authority (EBA). The methodology applied in the 2026 reverse stress test is described in Box 1.

Most banks produced reverse stress simulations that meaningfully translated economic scenarios into risk drivers. Generally, banks displayed a sound

¹ See "[Supervisory priorities 2026-28](#)", ECB, 2025.

² See also Box 6 in "[2025 stress test of euro area banks – final results](#)", ECB, August 2025.

³ The exercise also enabled the ECB to comply with Article 100 of the Capital Requirements Directive (CRD), which requires it, as a competent supervisory authority, to carry out a stress test for the banks it supervises at least annually.

understanding of how and through which transmission channels geopolitical risk events could affect their income, solvency and liquidity positions.

Nonetheless, the exercise did reveal inconsistencies in the way some banks translated shocks into capital and liquidity impacts. Areas with scope for improvement related to consistency in the translation of scenarios into solvency and liquidity risk metrics, to the realism of envisaged mitigating management actions, and also to assumptions on balance sheet expansions in systemic crisis situations. This leads to the following general attention points for banks to consider in their ICAAP/ILAAP stress-testing frameworks:

- **Granularity and scenario sensitivity:** Banks' ICAAP frameworks need to have an appropriate level of granularity in the risk assessment. They need to capture vulnerable sectors and relevant risk events. The stress test models need to be sufficiently scenario sensitive to prudently reflect the impact of emerging risks and vulnerabilities. In some cases, banks took a rather rudimentary approach to the calibration of scenarios and translation into risk factors, which may not be commensurate with the multi-faceted way in which geopolitical risks can affect banks' solvency and liquidity.
- **Importance of multiple scenarios:** The exercise confirmed the value of considering a variety of scenario outcomes. Across the different banks, a wide range of scenario narratives was produced, each providing specific insights into transmission channels and vulnerabilities. In a context of heightened geopolitical and macroeconomic uncertainty, exploratory scenario analysis should be a key tool in banks' risk management toolkits.
- **Consistency between scenario narrative and transmission channels:** Stress testing is a useful tool for banks to identify vulnerabilities and assess resilience. This requires a good understanding of, and ability to model, how shocks are transmitted into P&L effects ultimately affecting solvency and liquidity positions as well as operational resilience. For instance, in some cases there was not a clear connection between the bank's stress simulations and its most important and geopolitically vulnerable portfolios.
- **Adequacy of banks' dynamic balance sheet projections:** A bank's resilience depends in part on how its balance sheet evolves under stress. For example, will it be able to expand or maintain its business volumes underpinning its net revenues when the economy enters a downturn? Some banks appeared overly optimistic with regard to balance sheet expansions in the geopolitical stress scenarios. It is therefore important that banks' stress tests are conducted under sufficiently prudent and scenario-consistent assumptions about balance sheet growth.
- **Realism of mitigating actions:** It is critical that banks have well-articulated and prepared but also realistic action plans to mitigate and guard against the effects of negative geopolitical shocks. The reverse stress test underlined the importance for banks to consider the realism of their management actions in a systemic crisis situation. It is, for example, observed that many banks envisage

undertaking similar type of management actions which, if taken at the same time as other banks, may become less effective.

- **Solvency-liquidity nexus:** Solvency stress and liquidity stress are often strongly interrelated in crisis situations. The reverse stress test revealed that solvency-liquidity interactions generally are not well-captured in many banks' stress-testing frameworks. This is an area where further improvements are needed.
- **The design of the exercise is part of the of the ECB's efforts to streamline supervisory processes.**⁴ The reverse stress test simulation replaced the one banks were otherwise obliged to provide in the context of the 2026 ICAAP. This limits the compliance costs for banks participating in this year's exercise.

Box 1

The reverse stress test methodology

The main objective of the 2026 SSM thematic stress test was to induce banks to consider how geopolitical events could affect their solvency and liquidity positions. A reverse stress test approach was adopted to reflect the multiplicity of potential channels through which geopolitical events may affect each bank's risks and vulnerabilities and ultimately its solvency.

