Management Solutions
Making things happen

ECB supervisory priorities 2026-2028

ECB medium-term strategy

1 Context

The euro-area banking sector shows resilience but faces ongoing geopolitical, macro-financial risks and the risk of external shocks. In response, the ECB has defined its supervisory priorities for 2026–2028 to address these key vulnerabilities

Gradual resilience under global uncertainty

In 2026, the euro-area banking sector remains resilient, with strong capital and liquidity and low non-performing loans. However, it faces persistent geopolitical risks, macro-financial volatility, and the potential for sudden market repricing, as highlighted by ECB stress tests.

While moderate economic growth is expected, the outlook is vulnerable to external shocks such as global trade disruptions, climate-related events, and renewed geopolitical instability, which could impact banks' risk profiles.

Structural challenges: Digital transformation and operational resilience

As banking operations become increasingly digital, the rapid digitalisation of banks' operations and services underline the need for resilient internal information systems and robust RDARR capabilities.

Banks should also 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.

Business model sustainability and risk-based pricing

The growing digitisation of the sector requires more secure and resilient systems, as well as better technological risk management. Banks must strengthen their capabilities against cyberattacks and operational incidents and make progress in complying with the DORA Act to ensure greater business continuity. Banks must establish and maintain sound credit standards and risk-based pricing to avoid the accumulation of non-performing loans, while adapting to changes in the macro-financial environment.

2 Priorities and vulnerabilities

The ECB's supervisory priorities for 2026–2028 are designed to comprehensively strengthen banks' resilience, financial, operational, and technological, by addressing vulnerabilities in risk management, capital adequacy, operational resilience, and digital transformation

Priority 1

Strengthening banks' resilience to geopolitical risks and macro-financial uncertainties

- Ensure **prudent risk-taking, sound credit standards** and risk-based pricing to avoid asset quality deterioration and NPL accumulation — **Sound credit standards**
- Ensure **adequate capitalisation** and consistent application of **CRR III** — **Capital**
- Ensure effective management of **climate and nature-related risks** — **ESG risks**

Priority 2

Strengthening banks' operational resilience and fostering robust ICT capabilities

- Implement robust and resilient operational risk management frameworks, ensuring **compliance with DORA** — **Operational resilience**
- Remedy deficiencies in **risk reporting capabilities** and related **information systems** — **RDARR**

Medium to long-term priority strategy

Strategy focusing on banks' digital and, in particular, AI-related strategies, governance and risk management

- Overcoming fragmentation or insufficient definition of **digital strategies** — **Digital strategies**
- Strengthen governance and risk management of new technologies - such as **AI and Cloud Services** — **AI & other new technologies**

Vulnerabilities and actions required

3 Supervisory work programme

For each identified vulnerability, the ECB has defined strategic objectives and developed a comprehensive supervisory work programme, including thematic reviews, targeted reviews, deep dives, and on-site inspections, to monitor progress and enforce timely remediation of material findings

Priority 1

Sound credit standards

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

CRR III capital

- **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 support the determination of the corresponding capital requirements.

ESG risks

- **Targeted follow-up** on banks' remediation of shortcomings from the 2022 thematic review and climate risk stress test.
- **Thematic review of transition planning** in line with the CRD VI package and EBA Guidelines.
- **Horizontal assessment of ESG Pillar 3 disclosures**, covering environmental, social and governance-related requirements.
- **Deep dive on physical and other climate-related risks**, assessing banks' capabilities to address ongoing challenges.

Priority 2

Operational resilience

- **Targeted follow-up** on banks with material shortcomings in ICT security, cyber resilience and ICT outsourcing.
- **Two OSI campaigns** on cybersecurity management and third-party risk management, aligned with DORA requirements.
- **Threat-led penetration testing** to identify vulnerabilities and enhance cybersecurity resilience.
- **Targeted review of ICT** change management processes.
- **Deep dive on cloud dependency**, assessing banks' preparedness for potential service disruptions.

RDARR

- **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

Digital & AI strategies

- **Targeted horizontal workshops** with a selected number of banks on AI applications, including generative AI, to strengthen supervisory understanding.
- **Cooperation with competent authorities** for the **AI Act**, the **European Commission** and the **EBA.**

4 SREP 2025 results

The ECB's supervisory priorities for 2026–2028 are directly informed by the latest SREP assessment, which provides a comprehensive view of the sector's resilience and highlights the areas requiring targeted supervisory action

Aggregated Results of the 2025 SREP

Business model

- **Record profitability** in 2024–25 (ROE 10.1%), driven by strong operating income and improved cost efficiency.
- **Business model scores improved for 18% of banks**, mainly due to strategic initiatives, income diversification, and cost discipline.
- **Supervisors remain cautious about the sustainability of business models,** given the slowdown in net interest income (NII), reliance on volatile income sources, and persistent macro-financial and geopolitical uncertainties.

