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***“Contagion accounting”***

**Abstract.** We provide a simple and tractable accounting-based stress-testing framework to assess loss dynamics in the banking system. Contagion can occur through direct and indirect interbank exposures, indirect exposures due to overlapping portfolios, and price dynamics via fire sales in a context of leverage targeting. We apply the framework to three granular proprietary ECB datasets, including an interbank network of 26 large euro area banks as well as their overlapping portfolios of loans and securities. A 1 percent shock to the prices of assets held in the trading book leads to an initial loss of 7 percent of system equity and an additional loss of 9 percent due to fire sales spillovers. Amplification through interbank exposures is negligible in our analysis.