A reverse stress test differs from a traditional stress test by pre-defining the outcome and then working backwards to achieve that target. Figure A illustrates in a stylised way the difference between a traditional solvency stress test and a reverse stress test. In a traditional stress test (Figure A, panel a), the starting point is the scenario which is then used to model the impact on relevant risk drivers affecting banks' profits and losses to ultimately arrive at an impact on the solvency position. A reverse stress test (Figure A, panel b), by contrast, starts with a pre-defined solvency target (e.g. X% CET1 ratio depletion) and then asks what scenario would achieve this target through its impact on the bank's risk drivers. In the 2026 SSM reverse stress test, banks were additionally asked how the resulting scenario would also affect their liquidity position and non-financial risks.

⁴ See "Streamlining supervision, safeguarding resilience: the ECB's agenda for more effective, efficient and risk-based European banking supervision", ECB, December 2025.

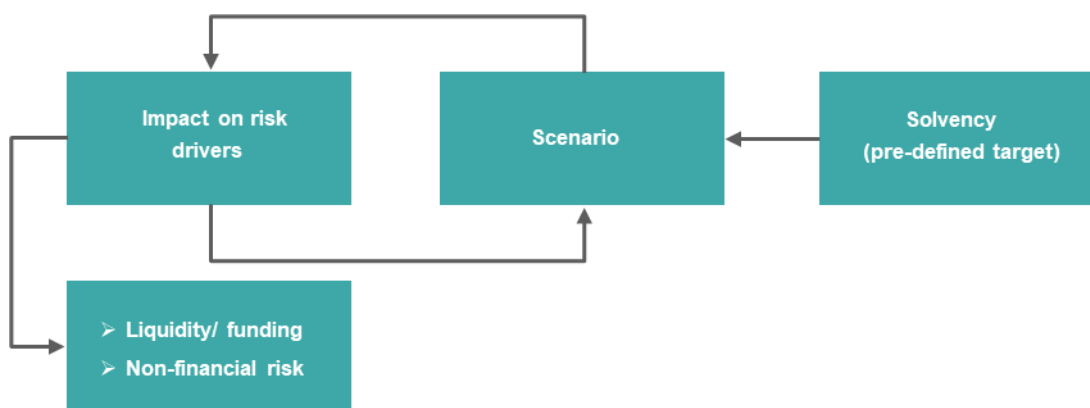
Figure A

Traditional stress test vs reverse stress test

a) Traditional stress test



b) Reverse stress test



Source: ECB.

Banks were given a target CET1 ratio depletion of 300 basis points (bps). The 300 bps target was chosen with a view to reflecting a material capital depletion at system level in line with historical crisis episodes. A median impact of around 225-250 bps has been observed in the EU banking sectors that have experienced capital depletion, in a given year, over the last 15 to 20 years. It thus covers both the global financial crisis and the euro area sovereign debt crisis.⁵ Hence, the 300 bps target can be considered a conservative but not excessively severe metric that is broadly aligned with historical crisis-related episodes that an adverse stress test scenario should be expected to depict.⁶

The target capital depletion assumed in the 2026 SSM thematic reverse stress test cannot be compared with the depletion observed in the EBA/SSM EU-wide solvency stress tests.

Importantly, the CET1 ratio depletion of 300 bps assumed in the 2026 SSM reverse stress test is unrelated to, and should not be compared with, the outcomes of the biennial EU-wide stress tests. The methodology of the latter differs significantly from this exercise on account of a number of conservative overlays, including the static balance sheet assumption and various caps and floors. Also, the qualitative nature, design and objective of the 2026 thematic exercise are entirely different from those of the regular and more quantitative EU-wide stress tests.

Using the target capital depletion as a starting point, banks were then asked to define and conduct a reverse stress test simulation. This simulation entailed defining and modelling the scenario and associated risk transmission channels that would be the most relevant and material in

⁵ See Box 1 in “2025 stress test of euro area banks – final results”, ECB, August 2025.

⁶ The 300 bps depletion target was defined as a minimum. Banks were given the option to adopt a higher target, and around 20% of them chose to do so.

each bank's specific case. Furthermore, the banks were asked to provide details on what mitigating management actions they would undertake if such a stress situation were to materialise.