Capital adequacy

- **Capital adequacy scores remained broadly stable**, with 70% unchanged, 20% improved, and 10% deteriorated.
- Supervisors emphasized the importance of reliable, forward-looking capital planning, robust ICAAP integration, and scenario-based stress testing, especially under adverse conditions.
- All banks maintained CET1 ratios and liquidity coverage ratios (158%) above regulatory requirements (16.1% and 158% respectively, as average).

Internal governance and risk management

- **Persistent weaknesses remain in internal governance and risk management frameworks**, amid heightened geopolitical and macro-financial risks.
- Progress in RDARR is slow due to fragmented IT infrastructure and insufficient prioritization at board level.
- Supervisors continue to focus on remediation **of long-standing deficiencies and strengthening risk culture and board oversight.**

Operational and information and communication technology risk

- **This risk remained the weakest SREP category**, driven by persistent shortcomings in ICT governance, cybersecurity and third-party risk management.
- Supervisors expect **full compliance with DORA**, with **targeted reviews and threat-led penetration testing** planned.
- **Recurring gaps in outsourcing governance, business continuity, and exit strategies are** particularly concerning for banks with high reliance on non-EU service providers.

Credit risk

- **Retail credit remained resilient**, with NPL ratios stable at 2.2%, supported by strong labour markets and household incomes.
- **Vulnerabilities persisted**, with **CRE** and **SME portfolios,** with sector-specific pressures and geopolitical risks impacting asset quality.
- **Credit-risk scores shifted by 25%**, with upgrades outweighing downgrades, but supervisors maintain a strong focus on credit risk management frameworks, IFRS 9 provisioning, and sectoral exposures.

C&E risks

- **C&E risks remained a key supervisory priority**, with intensified scrutiny in 2025.
- **Supervisors assessed banks' progress** in integrating C&E risks into governance, strategy and risk management frameworks, including ICAAP and stress testing.
- **Expectations remain high** for banks to fully identify, assess and manage material climate-related exposures, with continued focus on remediations and identified shortcomings.

5 Why Management Solutions?

Management Solutions has in-depth knowledge of financial regulation and extensive experience in supporting OSIs through different types of collaboration, adapting to the needs of each entity and making available the profiles that make up the Firm

REGULATORY EXPERTS

MS has a **Regulatory Observatory** that provides in depth knowledge of the regulatory requirements of financial and non-financial institutions at the European level.

MS PROFILES

- **Functional** profiles
- **Data scientist** profiles (data processing and modelling)
- **Technical** profiles

POSSIBLE TYPES OF COLLABORATION

PMO SUPPORT

- **Stakeholder** coordination
- Development and monitoring of the OSI **work plan**
- Preparation of **meetings with the supervisor**

AREAs SUPPORT

- Support in the preparation of **documentation** associated with each area
- Support for necessary **qualitative and quantitative analyses**
- Support in the **Loan Tapes file**

DOCUMENTATION IMPROVEMENT

- **QA** support for **updating and** improving existing **documentation**
- Collecting and challenging **evidence**

SUPPORT FOR REMEDIATION PLANS

- Support in the **identification and execution** of remediation plans.
- **PMO support for plan execution tracking**

A Abbreviations

Abbreviation	Meaning
AI	Artificial Intelligence
AI Act	Artificial Intelligence Act
CET	Common Equity Tier
C&E Risks	Climate & Environmental Risks
CRE	Commercial Real Estate
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
DORA	Digital Operational Resilience Act
ECB	European Central Bank
ESG	Environmental, Social and Governance
EBA	European Banking Authority
EU	European Union
ICAAP	Internal Capital Adequacy Assessment Process

Abbreviation	Meaning
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standard
IT	Information Technology
NII	Net Interest Income
NPL	Non-Performing Loan
OSI / OSIs	On-site Inspection(s)
PMO	Project Management Office
QA	Quality Assurance
RDARR	Risk Data Aggregation and Risk Reporting
ROE	Return on Equity
SREP	Supervisory Review and Evaluation Process
SME	Small and Medium-sized Enterprises

Management Solutions
Making things happen

International *One Firm*

Multiscope Team

Best practice *know-how*

Proven Experience

Maximum Commitment

José Luis Carazo
Partner of Management Solutions
Jose.luis.carazo@managementsolutions.com

Marta Hierro
Partner of Management Solutions
marta.hierro@managementsolutions.com

For more information, please visit

www.managementsolutions.com

Or follow us on: