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ECB: SREP 2025 and SSM Priorities 2026-2028

January 2026

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Executive Summary

The 2025 Supervisory Review and Evaluation Process (SREP) shows that the banks supervised by the ECB have continued to exhibit **strong capital positions**, **solid leverage ratios**, **and comfortable liquidity buffers**. **Profitability remains robust**, with return on equity reaching 10.1%, up from 9.5% in Q4 2024. **Asset quality remains sound** overall, **though non-performing loan (NPL) ratios are higher in the non-residential real estate and SME segments**. **Key areas** of **supervisory concern** include **elevated leveraged finance** and **insufficient provisioning for non-performing exposures**.

The SSM supervisory priorities for 2026-2028 set out ECB Banking Supervision's strategic focus for the next three years, based on a **comprehensive assessment of the main risks and vulnerabilities in the European banking sector**. They aim to **strengthen the resilience** of banks to **macro-financial** and **geopolitical shocks**, **enhance** operational and **digital capabilities**, and ensure effective management of emerging risks, **including climate-related and cyber risks**.

The priorities are supported by **targeted supervisory activities**, such as **thematic reviews, follow-ups**, and **on-site inspections**, **reinforcing a robust, resilient,** and **sustainable banking sector**.

At a Glance

Keywords: SREP, SSM Priorities, CRR III, Capital, Credit risk, Operational risk, Geopolitical risk, Climate & Environmental risk, ICT risk, AI, Digital innovation, Cyber risk, RDARR.

01

Introduction SREP 2025

Overview

Developments of Scores

Capital Requirements and Guidance & Qualitative Measures

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Overview

The **results of the 2025 SREP** cycle **continued to showcase** the **strong resilience of the European banking sector**, **despite** the increasingly **challenging global environment** and **multidimensional geopolitical risks**.

The overall SREP score, which ranges from - the best - 1 to 4, reflects the supervisor's overall assessment of the viability of the institution: **higher scores reflect higher risks to the viability of the institution stemming from one or more features of its risk profile**. The **average overall SREP score in 2025 improved further to 2.5** (2.6 in 2024).

The overall capital requirements and guidance applicable in 2026 will be **15.6% of risk-weighted assets** (**RWA**). The **Pillar 2 requirement** (**P2R**) in total capital **remains stable** at around **2.1%**.

Quantitative measures **for liquidity risk** were imposed on four banks.

Qualitative measures had been issued primarily to **address deficiencies in the areas** of **credit risk**, **internal governance**, **capital adequacy** and **operational risk**, covering aspects such as **credit risk monitoring and the management of specific portfolios**, the **composition of governance bodies**, the enhancement of the **stress testing framework in ICAAP**, or deficiencies linked to **IT business continuity**.

Legally binding measures were also used to tackle severe **weaknesses identified** during **on-site inspections** (**OSIs**) and **horizontal analyses**.

Looking ahead

Supervisors will **prioritise** prudent risk-taking and sound credit standards to **prevent the emergence of future NPLs**. Moreover, they will continue to **monitor banks' exposure to vulnerable sectors** against the backdrop of the current global environment and resulting economic uncertainty. Banks should also **effectively assess** and **manage short-, medium- and long-term risks** stemming from **climate and nature crises** and remedy persistent shortcomings in their related risk management frameworks. Increased threats to operational resilience from **geopolitical risk** require banks to further adapt their **cybersecurity and third-party risk management**, while ensuring **full compliance** with the **Digital Operational Resilience Act** (**DORA**). Internal governance and risk management continues to be a key area of scrutiny, with a renewed focus on the remediation of **long-standing deficiencies** in their **risk reporting** capabilities and related **information systems**.

Introduction SREP 2025 2/3

Developments of Scores

The **average overall SREP score** for 2025 **improved further to 2.5** (2.6 in 2024), marking the best result since 2016 and **reflecting a continued strengthening of banks' overall risk profiles**.

Business model

Supervisors exercised **caution on account of the slowdown in NII**, **structural cost challenges** and **weaknesses in strategic execution and business planning**. However, they also considered banks' **strong financial performance**, their **diversification efforts** and **progress in remediation**.

Internal governance & risk management

Improvements were observed but **structural weaknesses persist**, particularly in **management bodies' effectiveness**, **risk culture**, and **risk data aggregation** and **risk reporting capabilities**.

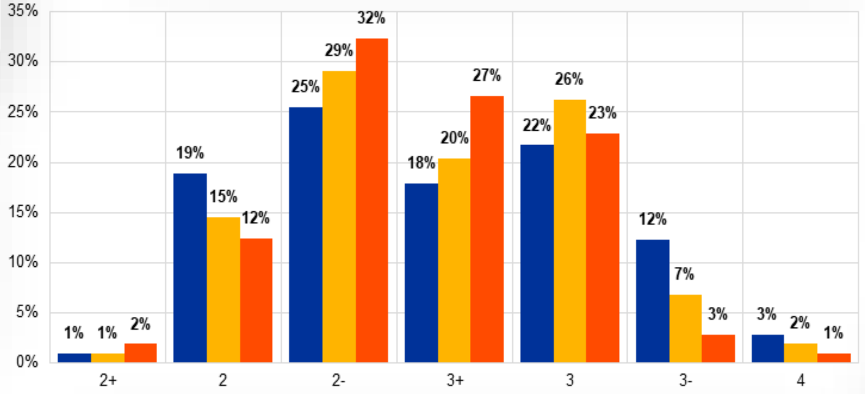
Capital adequacy

Scores improved slightly but concerns remain regarding **capital planning quality** and the **reliability of projections**.

IRRBB & CRSBB

Score changes due to **on-site inspection** (OSI) **outcomes**, as well as by the **dynamic interest rate environment** resulting in risk profile changes, and the revision of the SREP methodology.

Overall SREP scores (percentages)



Source: ECB SREP database ■ SREP 2023 ■ SREP 2024 ■ SREP 2025

Market risk

Downgrades were limited and were primarily attributable to **delays in following up on** material **supervisory findings** and **weaknesses in internal controls**.

Credit risk

Supervisors noted **sound asset quality and improved credit risk management frameworks**. However, they also observed a **deterioration in the commercial real estate sector and persistent risk control deficiencies**, e.g. for **loan origination**, **risk classification** and **monitoring**, as well as **data quality**.

Operational and IT risk

Scores remained **relatively stable**, with changes largely driven by **institution-specific developments**.

Liquidity risk

Scores did not change significantly, reflecting the **overall sound liquidity position of most banks**. Downgrades were mainly related to **vulnerabilities identified under stress scenarios**.

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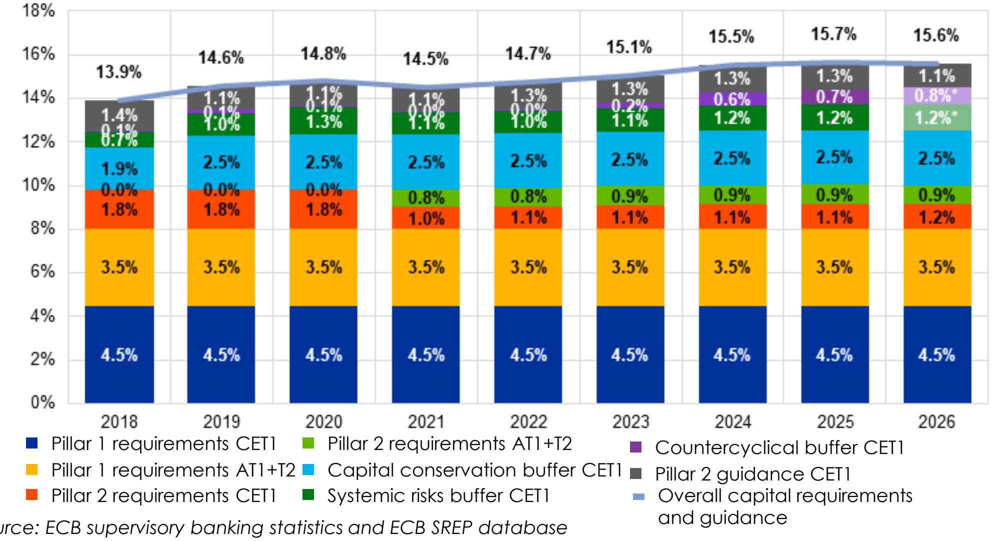
Capital Requirements and Guidance & Qualitative Measures

