SCOPE Scope Ratings

European Bank Capital Quarterly

Refinements to supervision and regulations are credit supportive

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We view the ongoing review and revision of EU supervisory practices as a positive step in enhancing their effectiveness, having long considered the introduction of the ECB's Single Supervisory Mechanism a decade ago to be a key factor in underpinning the creditworthiness of the European banking sector. At the same time, progress is being made on implementing changes to further strengthen the regulatory framework. The implications for individual banks remain to be seen, however, as some may be unable or struggle to adapt.

Updating the SREP to increase effectiveness

The ECB intends to use an updated methodology for determining Pillar 2 requirements from 2026 and to implement changes before then that will allow supervisors to focus on risks that require greater attention. There is a clear recognition that the risks facing banks are evolving and that conducting risk assessments has become more complex due to structural changes, new risks, and external shocks, such as geopolitical tensions, inflation, climate change and digitalisation. This is compounded by the lack of historical data and established models for managing many of these risks. Supervisors intend to be increasingly forceful in using the full range of available tools to prompt banks to remedy identified weaknesses.

Improving the process for dealing with failing banks

Just as reforms to the supervisory process aim to improve the resilience of banks as going concerns, proposed revisions to the Crisis Management and Deposit Insurance (CMDI) framework aim to improve the process for dealing with failing banks. The amendments will:

a) facilitate the use of early intervention measures to stem the deterioration in a bank's position, i.e. removal of management,

b) extend the scope of resolution to some small and medium-sized banks,

c) increase the likelihood of using resolution rather than liquidation procedures, and

d) give all depositors a general preference in insolvency.

While the third pillar of the Banking Union, the European Deposit Insurance Scheme, is still missing, harmonising the treatment of depositors across the EU would be a positive step in this direction. The European Commission, the Parliament and the Council of the EU are currently in trilogue discussions to agree amendments to the CMDI framework. Given the legislative process, the earliest these new rules would apply is 2026.

Implementation of final Basel 3 standards set for 2025 in the EU

The final Basel 3 standards were published in the Official Journal of the EU on 19 June and will apply from 1 January 2025. The one area where implementation will be delayed is in regard to market risk standards given the likely delay in other major jurisdictions and the potential impact on the competitiveness of European banks. The more stringent and risk-sensitive approach is expected to result in higher capital requirements, especially for banks with significant trading activities.

Updating supervisory practices to ensure the resilience of banks

Changes starting from H2 2024

In June, the Supervisory Board of the ECB announced plans to update the Supervisory Review and Evaluation Process (SREP) to increase efficiency and effectiveness. Changes will be implemented gradually, starting in the second half of 2024 and will be fully in place for the 2026 SREP cycle. In particular, a multi-year assessment approach, flexible risk assessment system and shorter SREP decisions will be introduced in the 2025 SREP cycle, while a revised methodology for determining Pillar 2 (P2R) requirements will be used from the 2026 SREP cycle.

Updated P2R methodology to be more transparent

The ECB says revisions to the P2R methodology will make it more stable and where possible simpler and more transparent. Based on findings from the European Court of Auditors report published in May 2023, we expect the revised methodology to be more transparent about how P2Rs are determined, and which risks the capital add-ons are meant to address. In light of the pending implementation of CRR3, the revised methodology should also allow supervisors to consider whether the output floor capture risks that no longer need to be covered by P2Rs.

Moving away from a 'tick-box' approach

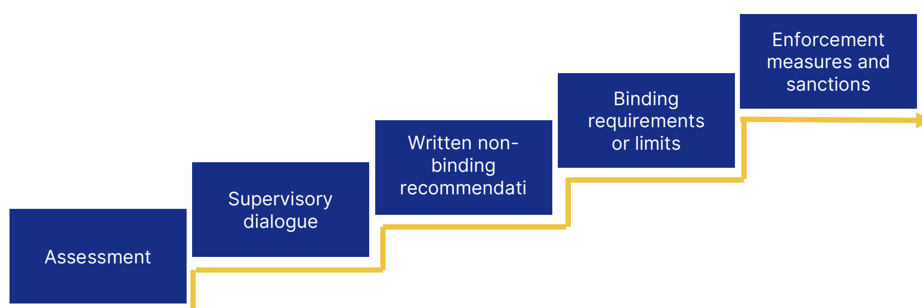
Following positive trials in 2023, the ECB plans to move to multi-year assessments. Under this approach, the ECB prioritises certain areas for review each year and assesses the remaining topics at a later stage. The aim is to give supervisors the flexibility to focus on the risks that require the most scrutiny and potential intervention, and to become less 'tick-box' in their approach.

This complements the flexible risk-assessment system, which allows supervisors to complete the assessment of less time-sensitive topics (those not linked to the publication of annual financial reports) throughout the year. This includes assessments of business models, internal governance and other qualitative topics. In cases where there is no material change to a bank's risk profile, supervisors will also have more latitude to update SREP decisions every two years under some conditions rather than annually.

Full use of supervisory tools to remedy identified weaknesses

Amending the SREP also aims to make supervision more effective by ensuring that the full range of supervisory tools is used. If banks fail to remedy identified weaknesses, the ECB intends to use increasingly stringent supervisory tools. This includes greater use of legally binding qualitative requirements and enforcement measures such as periodic penalties. The ECB has become increasingly vocal in recent months about imposing fines on banks that do not sufficiently meet supervisory expectations regarding the management of environmental risks.

Figure 1: ECB supervisory escalation framework (illustrative)



Source: ECB, Scope Ratings

Improving the process for dealing with failing banks

Just as reforms to the supervisory process aim to improve the resilience of banks as going concerns, proposed revisions to the Crisis Management and Deposit Insurance (CMDI) framework aim to improve the process for dealing with failing banks. The key proposals concern early intervention procedures, the public interest assessment, the choice between resolution and insolvency, and the use of deposit guarantee scheme funds.

