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Regulatory Blog

By PwC Deutschland | 18 December 2024

ECB publishes results of the 2024 Supervisory Review and Evaluation Process (SREP) as well as the Supervisory Priorities for 2025 to 2027

On December 17th, the ECB published the results of the Supervisory Review and Evaluation Process 2024 of the Significant Institutions (SI) under direct ECB supervision.

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At the same time, the Supervisory Priorities for 2025 to 2027 were published. They will guide the ECB supervisory actions in the years to come.

Some interesting changes can be noted when comparing both publications to the ones of last year. And of course, there is most likely an impact that goes beyond the SIs and will also be felt by the Less Significant Institutions (LSI).

SREP results

Overall, the SREP results show that the banks assessed are resilient to crises and have stable capital and liquidity resources. This is also reflected in the largely stable ratings (“SREP score”):

At the same time, the European Central Bank highlights geopolitical and macroeconomic risks that banks might be facing and, against this background, is increasing the Pillar 2 capital requirements (P2R) from an average of 2.0% in 2023 to 2.1% in 2024:

In addition to the Pillar 2 capital requirements, qualitative measures for individual banks are also derived from the SREP results. In 2024, these mainly concerned the topics of credit risk (29%) and corporate governance (23%).

Supervisory Priorities

The supervisory priorities for the years 2025 to 2027 largely correspond to the priorities announced last year:

1. Strengthening resilience to macroeconomic and geopolitical crises
2. Addressing persistent and significant weaknesses
3. Digitalization and cyber risks

Two things are interesting here: Firstly, the ECB names the management of credit risks as a top priority to strengthen resilience. The ECB particularly emphasizes the early detection of credit risks, the use of scenario analyzes to adequately capture the high level of uncertainty and the appropriate allocation of risk provisions.

Secondly, the ECB is changing the title of the second priority, thereby placing greater emphasis on the fact that vulnerabilities, for example in dealing with climate and environmental risks, corporate governance or in relation to the implementation of BCBS 239, have already been identified by the ECB in the past. In the future, banks should focus even more on resolving these findings (“shift in focus from risk identification to risk remediation”). It is generally expected that the ECB will also make use of permanent penalty payments for this purpose.

Summary and Outlook

As might be expected, SREP outcomes and priorities have not changed radically compared to the previous

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year. However, gradual adjustments can still be noticed and should be urgently taken into account by the institutes.

Our experts will be happy to provide you with a detailed discussion of the results and the derivation of implications for your company

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Keywords

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Contact



Martin Neisen
Frankfurt am Main
martin.neisen@pwc.com



Christoph Himmelmann
Frankfurt am Main
christoph.himmelmann@pwc.com