Capital Requirements and Guidance

The **overall capital requirements and guidance applicable** for 2026 **decreased slightly to 15.6% of RWA**, compared with 15.7% for 2025. This was largely **driven by a decrease in the P2G for the CET1**, from 1.3% to **1.1%**.
The **average total capital P2R remained broadly stable**.
The **total capital ratio stood at a weighted average of 20.2%** as at the second quarter of 2025.

Developments in overall capital requirements and P2G (percentages of RWA)



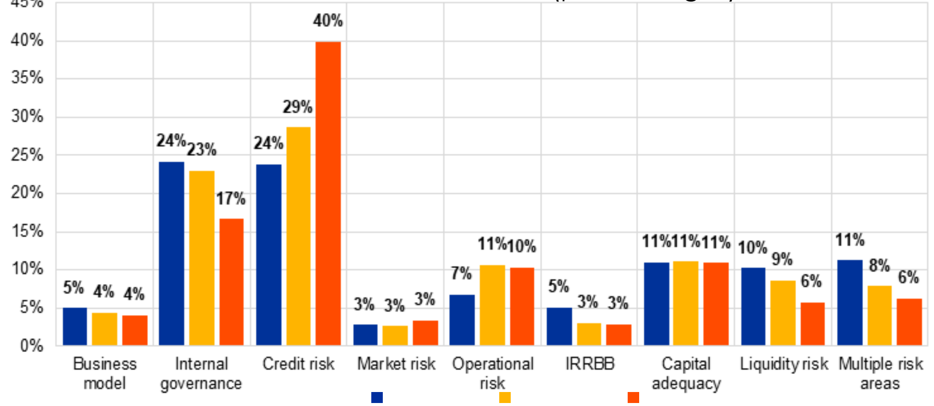
Source: ECB supervisory banking statistics and ECB SREP database

In the 2025 SREP cycle, a **P2R leverage ratio add-on** was assigned in 14 cases; five banks were subject to a P2G leverage ratio add-on.
Moreover, **NPE P2R add-ons** being issued for ten banks. The RWA-weighted average shortfall in NPE provisions amounted to 8 bp in 2025.

Qualitative Measures

Qualitative measures to address supervisory findings were issued for **100 banks** in the form of **SREP decisions** or **SREP operational letters**.

Qualitative measures (percentages)



Credit risk remained the most frequently addressed area of deficiency with a significant share of these measures targeted **NPLs** and **provisioning practices**.

Operational risk measures also remained elevated at 10%, pointing supervisory concerns, regarding **cyber resilience** and **internal control environments**.

The most notable **declines** in number of qualitative measures was observed in the areas of **governance** and **liquidity risk**.

02

Detailed Analysis SREP 2025

Business Model & Internal Governance and Risk Management

Credit Risk

Capital Adequacy & Other Risks

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Business Model & Internal Governance and Risk Management

Business Model

The **burgeoning profits** and **higher revenue generation capacity**, coupled with **strategic improvements**, were the main drivers behind the **18% of business model SREP scores** that improved in the **2025 SREP cycle**, clearly outweighing the 4% of scores that had deteriorated. In the 2025 SREP cycle, the **average business model score** was **2.4**, as compared with 2.5 in the 2024 SREP cycle.

In the 2025 SREP cycle, score improvements were driven by a combination of **cost efficiency**, **growth in net income flows** (NFCI and NTII), as well as strategic initiatives such as **mergers and acquisitions**, **portfolio disposal**, and **portfolio restructurings**.
Moreover, banks benefited from **enhanced risk management frameworks** to steer their business model risk and digital transformation, but the **pace of adaptation varied across banks.**

Although banks continued to show high levels of profitability, **supervisors remained cautious about the sustainability of banks' business models** given the slowdown in NII, which affected the degree of recognition of these improvements in the scores.

Supervisory measures in the 2025 SREP cycle addressed shortcomings primarily in the **areas of strategy**, including its **governance**, and **cost**, including its **allocation** and the **review of the cost base**.

Internal Governance and Risk Management

Despite the overall progress made in internal governance practices over recent years, further **structural enhancements are needed**. A strong supervisory focus remains warranted, as **weaknesses persist** across multiple institutions – particularly in terms of the **effectiveness of management bodies**, **risk culture**, and **risk data aggregation and risk reporting capabilities**. The main 2025 **SREP findings** on internal governance and risk management can be grouped as follows:

In the area of **risk data aggregation and risk reporting** (RDARR), **progress** continues to be **slow and insufficient**. Key remaining issues include a lack of prioritisation at the board level, inadequate **data architecture** and **IT infrastructures**, as well as **deficiencies in data quality controls**.

While improvements were observed in several banks, issues persist in the areas of **board composition and risk culture**. A **lack of specialized knowledge** in certain areas such as **IT** remains a concern, and although banks have made strides in improving **diversity**, it continues to be a weakness. These issues manifested in the **absence of a strong challenging capacity and sometimes weak decision-making**.

Despite some progress, **insufficient resources and expertise** continue to hinder the **effectiveness of internal control functions** in several institutions.

Detailed Analysis SREP 2025 2/3

Credit Risk

Just in Time

Credit Risk

In 2025 the **average credit risk score improved only marginally**, owing to:

- Ongoing challenges in the **asset quality** across different portfolios and regions;
- Persistent deficiencies in **credit risk management** frameworks for some institutions.

This marginal improvement reflects both **positive and negative trends**:

+

Banks in jurisdictions with historically high NPLs continued to **dispose of/sell off their legacy NPLs** through sustained effort, thereby contributing to an improvement in credit risk scores for some institutions.

Continued resilience of households, supported by record-low unemployment, rising incomes and declining interest rates, **bolstered asset quality in retail portfolios**, particularly in the **residential real estate segment**.

Progress was observed for some institutions in **closing supervisory findings and refining their provisioning processes.**

−

Persistent challenges in the **commercial real estate sector**.

Structural issues such as **remote working**, **climate-related and environmental** (C&E) considerations and **price adjustments in non-prime office spaces** continued to weigh on asset quality.

SME exposures remained a source of concern, as **corporate insolvencies**, while stabilising, remained elevated as compared with pre-pandemic levels, particularly for highly **leveraged firms and export-oriented sectors** affected by **geopolitical risks** and **trade tensions**.

ECB Banking Supervision

1 **Intensified** its **scrutiny** of **portfolios** with pockets of increased risk, for example in the **commercial real estate sector** and in **small and medium-sized enterprises** (SMEs).

2 **Actively followed up** on the **remediation of deficiencies**, including persistent **refinancing risks** driven by **elevated interest rates** and **declining market valuations**, as well as deficiencies identified in previous targeted supervisory activities. These included **reviews of forbearance practices**, **unlikely-to-pay exposures**, c**ommercial real estate**, **counterparty credit risk**, and **internal ratings-based models**.

3 Expressed persistent concerns about **SME portfolios** relate to **outdated financial data**, frequent **rating overrides**, and unclear **risk identification criteria** that undermine risk assessment quality.

4 Continued to prioritise the **remediation of deficiencies** in other areas of banks' **credit risk management frameworks**, including **IFRS 9 provisioning practices**.