Progress on agreeing changes to CMDI framework

The latest step in the legislative process took place on 19 June, when the Council of the EU announced that it had agreed on its negotiating position. This follows the Parliament's agreement on its position in April 2024 and the European Commission's proposal in April 2023. The three parties now need to agree on the final changes. Given that the new rules will apply 18-24 months after the legislation is adopted and enters into force, the earliest application date would be in 2026.

Changes are a step in the direction of a potential EDIS

While the third pillar of the Banking Union, the European Deposit Insurance Scheme (EDIS), is still missing, changes to the CMDI framework, in particular rules that harmonise the protection of depositors and the scope of deposit insurance, would be a step in the right direction. However, it remains to be seen whether harmonising national deposit guarantee schemes would be sufficient or if mutualisation at European level by introducing a common EDIS would be politically acceptable across all member states.

More banks to be subject to resolution strategies

There is broad support to extend the use of resolution to more small and medium-sized banks. The public-interest assessment would be expanded to consider disruptions to the economy at regional level and not only at national level as currently. Further, the amendments would increase the threshold for determining that resolution would not be in the public interest. Insolvency would be the preferrable option only if it achieves resolution objectives more effectively than a resolution procedure. This would likely result in more small and medium-sized banks being subject to resolution strategies, and thus resolution planning and MREL requirements.

More small banks are becoming subject to MREL targets

These changes would reinforce the trend of more and more EU banks being subject to resolution procedures. According to the EBA, from May 2023 to May 2024, the number of banks with external MREL decisions increased to 352 from 309, driven by small banks moving to resolution from liquidation[1].

Establishing full depositor preference

Harmonising the treatment of depositors across the EU

There is also agreement that all deposits should benefit from a general preference in insolvency, with senior unsecured debt becoming subordinated to all deposits. This would harmonise the ranking of deposits across the EU as currently only nine member states have full depositor preference (Bulgaria, Croatia, Cyprus, Greece, Hungary, Italy, Poland, Portugal, Slovenia).

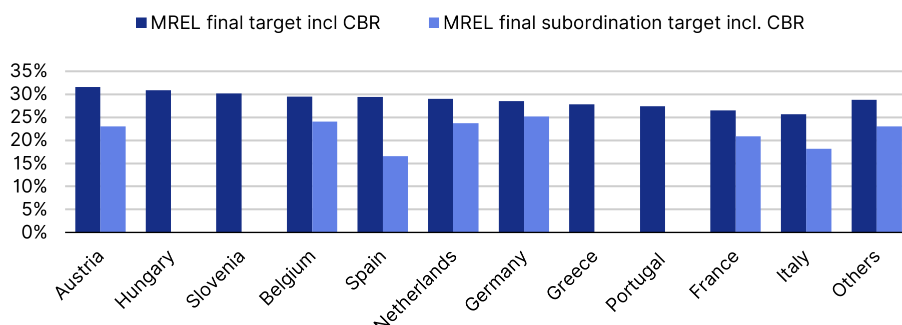
Banks may need less subordinated MREL

The clear separation of preferred senior unsecured debt from deposits in the creditor hierarchy would also facilitate the bail-in of senior unsecured creditors. Consequently, banks may not need the same level of subordinated MREL. From the latest SRB MREL dashboard, we observe that in some countries with full depositor preference, such as Greece and Portugal, banks are not subject to subordinated MREL targets (Figure 2).

More broadly, this change would prompt banks to evaluate their liability structures and funding profiles, in light of funding costs and, potentially, credit rating considerations.

[1] EBA Q4 2023 MREL dashboard.

Figure 2: MREL targets including the combined buffer requirement (% RWA)



Notes: CBR = combined buffer requirement. For resolution entities as of Q4 2023.
Source: SRB, Scope Ratings

There may still be multiple tiers of depositor preference

Contrary to the European Commission's proposal to introduce a single tier of depositor preference (there are currently three tiers), the Parliament and the Council both support having multiple tiers of depositor preference. The Council proposes that deposit guarantee schemes (DGS) and covered deposits have a 'super-preference status' in the creditor hierarchy and it supports a two-tier approach. Meanwhile, the Parliament's proposal for general depositor preference contains four tiers, with covered deposits and uncovered deposits from individuals and small and medium-sized enterprises ranking higher than those from large companies and public authorities.

Figure 3: Move towards depositor preference

Currently in most Member States	European Commission proposal	Parliament proposal	Council proposal
Covered deposits/DGS	Deposits, DGS	Covered deposits/DGS, eligible deposits of natural persons, SMEs	Covered deposits/DGS
Eligible deposits of natural persons, SMEs		Other, non-covered deposits	Deposits of natural persons, SMEs
			Other deposits < 1 year maturity
			Other deposits > 1 year maturity
Ordinary unsecured liabilities / Other, non-covered deposits	Ordinary unsecured liabilities (senior debt, etc.)	Ordinary unsecured liabilities (senior debt, etc.)	Ordinary unsecured liabilities (senior debt, etc.)
• Senior non-preferred liabilities • Other subordinated debt • Tier 2 instruments • AT1 instruments	• Senior non-preferred liabilities • Other subordinated debt • Tier 2 instruments • AT1 instruments	• Senior non-preferred liabilities • Other subordinated debt • Tier 2 instruments • AT1 instruments	• Senior non-preferred liabilities • Other subordinated debt • Tier 2 instruments • AT1 instruments

Source: European Commission, Parliament, Council, Scope Ratings

Article 108(1) of the Bank Recovery and Resolution Directive creates three levels of deposit seniority in insolvency. DGS funds and covered deposits have the same and highest seniority rank. Eligible but uncovered deposits (from individuals and micro, small and medium-sized enterprises that exceed the coverage level) hold the second highest seniority ranking. Finally, the ranking of other deposits (uncovered corporate deposits and excluded deposits from financial firms and other authorities) is determined by member states.

