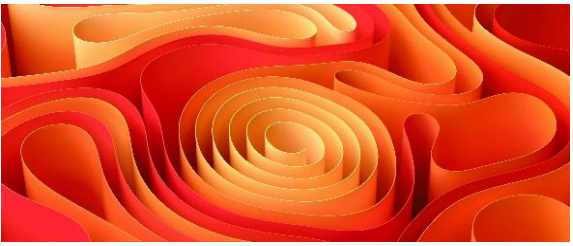
Pills

Regulatory/Supervisory Pills | N.161 November 2026

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TOPICS:

Climate risk

SOURCE:

Deutsche Bundesbank

DB: Stress Testing European Banks' Transition Risk and Lending Behavior

- The paper examines **whether the ECB's 2021–2022 climate stress test influenced banks' lending decisions**, particularly regarding borrowers exposed to climate transition risks. Unlike traditional prudential stress tests, it did not impose additional capital requirements but focused on **supervisory oversight, data collection and risk-management capabilities**.
- Using approximately 2.2 million **loan observations from the Eurosystem's AnaCredit database**, the authors compare Significant Institutions (SIs), which participated in the stress test, with Less Significant Institutions (LSIs), which did not.
- The findings highlight **three key developments**. 1) **Limited overall pricing impact**: The stress test did not produce a statistically significant increase in the sensitivity of loan interest rates to borrowers' carbon intensity; 2) **Credit portfolio reallocation**: Participating banks shifted new lending away from more carbon-intensive existing borrowers, suggesting greater consideration of transition risks in credit allocation; 3) **Stronger pricing differentiation for new relationships**: Banks charged higher spreads to carbon-intensive borrowers entering new lending relationships, with a one-standard-deviation increase in emissions intensity associated with approximately 10 additional basis points.
- The study also finds **limited evidence that more demanding stress-testing requirements generated stronger behavioural adjustments**.
- Overall, the research concludes that **climate stress tests influence banks primarily through portfolio reallocation and selective loan pricing** rather than widespread repricing of existing exposures. These findings suggest that supervisory scrutiny and improved climate-risk information can shape lending behaviour even without direct regulatory capital consequences.