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Stress Test

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European Banking Authority

## The EBA Launches Early Consultation on Simplified EU-Wide Stress Test, with Climate Risk Integration

- The **EBA's draft package for the 2027 EU-wide stress test** introduces significant methodological simplifications. They are aimed at **improving efficiency, reducing reporting burdens and enhancing risk sensitivity** while maintaining the robustness and comparability of results.
- A key change is the **55% reduction in required data points** compared with the previous exercise. The EBA has streamlined templates and definitions, relying more heavily on existing supervisory reporting to eliminate duplication, improve data quality and reduce operational complexity for participating banks.
- Another major development is the **introduction of climate risk** into the EU-wide stress test framework. For the first time, both **transition risks and physical climate risks** will be assessed through a dedicated module. While climate-related outcomes will not affect the core stress test results in this cycle, the initiative represents an important step toward integrating climate considerations into prudential supervision.
- The 2027 exercise will involve **63 banks from the EU and Norway**, including 47 euro area institutions, covering approximately **75% of the EU banking sector**. The stress test will continue to assess banks' resilience under a common adverse macro-financial scenario and will support the **Supervisory Review and Evaluation Process (SREP)**.
- The EBA has also launched the industry consultation earlier than in previous cycles to help institutions prepare for both the revised stress test methodology and forthcoming changes to supervisory reporting requirements. The exercise remains based primarily on a **constrained bottom-up approach**, complemented by supervisory top-down elements.