Most **qualitative measures** (**64%**) focused on the **strategic and operational planning** surrounding the **level of NPLs** for banks with high NPLs, the **supervisory expectations** for **NPL coverage** and the related **reporting**.

Detailed Analysis SREP 2025 3/3

Capital Adequacy & Other Risks

Just in Time

Capital Adequacy

Capital adequacy scores remained broadly stable. **No institution had capital levels below the required sum of overall capital requirements, buffers and guidance.**

Supervisors continued to focus on **progress in institutions' capital planning**. This included assessing capital planning **frameworks**, **processes**, **capacity** and the general **quality** of these frameworks in the context of ongoing **geopolitical** and **macroeconomic uncertainties**. This also took the form of **reverse stress testing**, which links the **ICAAP** to banks' **recovery plans**. ECB expressed **ongoing concerns** about **the effectiveness of banks' capital planning frameworks** and their ability to generate sufficiently **reliable capital projections** under both **baseline** and **adverse scenarios** as part of the overall ICAAP assessments. Finally, supervisors continued to follow up on **ICAAP integration** and **risk controls** for the ICAAP, particularly in terms of banks further developing their **scenario designs** and **stress testing**.

Other Risks

Operational and ICT risk

Operational and information and communication technology (**ICT**) **risk continued to be the SREP category with** the **worst average score** (3), with its **ICT risk component** being the **worst average score of all** (3.03).

The assessment of operational risk and ICT risk within this SREP cycle showed that the **combined risk scores** in this area remained **driven by**:

- **ICT** (especially due to ICT governance and risk management and ICT security risk) was the **main contributor** to the operational and ICT combined score, with a **growing impact from third-party risk.**
- **Operational risk losses** were dominant drivers only in the case of extreme tail events. Despite a downward trend in total loss amounts, **conduct risk and execution risk still prevailed as the largest total loss contributors**.

Climate risk

C&E risks remained a key supervisory priority in 2025. Since 2022, ECB Banking Supervision has stepped up efforts to ensure banks effectively identify and manage their C&E risks.

As part of the milestones for final implementation, banks were expected to **integrate C&E risks into their ICAAPs and stress testing frameworks** by the end of 2024. A **few banks had not yet satisfactorily delivered** on this. In response, **ECB** Banking Supervision **adopted two binding decisions** which envisaged **periodic penalty payments in the event of non-compliance**.

Around half of all measures from the previous SREP cycles have now been remediated.

Gaps remain in some cases; these include the **full integration of C&E risks into risk management frameworks**, **into key performance indicators**, and **into IT systems**.

03

SSM Priorities 2026-2028

Overview

Priority 1

Priority 2

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Overview

The supervisory priorities for 2026-28 **reflect ECB Banking Supervision's medium-term strategy for the next three years.**

- They are reviewed (i) annually **to reflect changes** to the **risk landscape** and the **outcome of various supervisory exercises**, (ii) **to assess the progress** made by banks against the previous years' priorities and regulatory requirements.
- Over the past year, the **banking sector** has continued to **report strong capital** and **liquidity positions** and **low levels of non-performing loans**, with profitability levels thus far **proving resilient** to the falling interest rates.
- The **banking sector's resilience** has **benefited** over the past few years from **public measures** aimed at **supporting the real economy** and **mitigating** the **impact of adverse shocks** (the overall resilience of the banking sector is shown by this year's **EU-wide stress test exercise**).
- **Global uncertainties** have surged to exceptional levels, creating an environment of **heightened fragility**, where **risks once considered remote are becoming more likely.** Geopolitical tensions and shifting trade policies, climate and nature-related crises, demographic change and technological disruptions are exacerbating structural vulnerabilities, making the likelihood of extreme, low probability events (tail risks) unprecedently high. It echoes the call to banks over the past years **to remain vigilant and to avoid complacency**.

