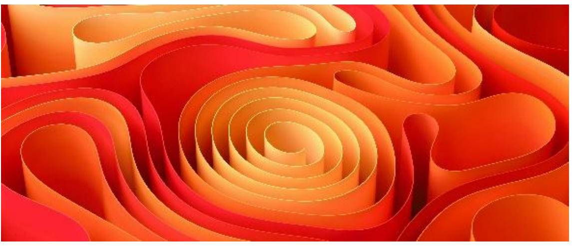
Pills

Regulatory/Supervisory Pills | N.183 December 2025



TOPICS:

Banking System

SOURCE:

European Central Bank

ECB SREP 2025 Results and Supervisory Priorities for 2026–2028

- The ECB, recently, published the results of the **2025 Supervisory Review and Evaluation Process** (SREP). The assessment covered 105 significant banks, which, as of Q2 2025, **exhibited strong** capital positions (CET1 ratio at 16.1%), **solid leverage ratios** (5.9%), and **liquidity buffers** (LCR at 158%, NSFR at 127%). **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**.
- **Qualitative measures** focused on **credit risk** (40%), **governance** (17%), **capital adequacy** (11%), and **operational risk** (10%). These measures reflect ECB's risk-based supervisory approach and a reduction in corrective actions compared to the previous year (down by 30%). Key areas of **supervisory concern** include **elevated leveraged finance** and **insufficient provisioning for non-performing exposures**.
- The ECB also set **supervisory priorities for 2026–2028**, emphasizing banks' resilience to geopolitical and macro-financial shocks and strengthening IT and operational resilience. The strategic focus includes **aligning credit practices with Capital Requirements Regulation (CRR3), improving stress-testing under ICAAP** and **addressing climate and digital transformation risks**.
- In terms of methodology, the **ECB is enhancing supervisory efficiency** with earlier communication of SREP outcomes and introducing a streamlined, transparent P2R calculation method from 2026. Additionally, a revised ICAAP assessment methodology has been released to ensure banks maintain sufficient internal capital aligned with their risk profiles.