Assumptions regarding proactive fiscal policy support was not permitted in the reverse stress simulations. In the exercise, the banks were not allowed to assume any fiscal or other government support measures beyond any that had already been approved. This was motivated by the view that prudent risk management should not presume any extraordinary government support. At the same time, changes in the monetary policy stance, as reflected in changes in policy rates, for example, were allowed in banks' scenario calibration. This is in line with the spirit of the ICAAP, which per definition relies on the bank's own stress test models and assumptions.

Banks were asked to consider three broad transmission channels when analysing how geopolitical events could affect their profits and losses. Geopolitical shocks are cross-cutting in nature and have the potential to directly and indirectly affect both financial and non-financial risks faced by institutions. Against this background, the banks were asked to distinguish between three transmission channels of geopolitical risk:⁷ the financial market channel (operating via uncertainty and investors' risk aversion), the real economy channel (disruptions in trade and commodity markets, economic uncertainty) and the safety and security channel (related to physical risks, conflicts, cyber and hybrid threats). These may in turn affect all the traditional risk categories to which banks are exposed (i.e. credit risk, liquidity/funding risk, market risk, business model risk, operational risk and governance risk).

2 Scenarios and geopolitical risk narratives

Banks considered a wide variety of geopolitical risk narratives in their scenario design. Overall, this underlined the usefulness of the exercise as banks displayed considerable differences in what types of geopolitical risk scenario narrative they deemed most relevant. Banks could simultaneously assume various geopolitical events triggering the scenario narrative. Chart 1 displays the percentage of banks assuming specific trigger events and associated broad transmission channels. The most commonly applied trigger events included military conflicts, supply chain disruptions, including disruptions in the supply of energy, economic sanctions, macroeconomic confidence effects, political instability and cyber-related attacks.

About a quarter of the banks explicitly mentioned a Middle East conflict, including the closure of the Strait of Hormuz, as one of the trigger events. Among the geopolitical conflicts most frequently mentioned by banks were further escalation of the war in Ukraine, China-US trade disruptions and tensions in the Strait of Taiwan. It is important to note, however, that the geopolitical risk reverse stress test asked the banks to design the scenario they considered most relevant

⁷ See also Buch, C., "[Global rifts and financial shifts: supervising banks in an era of geopolitical instability](#)", keynote speech at the eighth ESRB annual conference on "New Frontiers in Macroprudential Policy", 26 September 2024.

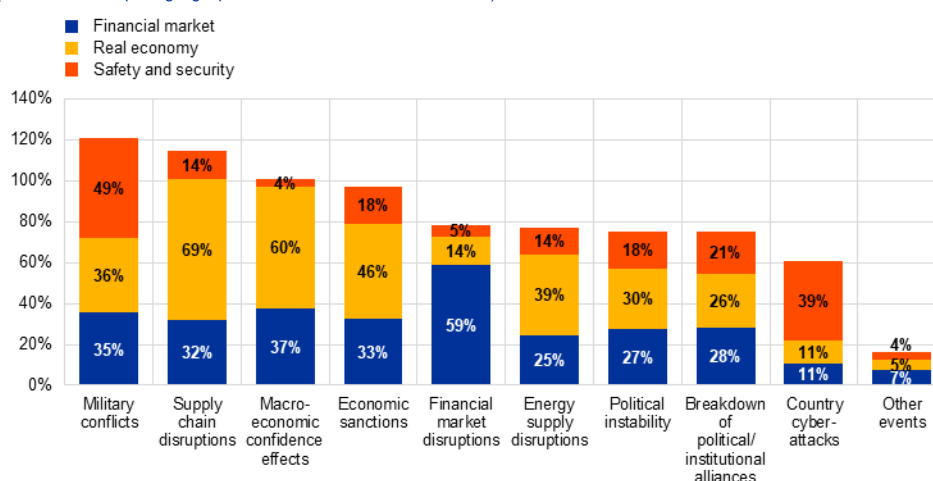
and material in their specific case rather than the most pertinent and likeliest scenario.

Banks' assumptions about how geopolitical events transmit into impacts on risk drivers likewise varied depending on the scenario narrative. Mostly, banks assumed that geopolitical risks would be transmitted via real economy channels while financial market impacts were also thought to be important. Moreover, risk transmission through safety and security channels was believed to have a relevant solvency impact in scenarios depicting military conflicts and cyberattacks.

