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STRESS TESTING AND PROPORTIONAL SUPERVISION AS TOOLS FOR STRENGTHENING BANKING RESILIENCE: LESSONS FROM THE U.S. EXPERIENCE FOR UKRAINE

Banking resilience is essential for financial stability, economic recovery and public confidence, especially under systemic shocks. For Ukraine, this issue is particularly important because the banking sector operates under wartime pressure, macrofinancial uncertainty, credit risks and operational disruptions.

Stress testing allows regulators to assess whether banks can remain stable under adverse scenarios. However, its value depends on whether the results are transformed into specific supervisory decisions. This is where proportional supervision becomes important: banks differ in size, systemic importance, business model and risk profile, so regulatory responses should also be differentiated [2].

The purpose of this study is to substantiate stress testing and proportional supervision as complementary tools for strengthening banking resilience in Ukraine, taking into account the lessons of the U.S. supervisory framework.

The U.S. experience shows that stress testing is not only a technical assessment of bank capital, but also a tool of supervisory discipline. After the global financial crisis, the Federal Reserve made stress testing a regular element of banking supervision, especially for large and systemically important banks [3].

In 2025, the Federal Reserve stress-tested 22 large banks. Under the severely adverse scenario, these banks were expected to absorb almost USD 550 billion in hypothetical losses, while their aggregate CET1 capital ratio declined from 13.4% to a minimum of 11.6%. Nevertheless, all tested banks remained above the minimum regulatory capital requirements.

The adverse scenario was intentionally severe: it assumed a rise in unemployment to 10%, a 33% decline in house prices, a 30% decline in commercial real estate prices and a sharp fall in equity prices. This makes the U.S. framework useful for Ukraine not because it can be copied directly, but because it demonstrates how stress testing can become a practical basis for capital planning, supervisory expectations and differentiated control over banks with different levels of systemic importance.

In 2025, the NBU stress-tested 21 largest banks, which jointly accounted for about 90% of the banking sector's assets. According to the results, 12 banks passed the stress test without higher required capital adequacy ratios, while 9 banks received increased capital requirements under the baseline or adverse scenarios. These 9 banks represented 18% of the sector's assets [6; 3; 5].

Table 1

Supervisory outcomes of the 2025 stress testing of Ukrainian banks

Supervisory outcome	Number of banks	Share of stress-tested banks, %
Banks without higher required capital adequacy ratios	12	57.1
Banks with higher required ratios under baseline and adverse scenarios	6	28.6
Banks with higher required ratios only under adverse scenario	3	14.3
Total stress-tested banks	21	100.0

Source: calculated by the author based on the National Bank of Ukraine's 2025 bank resilience assessment [6]

These results show that stress testing in Ukraine already performs not only a diagnostic, but also a supervisory function. It helps the regulator distinguish between banks that remain sufficiently capitalized and banks that need to strengthen their resilience through capital accumulation, balance sheet restructuring or risk reduction. In this sense, the Ukrainian experience demonstrates the practical link between stress testing and proportional supervision: the regulatory response is not the same for all banks, but depends on the level of vulnerability revealed by the assessment.

The U.S. experience is important for Ukraine because it demonstrates that stress testing should not remain only a formal assessment of bank capital. Its practical value appears when the results are used to differentiate supervisory attention, capital expectations and corrective measures depending on the vulnerability of each bank. This logic is especially relevant for Ukraine, where the banking sector operates under wartime pressure and faces a combination of credit, operational, currency and macrofinancial risks.

For Ukraine, stress testing has become one of the key instruments for assessing the actual resilience of banks under conditions of prolonged uncertainty. Unlike a standard analysis of current financial indicators, the resilience assessment makes it possible to identify how banks may react to adverse scenarios and whether they require additional capital buffers or enhanced supervisory attention.

In 2025, the National Bank of Ukraine stress-tested 21 largest banks covering about 90% of banking sector assets. The results made it possible to differentiate banks according to their capital vulnerability and the need for enhanced supervisory response.

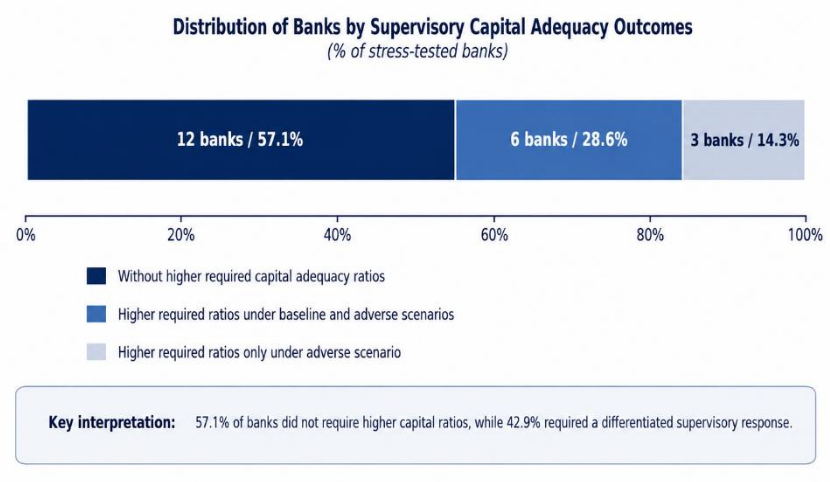

Figure 1. Differentiation of Ukrainian banks by the results of the 2025 stress testing

Source: [3]

The figure demonstrates that 57.1% of stress-tested banks did not require higher capital adequacy ratios, while 42.9% required a differentiated supervisory response under baseline and/or adverse scenarios. This confirms the practical link between stress testing and proportional supervision in the Ukrainian banking sector.

These results confirm that stress testing in Ukraine already performs not only a diagnostic, but also a supervisory function. It allows the regulator to distinguish between banks that remain sufficiently capitalized and institutions that need stronger capital positions, risk reduction or closer supervisory oversight. Therefore, the 2025 resilience assessment demonstrates the practical link between stress testing and proportional supervision: the supervisory response is not identical for all banks, but depends on the level of vulnerability revealed by the assessment.

This creates a basis for comparing the Ukrainian approach with the U.S. supervisory framework and for identifying the elements that may be useful for further strengthening banking resilience in Ukraine.

The U.S. experience shows that stress testing is effective when its results are linked with capital planning and supervisory decisions. For Ukraine, this principle is especially relevant under wartime conditions, when banks face credit, currency, operational and macrofinancial risks.

Stress testing and proportional supervision are complementary tools for strengthening banking resilience. Stress testing identifies vulnerabilities, while proportional supervision determines the appropriate regulatory response. The 2025 resilience assessment confirms that the Ukrainian banking sector remains generally stable, but also shows the need for differentiated supervision based on the real risk profile of each bank.

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