The proposed changes to the CMDI framework involve amendments to the following regulation and directives:

- Regulation 806/2014 as regards early intervention measures, conditions for resolution and funding of resolution action (Single Resolution Mechanism Regulation; SRMR3),
- Directive 2014/59/EU as regards early intervention measures, conditions for resolution and financing of resolution action (Bank Recovery and Resolution Directive; BRRD3), and
- Directive 2014/49/EU as regards to the scope of deposit protection, use of deposit guarantee schemes funds, cross-border cooperation, and transparency (Deposits Guarantee Schemes Directive; DGSD2).

Update on implementation of final Basel 3 standards

On June 19, Directive (EU) 2024/1619 amending the Capital Requirements Directive as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (CRD6) and Regulation (EU) 2024/1623 amending the Capital Requirements Regulation as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (CRR3) were published in the Official Journal of the EU. Member states have 18 months to transpose CRD6 into national legislation while CRR3 will apply from 1 January 2025. The directive and the regulation will implement final Basel 3 standards in the EU.

Implementation of FRTB to be postponed until 2026 in EU

The European Commission is using its powers to delay implementation of the new market risk standards, the so-called Fundamental Review of the Trading Book (FRTB), citing competition concerns. The European Commission believes that the US is unlikely to implement the changes before 1 January 2026, at the earliest. Consequently, the effective date of the revised market risk rules will be postponed by one year to 1 January 2026. This change will require a delegated act which will be subject to review by the European Parliament and Council, a process which will take at least three months.

Given the extensive industry feedback, there is growing uncertainty about when the US will finalise its proposal for final Basel 3 reforms. Banks have argued that the proposed 16% increase in capital requirements would put them at a competitive disadvantage. Any changes to the proposed rules would require agreement from US bank regulators: the Federal Reserve, the Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency.

Delay likely also in the UK and US

The UK was expected to publish its remaining near-final policy statement on Basel 3.1 in the second quarter, but this did not emerge given the general election. At the end of last year, the UK published the first of two near-final policy statements covering market risk, credit valuation adjustment risk, counterparty credit risk and operational risk. With the European Commission postponing the application of the final FRTB standards and the delays in the US process, the UK may also decide to align the timing of implementation with these other jurisdictions.

Final FRTB standards to increase capital requirements

The more stringent and risk-sensitive approach under the FRTB is expected to result in higher capital requirements, especially for banks with significant trading activities. According to the latest EBA Basel III monitoring report[2], implementation of the FRTB would lead to a weighted average increase in required Tier 1 capital of 1.2% for all banks but 2.1% for G-SIIs.

The increased cost of trading and hedging activities along with more granular reporting and compliance requirements will prompt banks to consider their approach to these businesses. This could lead to a reduction in market liquidity, particularly in less liquid markets or in times of stress.

[2] Basel III monitoring exercise results based on data as of 31 December 2022, EBA, September 2023.

Following the Global Financial Crisis, Basel 2.5 reforms significantly increased the amount of capital required for market risk. However, they did not address underlying structural problems with market risk capital standards. These include:

a) the lack of a clearly defined boundary between the trading book and the banking book, which creates arbitrage opportunities to obtain more favourable capital treatment for specific instruments or portfolios,

b) the weaknesses of the value-at-risk approach in modelling risk, particularly in periods of market volatility, and

c) the failure of the framework to incorporate considerations regarding the relative liquidity of trading book positions and the risks of market illiquidity.

Figure 4: Changes to market risk capital framework under the FRTB

	Basel 2.5	FRTB	
Standardised Approach (SA)	Standardised Charge	Sensitivity Based Approach; Default Risk Charge	Residual Risk Add-on
International Model Approach (IMA)	VaR + Stressed VaR; Incremental Risk Charge	Expected Shortfall, Liquidity Adjustment; Default Risk Charge	Non-Modellable Risk Factors
Other Changes		More Robust Data Reporting and Testing	More Defined Trading/ Banking Book Boundary

Source: SIFMA, Scope Ratings

Market commentary

Capital securities market ticking over

Issuance of AT1 and Tier 2 securities by European banks in the international bond market reached USD 62bn-equivalent in the first half of 2024, Bond Radar data shows. Relative to the very busy first quarter, activity waned in Q2, leading to a 60:40 split between the first and second quarters (USD 37bn vs USD 25bn).

The 60:40 capital securities split between the quarters also held for instrument type across the first half, in favour of Tier 2. In total, 29 European banks raised AT1 capital in 30 transactions while 46 European banks sold Tier 2 securities in 56 separate tranches.

Since the previous Bank Capital Quarterly in mid-May, the primary AT1 market played host to eight issuers in EUR, USD, GBP and SGD raising USD 6.4bn equivalent to the end of June. Issuers were a mixture of G-SIBs (Deutsche Bank, HSBC), national champions (BBVA, Commerzbank, DNB) and smaller institutions (NIBC Bank, Coventry Building Society, CCF Holding).

In classic window-market fashion, five of those eight transactions came in the space of four days in the first week of June. Deutsche Bank kicked off proceedings with EUR 1.5bn in undated non-cumulative fixed-to-reset AT1s on 3 June in support of its Tier 1 solvency position. The coupon was set at 8.125% payable annually until 30 April 2030. The bank can call the securities daily between October 30, 2029, and 30 April 2030. The reset is set at 5.261% over five-year swaps. The new notes drew strong investor interest: final books were EUR 10bn, driven by strong momentum on the back of 8.75%-area IPTs.

BBVA entered the euro market the day after Deutsche Bank with a Series 13 EUR 750m quarterly-pay 6.875% non-step-up, non-cumulative contingent convertible perpetual preferred Tier 1 with a seven-year non-call. The coupon is payable until the first reset date (13 June 2031). The first call date is 13 December 2030 and notes can be called daily until the first reset date. The reset rate is set at 4.276% over five-year mid-swaps. Following the AT1 trade, the group had completed more than 90% of its 2024 funding plan.

At its AGM on 5 July, BBVA received 96% of shareholder support for the capital increase needed for the share exchange with Banco de Sabadell. BBVA had proposed to Sabadell shareholders an exchange of one BBVA share for 4.83 Sabadell shares. Based on 100% acceptance and assuming the acquisition is approved by regulators and completed, Sabadell shareholders would have a 16% stake in the enlarged BBVA.

In the final week of the quarter, Commerzbank generated EUR 6.7bn in demand for its EUR 750m 7.875% AT1 on 25 June, enabling the final yield to be tightened from 8.375% IPTs. Notes are callable from 9 October 2031 and the reset date falls on 9 April 2032. The reset rate is 5.129% over five-year swaps. The issuer has an outstanding USD 1bn AT1 that hits its first call on 9 April 2025.

The Tier 2 market was quiet after the very active period earlier in the year. Of note here was Alpha Bank's capped EUR 500m 10.25NC5.25 offering on 4 June that pays a 6% coupon and which was priced to yield 6.125%. The offering drew orders of EUR 1.5bn that allowed leads to tighten from initial thoughts of 6.375%-6.50%.

The issuer said bonds were allocated to more than 130 investors, with majority interest in France (31%) and the UK (29%), and that fund managers, banks and insurance companies accounted for more than 89% of bonds allocated. Alpha had hosted investor calls on 3 June. Alongside the new Tier 2, Alpha launched a tender on its outstanding EUR 500m 4.25% Tier 2 notes. A total of EUR 368.835m of the notes was validly tendered.

Figure 5: Recent European bank AT1 issuance

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call
NIBC Bank	27-Jun-24	EUR	200	8,25	04-Jan-30
Commerzbank	25-Jun-24	EUR	750	7,875	09-Oct-31
HSBC	06-Jun-24	SGD	1500	5,250	14-Dec-29
CCF Holding	05-Jun-24	EUR	225	9,250	12-Jun-29
Coventry Building Society	04-Jun-24	GBP	665	8,750	11-Jun-29
BBVA	04-Jun-24	EUR	750	6,875	13-Dec-30
Deutsche Bank	03-Jun-24	EUR	1500	8,125	30-Oct-29
DNB	23-May-24	USD	700	7,375	30-Nov-29

Source: Bond Radar, banks, media reports

Figure 6: Recent European bank Tier 2 issuance

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call	Maturity
ABN AMRO	09-Jul-24	EUR	750	4.375	16-Jul-31	16-Jul-36
Alpha Bank	04-Jun-24	EUR	500	6.000	13-Jun-29	13-Sep-34
Barclays	23-May-24	EUR	1,500	4.973	31-May-31	31-May-36
Nordea Bank	21-May-24	EUR	750	4.125	28-Feb-30	29-May-35
NordLB	15-May-24	EUR	500	5.635	23-Aug-29	23-Aug-34

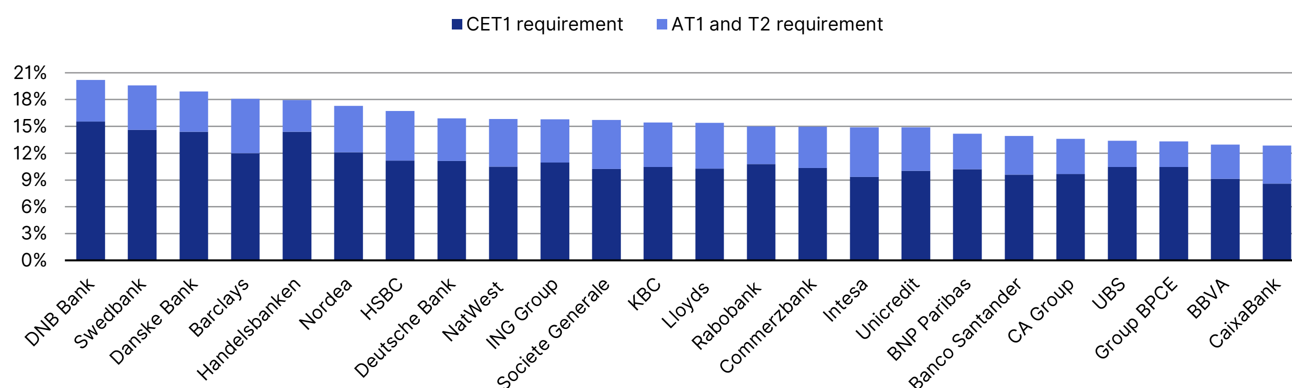
Source: Bond Radar, banks, media reports

Appendix I: Capital requirements

Total capital requirements as of Q1 2024 (%)

			Buffer requirements						
	Pillar 1	Pillar 2R	Capital conservation	G-SII	O-SII	Systemic	Counter-cyclical	Total req	Of which CET1 req
BBVA	8.0%	1.62%	2.5%		1.0%		0.09%	**13.2%**	9.1%
Banco Santander	8.0%	1.74%	2.5%	1.3%			0.38%	**13.9%**	9.6%
Barclays	8.0%	4.60%	2.5%	1.5%			0.90%	**17.5%**	12.0%
BNP Paribas	8.0%	1.77%	2.5%	1.5%			0.59%	**14.4%**	10.2%
CaixaBank	8.0%	1.75%	2.5%		0.5%		0.11%	**12.9%**	8.6%
Commerzbank	8.0%	2.25%	2.5%		1.3%		0.66%	**14.8%**	10.3%
Rabobank	8.0%	1.90%	2.5%		2.0%		0.68%	**15.1%**	10.8%
CA Group	8.0%	1.65%	2.5%	1.0%			0.74%	**13.9%**	9.7%
Danske Bank	8.0%	3.10%	2.5%		3.0%	0.5%	2.00%	**19.1%**	14.4%
Deutsche Bank	8.0%	2.65%	2.5%	1.5%	2.0%	0.2%	0.45%	**15.8%**	11.1%
DNB Bank	8.0%	2.00%	2.5%		2.0%	3.2%	2.20%	**19.9%**	15.5%
Group BPCE	8.0%	2.10%	2.5%	1.0%			0.88%	**14.5%**	10.5%
HSBC	8.0%	2.60%	2.5%	2.0%			0.70%	**15.8%**	11.2%
ING Group	8.0%	1.65%	2.5%	1.0%	2.5%		0.51%	**15.2%**	10.9%
Intesa	8.0%	1.50%	2.5%		1.3%		0.23%	**13.5%**	9.3%
KBC	8.0%	1.86%	2.5%		1.5%	0.1%	1.20%	**15.2%**	10.9%
Lloyds	8.0%	2.60%	2.5%				1.80%	**14.9%**	10.3%
NatWest	8.0%	3.20%	2.5%				1.70%	**15.4%**	10.5%
Nordea	8.0%	1.60%	2.5%		2.5%		1.70%	**16.3%**	12.1%
Societe Generale	8.0%	2.42%	2.5%	1.0%			0.79%	**14.7%**	10.2%
Handelsbanken	8.0%	2.00%	2.5%		1.0%	3.2%	1.90%	**18.6%**	14.4%
Swedbank	8.0%	2.70%	2.5%		1.0%	3.1%	1.70%	**19.0%**	14.6%
UBS							0.47%	**14.8%**	10.5%
Unicredit	8.0%	2.00%	2.5%		1.5%		0.37%	**14.4%**	10.0%

Total capital requirements as of Q1 2024 (%)



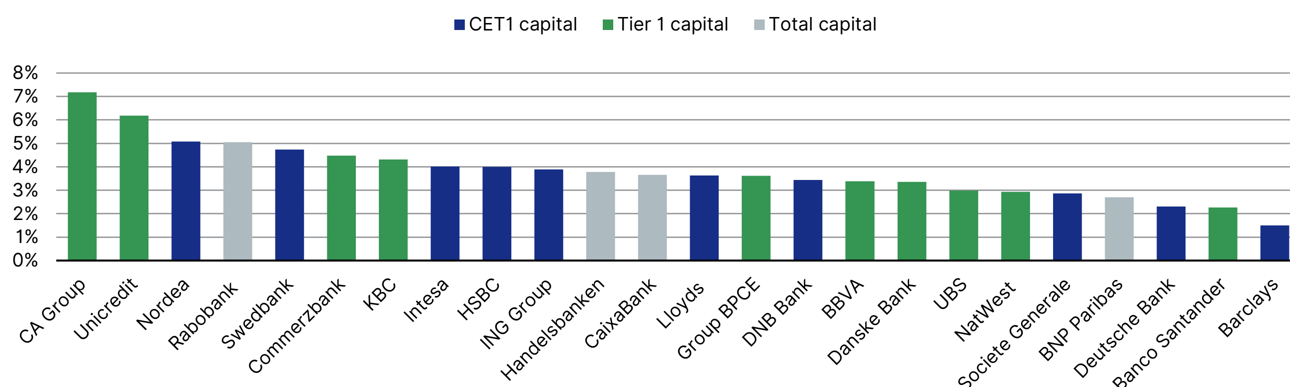
Source: Banks, Scope Ratings

Appendix II: Positioning against capital requirements

Buffers to capital requirements as of Q1 2024 (%)

	CET1 req.	CET1	CET1 buffer	Tier 1 req.	Tier 1	Tier 1 buffer	Total capital req.	Total capital	Total capital buffer	Currency	Total capital buffer (bn)
BBVA	9.1%	12.8%	3.7%	10.8%	14.2%	3.4%	13.2%	16.7%	3.4%	EUR	13
Banco Santander	9.6%	12.3%	2.7%	11.4%	13.7%	2.3%	13.9%	16.6%	2.7%	EUR	17
Barclays	12.0%	13.5%	1.5%	14.4%	17.3%	2.9%	17.5%	19.6%	2.1%	GBP	7
BNP Paribas	10.2%	13.1%	2.9%	12.0%	15.1%	3.1%	14.4%	17.1%	2.7%	EUR	20
CaixaBank	8.6%	12.3%	3.7%	10.4%	14.2%	3.8%	12.9%	16.5%	3.7%	EUR	8
Commerzbank	10.3%	14.9%	4.5%	12.3%	16.7%	4.5%	14.8%	19.5%	4.8%	EUR	8
Rabobank	10.8%	15.9%	5.1%	12.6%	17.8%	5.2%	15.1%	20.1%	5.0%	EUR	13
CA Group	9.7%	17.5%	7.8%	11.5%	18.7%	7.2%	13.9%	21.4%	7.6%	EUR	47
Danske Bank	14.4%	18.5%	4.1%	16.4%	19.8%	3.4%	19.1%	23.0%	3.9%	DKK	32
Deutsche Bank	11.1%	13.4%	2.3%	13.1%	15.8%	2.7%	15.8%	18.2%	2.4%	EUR	9
DNB Bank	15.5%	19.0%	3.4%	17.4%	21.1%	3.7%	19.9%	23.6%	3.7%	NOK	41
Group BPCE	10.5%	15.6%	5.1%	12.0%	15.6%	3.6%	14.5%	18.4%	3.9%	EUR	18
HSBC	11.2%	15.2%	4.0%	13.2%	17.3%	4.2%	15.8%	20.7%	4.9%	USD	41
ING Group	10.9%	14.8%	3.9%	12.7%	17.1%	4.3%	15.2%	19.7%	4.5%	EUR	15
Intesa	9.3%	13.3%	4.0%	11.1%	15.9%	4.8%	13.5%	18.9%	5.4%	EUR	16
KBC	10.5%	14.9%	4.6%	12.3%	16.6%	4.3%	14.8%	20.1%	5.3%	EUR	6
Lloyds	10.3%	13.9%	3.6%	12.3%	16.5%	4.2%	14.9%	19.0%	4.1%	GBP	9
NatWest	10.5%	13.5%	3.0%	12.6%	15.5%	2.9%	15.4%	18.8%	3.4%	GBP	6
Nordea	12.1%	17.2%	5.1%	13.9%	19.5%	5.6%	16.3%	22.4%	6.1%	EUR	8
Societe Generale	10.2%	13.1%	2.9%	12.2%	15.7%	3.5%	14.7%	18.6%	3.9%	EUR	15
Handelsbanken	14.4%	18.8%	4.4%	16.1%	20.1%	4.0%	18.6%	22.4%	3.8%	SEK	33
Swedbank	14.6%	19.3%	4.7%	16.4%	21.9%	5.5%	19.0%	24.3%	5.3%	SEK	46
UBS	10.5%	14.8%	4.4%	14.8%	17.8%	3.0%	14.8%	17.8%	3.0%	USD	16
Unicredit	10.0%	16.4%	6.3%	11.9%	18.1%	6.2%	14.4%	21.2%	6.8%	EUR	19

Lowest buffer to capital requirements as of Q1 2024 (%)



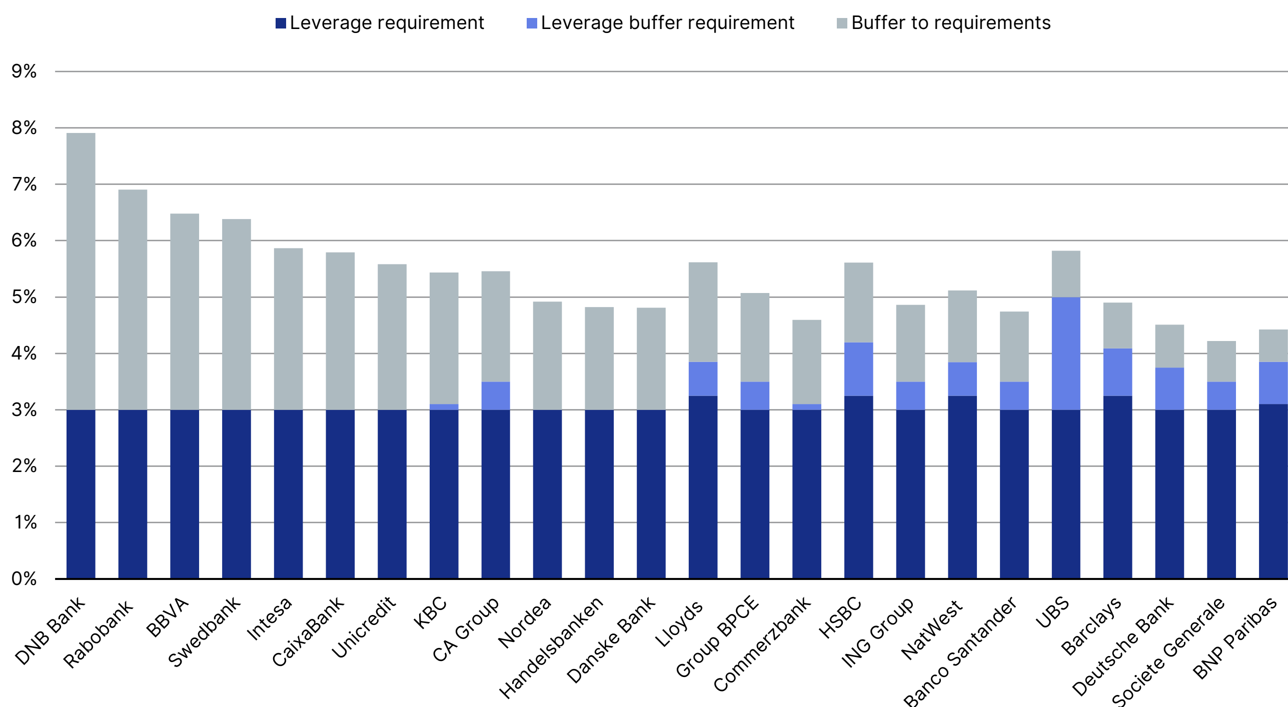
Source: Banks, Scope Ratings

Appendix III: Leverage requirements and positioning against requirements

EU banks have a minimum Tier 1 leverage ratio requirement of 3%. In addition, a bank may be subject to a specific Pillar 2 leverage ratio requirement. Since 1 January 2023, EU G-SIIs have also been subject to a leverage ratio capital add-on equal to 50% of their G-SII buffer, which must be met with Tier 1 capital. In the table below, we include the add-on for banks where this is applicable.

UK banks are subject to leverage ratio buffers equal to 35% of any systemic and countercyclical capital buffers and which must be met with CET1 capital. Unlike in the EU, the base requirement for UK banks is set at 3.25%, of which at least 75% must be met with CET1 capital. This is an offset to the way the UK leverage exposure measure is calculated, which excludes assets constituting claims on central banks when they are matched by deposits denominated in the same currency of identical or longer maturity.

Buffer to leverage requirement based on Q1 2024 figures (%)



Notes:
(1) For UK banks, the buffer to requirements is based on the UK leverage ratio.
(2) For Swedbank, the leverage buffer requirement is a Pillar 2 add-on.
Source: Banks, Scope Ratings

Appendix IV: TLAC requirements and positioning against requirements

End-state TLAC requirements for G-SIBs have been binding since 1 January 2022. The minimum TLAC requirement is equivalent to the higher of the following:

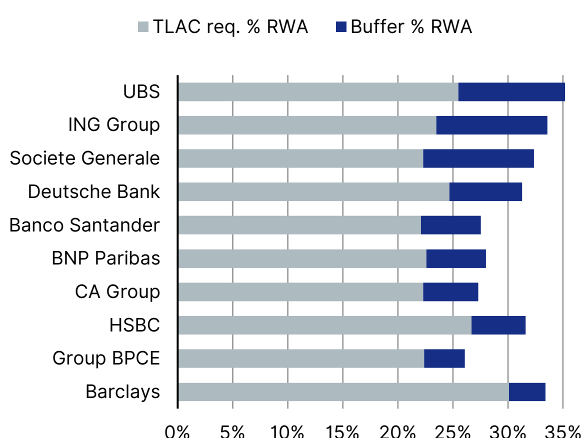
- 18% of the total risk exposure amount plus the combined buffer requirement
- 6.75% of the leverage exposure measure.

Positioning against TLAC requirements as of Q1 2024

	TLAC req. % RWA	TLAC % RWA	Buffer % RWA	TLAC req. % LE	TLAC % LE	Buffer % LE	Binding req.	Currency	Buffer to binding req. (bn)
Banco Santander	22.1%	27.5%	5.4%	6.8%	9.5%	2.7%	RWA	EUR	17
Barclays	30.1%	33.4%	3.3%	8.2%	9.5%	1.4%	RWA	GBP	12
BNP Paribas	22.6%	28.0%	5.4%	6.8%	8.2%	1.5%	LE	EUR	36
CA Group	22.3%	27.3%	5.0%	6.8%	8.0%	1.3%	LE	EUR	26
Deutsche Bank	24.7%	31.3%	6.6%	6.8%	8.9%	2.1%	RWA	EUR	26
Group BPCE	22.4%	26.1%	3.7%	6.8%	n/a	n/a	n/a	EUR	n/a
HSBC	26.7%	31.6%	4.9%	8.5%	10.5%	2.1%	RWA	USD	42
ING Group	23.5%	33.6%	10.1%	6.8%	9.6%	2.9%	RWA	EUR	33
Societe Generale	22.3%	32.4%	10.1%	6.8%	8.6%	1.9%	LE	EUR	27
UBS	25.5%	37.5%	12.0%	8.8%	12.3%	3.6%	LE	USD	57

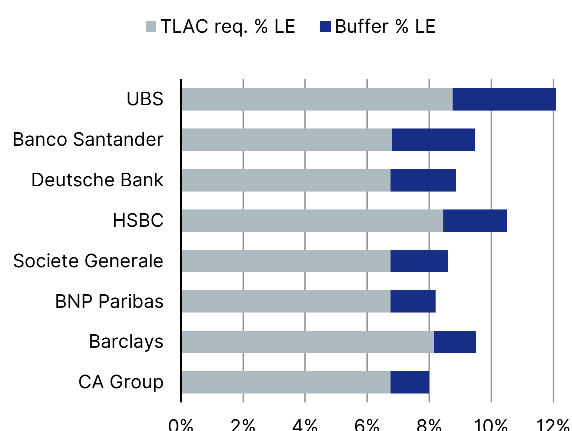
Notes:
(1) HSBC's binding requirement is based on "sum-of-the-parts" under a multiple point of entry resolution approach. Figures as of YE 2023.
(2) For Banco Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

TLAC-RWA requirements and positioning as of Q1 2024



Source: Banks, Scope Ratings

TLAC-leverage requirements and positioning as of Q1 2024



Source: Banks, Scope Ratings

Appendix V: MREL requirements and positioning against requirements

On the whole, end-state MREL requirements have been binding since 1 January 2024 although some banks have extended deadlines. Of the 333 EU/EEA banks with resolution strategies, 23 have been granted a deadline extension[3].

Positioning against MREL-RWA requirements as of Q1 2024 (%)

	MREL req. % RWAs	MREL % RWAs	Buffer %	MREL sub req. % RWAs	MREL sub % RWAs	Buffer %
BBVA	26.4%	27.8%	1.4%	17.1%	22.0%	4.9%
Banco Santander	33.9%	39.1%	5.1%	14.4%	33.1%	18.7%
Barclays	30.1%	33.4%	3.3%	30.1%	33.4%	3.3%
BNP Paribas	27.1%	31.0%	3.9%	19.1%	28.0%	8.9%
CaixaBank	24.7%	27.1%	2.5%	16.6%	23.9%	7.3%
Commerzbank	28.0%	32.6%	4.6%	20.3%	28.5%	8.2%
Rabobank	28.3%	35.7%	7.4%	22.9%	30.1%	7.2%
CA Group	26.0%	33.0%	7.0%	21.4%	27.3%	5.9%
Danske Bank	36.1%	44.7%	8.6%	n/a	n/a	n/a
Deutsche Bank	30.4%	34.8%	4.4%	24.7%	31.3%	6.6%
DNB Bank	37.7%	41.5%	3.8%	29.9%	33.1%	3.2%
Group BPCE	27.3%	34.7%	7.4%	22.4%	26.1%	3.7%
HSBC	26.7%	31.6%	4.9%	26.7%	31.6%	4.9%
ING Group	29.0%	33.6%	4.6%	24.7%	33.6%	8.9%
Intesa	25.9%	40.6%	14.7%	17.7%	22.6%	4.9%
KBC	27.8%	33.2%	5.4%	n/a	n/a	n/a
Lloyds	27.3%	32.0%	4.7%	27.3%	32.0%	4.7%
NatWest	27.9%	30.7%	2.8%	27.9%	30.7%	2.8%
Nordea	30.0%	39.2%	9.2%	27.3%	32.1%	4.8%
Societe Generale	27.2%	32.5%	5.3%	22.6%	27.2%	4.6%
Handelsbanken	36.0%	48.0%	12.0%	29.0%	30.0%	1.0%
Swedbank	28.4%	41.9%	13.5%	21.3%	28.9%	7.6%
Unicredit	26.6%	32.8%	6.2%	n/a	n/a	n/a

Notes:
(1) For Banco Santander, figures are for the resolution group and not the entire group.
(2) For HSBC and Rabobank, figures are as of YE 2023.
Source: Banks, Scope Ratings

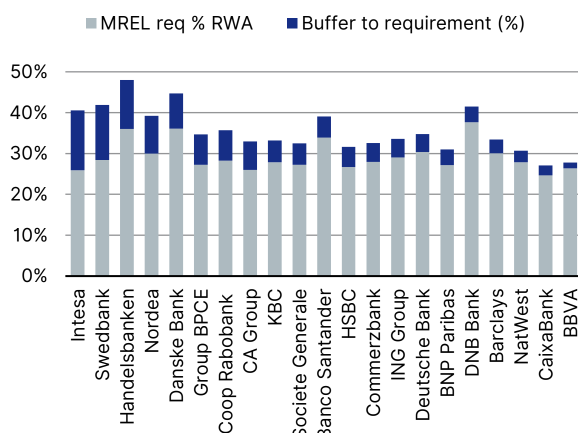
[3] EBA MREL dashboard, Q4 2023.

Positioning against MREL-leverage requirements as of Q1 2024 (%)

	MREL req. % LE	MREL % LE	Buffer %	MREL sub req. % LE	MREL sub % LE	Buffer %
BBVA	8.5%	11.5%	3.0%	5.8%	9.1%	3.3%
Banco Santander	11.5%	16.5%	5.0%	6.1%	14.0%	7.9%
Barclays	8.2%	9.5%	1.4%	8.2%	9.5%	1.4%
BNP Paribas	5.9%	9.1%	3.2%	5.9%	8.2%	2.3%
CaixaBank	6.2%	11.0%	4.8%	n/a	9.7%	n/a
Commerzbank	6.5%	8.9%	2.4%	6.5%	7.8%	1.3%
Rabobank	7.5%	11.2%	3.7%	n/a	n/a	n/a
CA Group	6.1%	9.7%	3.6%	6.1%	8.0%	1.9%
Danske Bank	n/a	n/a	n/a	n/a	n/a	n/a
Deutsche Bank	6.9%	9.9%	2.9%	6.9%	8.9%	1.9%
DNB Bank	6.0%	12.1%	6.1%	n/a	9.6%	n/a
Group BPCE	n/a	n/a	n/a	n/a	n/a	n/a
HSBC	n/a	n/a	n/a	n/a	n/a	n/a
ING Group	7.3%	9.6%	2.3%	7.3%	9.6%	2.3%
Intesa	n/a	n/a	n/a	n/a	n/a	n/a
KBC	7.4%	10.9%	3.5%	7.4%	n/a	n/a
Lloyds	7.1%	10.8%	3.7%	7.7%	10.8%	3.1%
NatWest	n/a	n/a	n/a	n/a	n/a	n/a
Nordea	7.2%	9.8%	2.6%	6.0%	8.0%	2.0%
Societe Generale	6.1%	9.1%	3.0%	n/a	n/a	n/a
Handelsbanken	6.0%	n/a	n/a	6.0%	n/a	n/a
Swedbank	6.0%	14.6%	8.6%	6.0%	10.8%	4.8%
Unicredit	6.0%	10.2%	4.1%	n/a	n/a	n/a

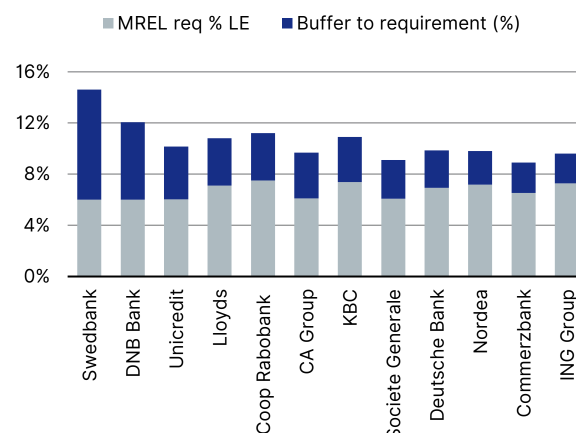
Note: For Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

MREL-RWA requirement and positioning as of Q1 2024



Source: Banks, Scope Ratings

MREL-leverage requirement and positioning as of Q1 2024



Source: Banks, Scope Ratings

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