Chart 1

The most commonly mentioned scenario drivers and their transmission channels

(share of banks reporting a geopolitical event in the scenario narrative)



Sources: Bank submissions and ECB calculations.

Notes: Each event could be transmitted via multiple channels simultaneously. Banks were able to report multiple geopolitical trigger events (up to five) and multiple transmission channels (up to three). This explains how the total percentages for a few events are higher than 100.

There is significant variation in the severity of shocks across the banks' scenarios.

Table 1 illustrates the dispersion of the intensity of assumed shocks to key scenario variables reported by participating banks. The severity is measured against the historical distribution of a given scenario variable. This dispersion reflects different sensitivities of key risk drivers to macro-financial variables, with some banks needing comparatively larger shocks to reach the 300 bps depletion in their CET1 ratios. An elevated scenario severity, beyond what is statistically plausible, could imply that either the bank has a low risk profile or that its stress test models are not sufficiently scenario sensitive. The latter would be a cause of concern, as the bank's stress-testing framework then might not prudently quantify the impact of emerging risks and vulnerabilities.

Severity of shocks across the banks' designed scenarios

[illegible]

Common transmission channels into capital

The combination of individual banks' risk profiles, balance sheet structures and geopolitical scenario narratives shapes how their stress scenarios translate into capital impacts. Banks were expected to ensure that business lines and key sectors of exposures potentially vulnerable to geopolitical events were duly considered in the scenario narratives and their associated risk transmission channels.

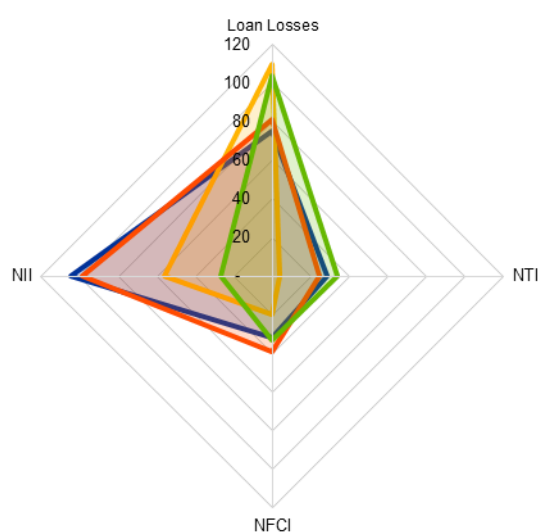
Banks in general demonstrated an ability to translate the geopolitical events into capital impact in an economically meaningful way. Broadly speaking, the shape of banks' scenarios can be grouped into recessionary versus stagflation scenarios, and involving either rising or falling interest rates. Depending on the scenario narratives, capital depletion was primarily driven by either an accumulation of credit risk losses or lower net interest income. Across banks' reverse scenarios, impairment losses on loans were a frequently identified channel through which geopolitical stress would affect capital, albeit with varying degrees depending on the bank and scenario narratives (Chart 2). Net interest income was also a common transmission channel, especially in scenarios assuming a decline in interest rates and inversion of the yield curve. For banks with large trading books and capital market-related activities, the geopolitical risk scenarios also gave rise to significantly reduced profitability via net fee and commission income (NFCI) and net trading income (NTI).

Chart 2

Translation of scenario type into main risk drivers

(contribution to the targeted CET1 ratio depletion, bps)

- Recession - falling interest rates
- Recession - rising interest rates
- Stagflation - falling interest rates
- Stagflation - rising interest rates



Sources: Bank submissions and ECB calculations.

Notes: While banks' scenarios differ, the chart groups the scenarios into four main categories depending on the shape of GDP, the unemployment rate, inflation and the shape of the yield curve. For each scenario grouping, the numbers displayed in the chart indicate the contribution of the risk driver to CET1 ratio depletion. For the profitability items, higher values for net interest income (NII), net fee and commission income (NFCI) and net trading income (NTI) indicate lower profit, thus contributing more to the depletion of capital.

It is critical that banks ensure prudent monitoring of risks related to geopolitically vulnerable sectors. This requires that banks' stress-testing frameworks be designed to account for the required granularity of exposure data, such as across sectors, business lines and geographies.

Impairment losses on loans are driven in part by the sectoral composition of credit risk exposures in light of the geopolitical stress events assumed by individual banks. Projected impairment losses on loans are concentrated in sectors that are more vulnerable to trade, energy and supply chain disruptions, such as agriculture, construction, manufacturing, transport, accommodation and food services (Table 2). There were differences across banks in terms of how well sectoral impacts were captured and aligned with the bank's specific scenario. For instance, military conflicts appear particularly detrimental for agriculture, accommodation and food services, while macroeconomic confidence effects and cyberattacks have a strong impact on manufacturing and transport. Scenarios depicting energy supply disruptions appear to negatively affect a wide range of sectors.

Banks expect the impact of geopolitical scenarios to materialise primarily through their core lending activities. Commercial banking and retail banking were most frequently identified as the business lines most affected, reflecting the importance of credit risk, funding conditions and profitability pressures in the transmission of the geopolitical risk scenarios. Trading and sales, corporate finance and asset management were also regularly reported as materially impacted, indicating that market-related and fee-generating activities represent relevant transmission channels for a subset of institutions. Overall, this points to a concentration of stress impacts in traditional banking activities, while also highlighting meaningful differences across institutions depending on their business models and scenario designs.

Table 2

Evolution of non-performing loans under the designed reverse stress test scenarios across economic sectors

(percentage point increase in the non-performing loan ratio)

	Military conflicts	Supply chain disruptions	Macroeconomic confidence effects	Economic sanctions	Financial market disruptions	Energy supply disruptions	Political instability	Breakdown of political/institutional alliances	Country cyberattacks	Other events
A: Agriculture, forestry and fishing										
B: Mining and quarrying										
C: Manufacturing										
D: Electricity, gas, steam										
F: Construction										
G: Wholesale and retail trade										
H: Transportation and storage										
I: Accommodation and food services										
J: Information and communication										
K: Financial and insurance activities										
L: Real estate activities										
N: Administrative and support										
Q: Human health and social work										

Sources: Bank submissions and ECB calculations.

Notes: The table shows the median percentage point increase of non-performing loan ratios at sectoral level for banks including the same scenario trigger event in their geopolitical risk reverse stress simulation. Sectors are classified according to the NACE Rev. 2 framework.

Most banks did not assume widespread deleveraging as a central adjustment mechanism in their geopolitical scenarios. While banks project significantly lower total asset growth under the geopolitical risk scenarios compared with their ICAAP baseline projection, the adverse reverse stress simulations do not suggest widespread deleveraging.⁸ Nonetheless, the sample is not uniform, with some banks projecting negative asset growth. This is expected especially in scenarios assuming increasing interest rates likely leading to relatively more pronounced declines in loan demand.

While the translation of the geopolitical stress scenarios into risk drivers and CET1 impact is economically meaningful overall, certain inconsistencies were observed for some banks. Observed inconsistencies related among other things to

⁸ See also “[Risk Assessment Report](#)”, EBA, Spring 2026.

situations where the relative impact of the risk drivers was inconsistent with the scenario narrative. There were also examples where sensitivities of specific risk drivers (e.g. NII, credit risk) to changes in macroeconomic variables (e.g. GDP, unemployment, swap rates) were unusually large or small, or moving in unexpected directions (e.g. declining impairment losses on loans).

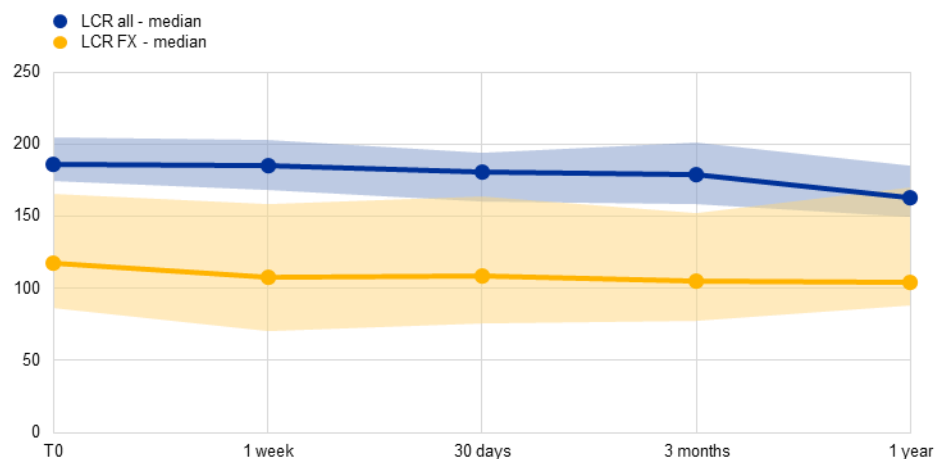
4 Liquidity and funding

Banks' regulatory liquidity positions are assumed to generally remain above regulatory thresholds under the geopolitical risk scenarios. As scenarios and hence their impact on liquidity positions differ, results are presented in ranges to reflect the diversity of narratives. Under the bank-specific scenarios, banks tend to remain comfortably above the 100% minimum liquidity coverage ratio (LCR) threshold, with the starting point interquartile range falling from 175-204% (and a median of 186%) to 150-185% (and a median of 163%) at the end of the one-year horizon (Chart 3). In foreign currency, the LCR appears structurally tighter than the aggregate LCR, with sharper dispersion across business models and more pronounced declines for some banks, including some that fall below 100%.

Chart 3

Liquidity metrics under stress scenarios – LCR under stress

(percentages)

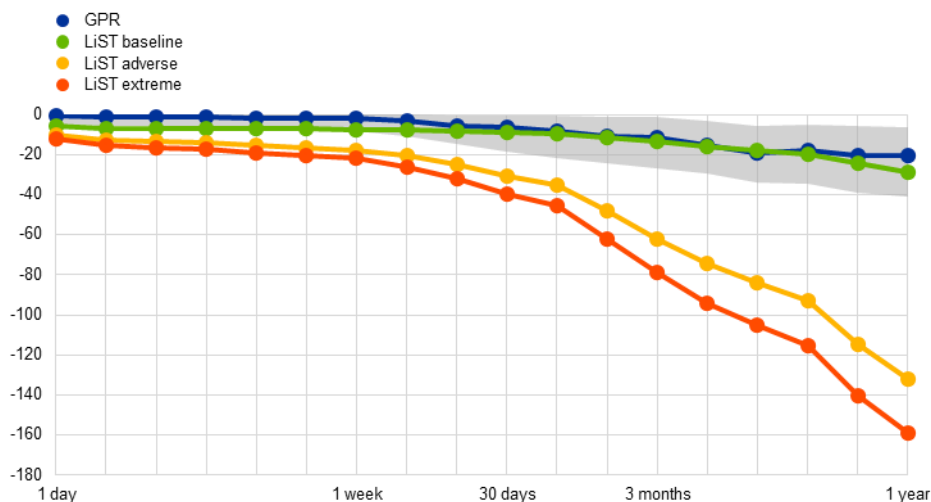


Sources: Bank submissions and ECB calculations.

Note: The lines represent the median LCR and the shaded areas the 35th and 65th percentiles across the sample of participating banks.

Chart 4**Liquidity metrics under stress scenarios – net liquidity position under stress**

(percentage change versus starting point + 1 day)



Sources: Bank submissions and ECB calculations.

Notes: The net liquidity position is the difference between the bank's available liquidity (i.e. its counterbalancing capacity – which includes unencumbered assets available to cover potential funding gaps) and the expected net outflows since the reference date. GPR (geopolitical risk) indicates the average (weighted by total assets) of projections by the banks under the designed scenarios. The shaded range is the 25th-75th interquartile range. LiST (liquidity risk stress test) scenarios correspond to ECB projections under scenarios in the 2019 liquidity stress test. Series start on day 1, which already introduces some stress in the LiST scenarios.

The 2026 SSM thematic stress test revealed certain areas for improvement in banks' ability to properly account for liquidity/funding stress. While many banks

produced a reasonable transmission of the geopolitical stress events into their liquidity and funding positions, several institutions did not project meaningful stress on their liquidity metrics despite the significant capital drawdown assumed in the scenarios. This is, for example, illustrated by the rather muted response to simulated net liquidity positions (Chart 4).