Given this challenging outlook, the **supervisory priorities for 2026-28 focus** on:

Priority 1		Priority 2		
Strengthening bank's resilience to geopolitical risks and macro-financial uncertainties		Strengthening bank's operational resilience and fostering robust ICT capabilities		
Credit risk	Multiple risk categories	Operational risk	Governance	Multiple risk categories
Ensure prudent risk-taking and sound **credit standards**	• Ensure adeguate capitalization and consistent implementation of **CRR III** • Ensure prudent management of **climate and nature-related risks**	Implement robust and resilient **operational risk management frameworks**	Remedy deficiencies in **risk reporting capabilities (RDARR)** and related **information systems**	**Medium to long-term priority strategy** focusing on banks' digital and, in particular, AI-related strategies, governance and risk management

SSM Priorities 2026-2028 2/3

Priority 1

Prioritised vulnerability: Ensure prudent risk-taking and sound credit standards

Strategic objective: Supervised entities should have in place and maintain **sound credit standards and risk-based pricing**, while adjusting to changes to the macro-financial environment and their institution's specific circumstances.

Main activities as part of the work programme for these supervisory priorities:

- **Thematic review of credit underwriting standards,** focusing on new lending to assess how banks intend to mitigate potential future credit losses.
- **Targeted review of loan pricing,** as a follow-up to the thematic review, to assess banks' loan pricing practices and standards.
- **Targeted credit risk OSIs,** including banks' loan origination and credit underwriting frameworks.

Prioritised vulnerability: Ensure adequate capitalisation and consistent implementation of CRR III

Strategic objective: To maintain adequate capitalisation, supervised entities need to **implement the new standardised approach for calculating their minimum capital requirements under CRR III**, consistently and accurately.

Main activities as part of the work programme for these supervisory priorities:

- **Credit risk:** targeted reviews and targeted OSIs, focusing on the calculation of risk-weighted assets under the standardised approach.
- **Operational risk:** targeted reviews of the calculation of the business indicator component to aid the calculation of the corresponding capital requirements.

Prioritised vulnerability: Ensure prudent management of climate and nature-related risks

Strategic objective: Banks should effectively **assess** and **manage short-, medium- and long-term risks stemming from the climate and nature crises**, and remedy persistent shortcomings in their related risk management frameworks.

Main activities as part of the work programme for these supervisory priorities:

- Targeted follow-up and monitoring of banks' **remediation of remaining shortcomings stemming from the 2022 thematic review** and **climate risk stress test.**
- **Thematic review of banks' transition planning** in line with the CRD VI package.
- **Horizontal assessment of banks'** compliance with Pillar 3 disclosure requirements **for environmental, social and governance-related issues.**
- **Deep dive into** banks' capabilities to **address ongoing challenges**, including physical risk.
- **Targeted OSIs of C&N risk management,** either on standalone basis or as part of planned reviews of other risk areas.

SSM Priorities 2026-2028 3/3

Priority 2

Prioritised vulnerability: Implement robust and resilient operational risk management frameworks

Strategic objective: To foster their ability to prevent, withstand and recover from disruptions to critical operations and services, banks should **develop** and **maintain robust and resilient operational risk management frameworks.** They should continue their efforts to swiftly and effectively address previously identified shortcomings in the area of cybersecurity and third-party risk management and fully comply with DORA.

Main activities as part of the work programme for these supervisory priorities

- **Targeted follow-up on remediation strategies** for those banks that report material **shortcomings** in **ICT security/cyber resilience** and **ICT outsourcing.**
- **Two OSI campaigns on cybersecurity management and third-party risk management,** in line with the new DORA requirements.
- **Threat-led penetration testing** to identify **banks' vulnerabilities** and improve their **cybersecurity resilience.**
- **Targeted review of ICT change management.**
- **Deep dive** into banks' dependency on cloud service providers **to assess their preparedness for potential service disruptions.**

Prioritised vulnerability: Remedy deficiencies in risk reporting capabilities and related information systems

Strategic objective: To support **sound risk management and effective decision-making**, banks should strengthen their effort to effectively and timely remedy material weaknesses identified in their RDARR frameworks and bring them into line with the supervisory expectations laid down in the relevant ECB Guide.

Main activities as part of the work programme for these supervisory priorities

- **System-wide strategy and related supervisory reviews to monitor banks' compliance** with the supervisory expectations for RDARR frameworks, as well as effective remediation of most material findings.
- **Targeted OSIs of RDARR frameworks for those banks requiring further assessment**, as well as targeted OSIs of previously identified severe findings.

Medium to long-term priority strategy focusing on banks' digital and, in particular, AI-related strategies, governance and risk management

Strategic objective: When **leveraging new technologies**, and in particular **AI**, **to enhance efficiency and innovation**, banks shall have **strategies** that effectively reflect **opportunities and risks stemming** from the related applications and **set up robust governance** and **risk controls** to manage the underlying risks.

Main activities as part of the work programme for these supervisory priorities

- **Targeted horizontal workshops with a selected number of banks on generative AI applications** to strengthen supervisory understanding of how banks use these applications.
- **Cooperation with market surveillance authorities** responsible for the Artificial Intelligence Act and with the European Banking Authority.

04

Focus EBA & ESMA 2026 Work Programme

Overview

Focus EBA & ESMA 2026 Work Programme 1/2

Overview 1/2

Just in Time

European Banking Authority

The work programme of the EBA in 2026 will be driven by **three priorities**: **i) developing a rulebook** which contributes to an **efficient**, **resilient** and **sustainable single market; ii) performing risk assessments** with tools, data and methodologies which **support** effective **analysis**, **supervision** and **oversight; iii) tackling innovation to enhance the technological capacity** of all stakeholders.

EBA'S PRIORITIES AND AREAS OF FOCUS IN 2026:

Rulebook

Contributing to an efficient, resilient and sustainable single market

The EBA will continue refining the **EU Single Rulebook to simplify, streamline, and ensure proportionality**. Focus areas include the EU Banking Package, third-country branches, governance, and prudential assessments. It will advance mandates under the revised BRRD, DGSD, CMDI, and PSD/PSR frameworks. **Significant work** is planned on **operational** and **credit risk**, **supervisory governance**, **ESG integration**, and **capital stack simplification**, with reference to the EBA's Task Force on Efficiency recommendations.

Risk assessment

Developing tools, data and methodologies to support effective analysis, supervision and oversight

The EBA will expand its **risk monitoring framework**, enhance EU-wide **stress testing capacity** (including on climate and NBFIs), and **analyse ICT** and **geopolitical risks**. It will operationalise oversight of **critical third-party ICT providers under DORA** and begin direct supervision of **crypto-asset issuers under MiCAR**. Under EMIR 3, it will validate Initial Margin Models. A centralised and harmonised reporting system will be further developed **to reduce costs by 25%**, with a common **data dictionary** and **upgraded IT tools** supporting this.

Innovation

Enhancing technological capacity for all stakeholders

Technological capacity-building will centre on AI/ML integration, DLT, and crypto-asset developments.
The EBA will lead the **European Forum for Innovation Facilitators** and support the implementation of the **AI Act**.
On **consumer protection**, it will **assess over-indebtedness and de-risking trends**, publish retail risk indicators, and monitor payment fraud, **with emphasis on digital interface disclosures** and **cross-border supervision.**

Focus EBA & ESMA 2026 Work Programme 2/2

Overview 2/2

The **ESMA outlines** its 2026 Annual Work Programme in alignment with its 2023–2028 strategy, prioritising effective **markets and financial stability**, **effective supervision**, **retail investor protection**, **sustainable finance**, and **technological innovation**.

STRATEGIC PRIORITIES

FOSTERING EFFECTIVE MARKETS AND FINANCIAL STABILITY

- ESMA's focus will be heavily shaped by the European Commission's Savings and Investment Union (SIU) Strategy, **seeking to simplify the EU regulatory framework** and **enhance market competitiveness and accessibility**.
- In 2026, ESMA will **support the implementation of key legislative initiatives** including EMIR 3, the Digital Operational Resilience Act (DORA), the Retail Investment Strategy (RIS), the Listing Act, and CSDR reforms to enable the EU's transition to T+1 settlement. It will begin **supervisory responsibilities for new entities** such as ESG rating providers and Consolidated Tape Providers (CTPs) and **oversee implementation of sustainability-related standards** under the European Green Bond framework.

STRENGTHERING SUPERVISION OF EU FINANCIAL MARKETS

- Supervisory convergence and data-driven oversight remain central. ESMA will **enhance its data infrastructure** via the ESMA Data Platform and contribute to the European Single Access Point (ESAP). Emphasis will be placed on **reducing reporting** burdens through **integrated reporting** and **streamlining** of MiFIR, EMIR, and SFTR transaction reporting frameworks.
- **Supervisory convergence and data-driven oversight remain central.** ESMA will enhance its data infrastructure via the ESMA Data Platform and contribute to the European Single Access Point (ESAP). Emphasis will be placed on **reducing reporting burdens through integrated reporting** and **streamlining** of MiFIR, EMIR, and SFTR transaction reporting frameworks.

ENHANCING PROTECTION OF RETAIL INVESTORS

- **Retail investor protection** will be addressed through **further convergence tools, mystery shopping, and enhanced disclosures**, particularly in light of **digitalization and sustainability trends**. ESMA will also continue its work on **greenwashing risks**, **transition finance**, and **ESG disclosures.**

05

Conclusions

Conclusions

Just in Time

SREP 2025

The **results of the 2025 SREP** cycle **continued to showcase** the **strong resilience of the European banking sector**, **despite** the increasingly **challenging global environment** and **multidimensional geopolitical risks**. Overall, **SREP scores**, **capital requirements and guidance** have **remained broadly stable**, reflecting both the positive and negative drivers. On the **positive side**, the **improvements in** the area of **profitability**, the **continuous decline in NPLs** and the **progress** made in **enhancing internal governance practices**. On the **negative side**, the **slowing down of NII** and **structural cost challenges** for certain business models, **persisting vulnerabilities in asset quality** across some portfolios and regions, **long-standing deficiencies** in **credit risk management frameworks**, and the **need** for further **structural reform in** areas such as **board composition** and **risk culture**, **internal control functions** and **RDARR** for **internal governance** and **risk management**.

SSM Priorities 2026-2028

The supervisory priorities aim to **address the most relevant and overarching vulnerabilities faced by banks**, ensuring **resilience** to **geopolitical** and **macro-financial uncertainties** and **strengthening operational resilience** and **ICT capabilities.**

- ***Priority 1:*** banks should **ensure prudent risk-taking** and sound credit standards to prevent the accumulation of new non-performing loans. The growing frequency **of climate-related disasters** and slow progress towards the net-zero goals under the **Paris Agreement require banks** to further strengthen their **management of climate and nature-related (C&N) risks.**
- ***Priority* 2:** robust and resilient operational risk management frameworks and strong ICT capabilities are **crucial in mitigating emerging risks and avoiding disruptions to critical operations and services**. With the **Digital Operational Resilience Act (DORA)** entering into force, banks must **consistently and swiftly implement the relevant requirements**, especially for **ICT third-party risk** and **incident response management**. Addressing **material shortcomings** identified in past supervisory reviews of cybersecurity, third-party risk management and risk data aggregation and reporting remains vital. In parallel, **ECB Banking Supervision will progressively intensify its engagement with banks on the use of new technologies**, particularly artificial intelligence, balancing potential benefits with awareness of associated risks.

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Strategy

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Methodology & Governance

Implementation of the designed **solutions** in bank departments **Methodological support** to both **systemically important financial institutions** and **supervisory entities**

Solution

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