Limited projected stress was also observed in the treatment of FX liquidity risks. A number of institutions projected limited or no variability in FX liquidity

metrics. This may limit the ability to fully capture FX funding risks, including rollover and cross-currency pressures, which would be a cause of concern in a context of geopolitical tensions. In general, banks' assessments of FX-related liquidity and funding risks vary across institutions, reflecting differences in business models, reliance on market-based funding, use of swap markets, central bank backstops and balance sheet adjustments.

Banks should be mindful of the need to prudently account for solvency and liquidity interactions in their stress-testing frameworks. Past crisis episodes

suggest a close link between liquidity and funding distress and banks' solvency positions. It is therefore of utmost importance that banks proactively and properly account for solvency and liquidity interactions in their stress-testing frameworks.

While the reverse stress test simulation focused on financial risks, banks were also asked to report the non-financial risks that could materialise under their geopolitical risk scenario. Banks listed up to five operational risk disruption types and their corresponding impact (Table 3). Among the disruption types reported, 86 of the participating banks named cyberattacks as being relevant and 57 as the main disruption type.⁹ Other recurring disruption types include disruption of services from third-party providers and disruptions to clients, products and business practices.

Table 3
Most reported non-financial risk drivers

(number of banks reporting a non-financial risk driver in the scenario)

	1st	2nd	3rd	4th	5th	Total
Cyberattacks	57	21	7	1	0	86
Disruption of services from third-party providers	11	6	12	13	2	44
Clients, products & business practices	14	12	9	5	1	41
Execution, delivery & process management	4	14	5	4	1	28
External fraud	6	11	7	2	2	28
Other IT-related risks	0	4	6	0	4	14
Internal fraud	4	2	1	2	1	10
Damage to physical assets	0	4	2	2	2	10
Employment practices and workplace safety	0	1	0	1	1	3
Others	12	7	5	1	3	28

Sources: Bank submissions and ECB calculations.

Notes: Banks were able to report up to five non-financial-risk-related events. As a result, the total number of reported events exceeds the number of participating banks.

The 2026 SSM thematic stress test underlines the importance for banks to consider non-financial risks in an environment of significant geopolitical uncertainty. While not among the risks to be considered within the pre-defined capital depletion target, the exercise nevertheless suggests that non-financial risks related to operational disruptions are important to consider when thinking about geopolitical risks. It is therefore critical that banks integrate these dimensions into their broader risk management and stress-testing frameworks.

⁹ The absence of cyberattacks among the operational risk events reported by 24 banks does not necessarily imply that cyber risk was excluded from their scenarios. Several of those banks instead assumed cyberattacks on external critical infrastructure as an integral part of their scenario, with the associated effects reflected through other risk categories, primarily credit risk.

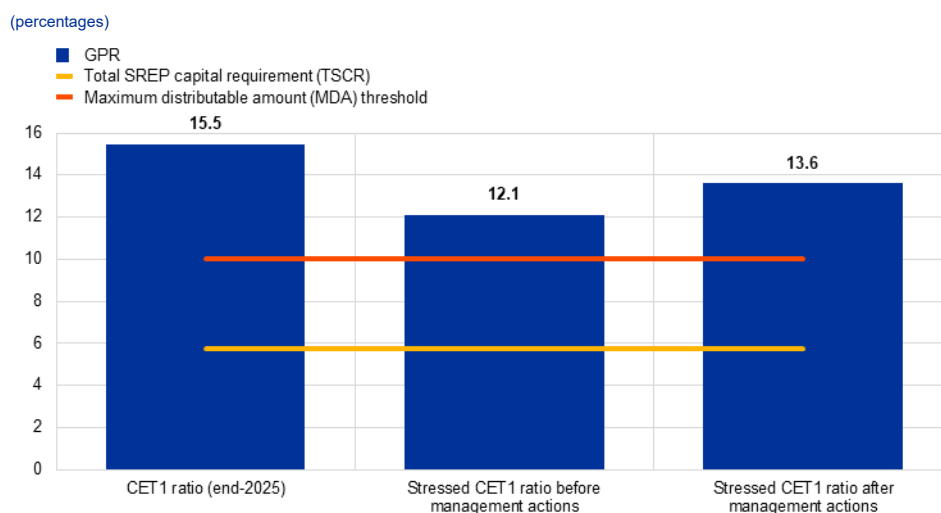
Mitigating management actions

An important component of the 2026 SSM thematic stress test concerned mitigating management actions envisaged by banks, should their assumed geopolitical risk scenario occur. A clear understanding of what type of mitigating management actions are available, effective and feasible in a situation of stress is critical for banks' capital and recovery planning. Banks were therefore asked to provide detailed information on how, and to what extent, they could possibly mitigate the impact from their geopolitical risk scenario. It is important to emphasise the role of banks' boards to ensure that scenario analysis and contingency planning are properly accounted for.

Banks reported a variety of mitigating management actions. The actions envisaged by banks include raising capital, selling business lines/portfolios, reducing costs, mitigating credit exposure (including adjusting credit lines and tightening credit and collateral standards), adjusting payout ratios and repricing interest margins. Where banks quantified their expected effects, these actions would offset a material share of the pre-defined depletion target (Chart 5).

Chart 5

CET1 ratio before and after mitigating management actions



Sources: Bank submissions and ECB calculations.

Note: Some banks did not estimate the impact of their envisaged mitigating management actions. Lines computed as averages across banks in the sample, weighted by end of 2025 risk-weighted assets.

Seen in isolation, banks' mitigating actions appear reasonable, but they also need to be viewed through the lens of a potential geopolitical crisis. Overall, banks listed mitigating actions that look plausible and relevant given the geopolitical stress events considered. Nonetheless, in some cases envisaged actions were found to be overly optimistic in terms of being implementable in a severe systemic crisis situation where many banks may be trying simultaneously to carry out similar types of action. In other words, actions by individual banks may be more easily implementable if other banks are not simultaneously undertaking similar actions. However, in crisis situations several banks may attempt to implement specific management actions at the same, which could impair the effectiveness of those

actions. Indeed, Table 4 shows that some actions (such as deposit/loan repricing, asset sales, dividend suspensions, tightening of underwriting standards, etc.) are reported by up to 40-60% of the banks.

Table 4
Reported mitigating management actions

(share of banks planning specific mitigating action)

External (dependent on external conditions)	
Portfolio sales/asset disposals	40%
Deposit/loan repricing	39%
Funding mix optimisation	35%
Capital injections/share issuances	22%
Inventory reduction	13%
Sale of non-core assets	12%
Securitisation transactions	8%
Internal (contingent on external conditions)	
Suspend dividends/cut distributions	59%
Management of exposures	57%
Reduce/stop new business	50%
Tighten underwriting criteria	47%
Hedging strategies	44%
Collateral/margin enhancement	20%
Cancel AT1 coupons	9%
Client offboarding/de-risking	8%
Enhance repo haircuts	1%
Internal (largely independent of external conditions)	
ICT resilience/cyber recovery	74%
Enhanced monitoring/early warning	60%
Cost reduction	44%
Workout/restructuring	29%
Staff relocation/remote work	24%
Restrict sanctioned exposures	22%
Convert reserves to CET1 capital	6%
Use of overlays	4%

Sources: Bank submissions and ECB calculations.

In some cases, banks envisage actions that may not appear sufficiently supported by factual evidence in terms of being fully implementable. These include:

- actions that do not appear feasible or for which the impact may be overestimated under the macroeconomic and exogenous conditions of the prescribed scenario (e.g. capital-raising under adverse market conditions, selling loan portfolios at ambitious prices, etc.);
- cases where actions are within the bank's internal management capabilities while their effectiveness might be overestimated (e.g. material reduction of payout ratios, cancellation of payments from capital instruments without a solid

understanding of the investors' and market participants' reactions, cost cutting, etc.);

- actions that lie outside the bank's approved internal framework and where the feasibility and impact might have not been thoroughly reviewed.

7 SREP integration

The stress test informs the ongoing supervisory dialogue with institutions. The regular supervisory dialogue will follow up on bank-specific vulnerabilities and modelling deficiencies revealed by the stress test. Any qualitative deficiencies may be considered in the governance part of the SREP and could therefore affect Pillar 2 requirements (P2R). Importantly, the exercise will not lead to any adjustment of the Pillar 2 guidance (P2G) or the leverage ratio P2G.

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For specific terminology please refer to the [SSM glossary](#) (available in English only).

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