European Bank Capital Quarterly

Capital positions remain sound, requirements manageable

European banks entered 2025 with generally robust solvency profiles. In our sample of 24 large banks, the average Maximum Distributable Amount buffer stood at 3.8% as of Q3 2024, a level we consider more than adequate. However, the average masks some dispersion, with the buffer ranging from a low of 1.8% to a high of 6.7% (see Appendix 2). Strong profitability and RWA optimisation have supported capital positions, facilitating increased shareholder distributions via dividends and share buybacks.

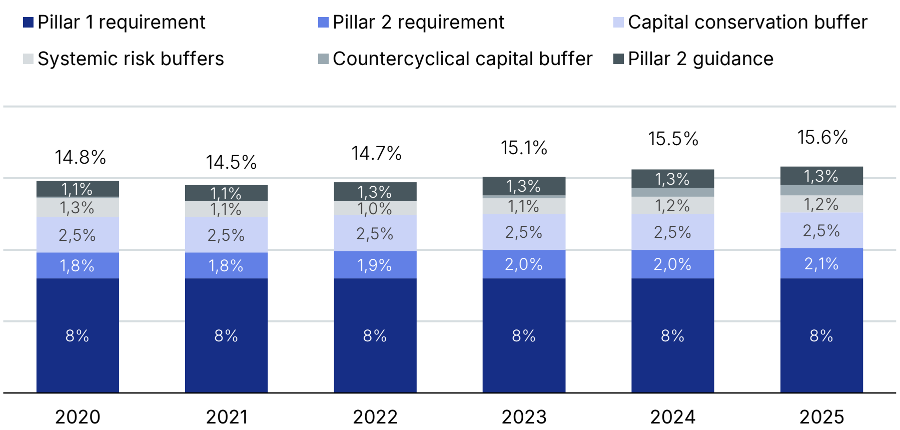
Looking ahead, we expect the pace of capital generation to moderate as profitability declines and the driver of revenue growth shifts from margins to volume growth. At the same time, banks will be keen to maintain dividend payouts and deploy capital for strategic opportunities to strengthen their operations and boost revenues.

Capital requirements for 2025 are broadly stable compared to those for 2024 (Figure 1). For EU banks, the average Pillar 2 requirement has increased slightly to 2.1% from 2% last year, while average Pillar 2 guidance is unchanged at 1.3%. Some banks continue to face add-ons for non-performing exposures and leveraged finance. Additional requirements may emerge for banks that fail to address persistent material deficiencies in risk data aggregation and reporting in a timely manner, as the ECB considers this to be a critical prerequisite for robust risk governance.

The final Basel 3 reforms have been in force in the EU since 1 January. However, there is a lengthy transition period and banks will need only EUR 5.1bn in additional capital to meet full compliance by 2033[1], according to the European Banking Authority's latest monitoring exercise.

Figure 1: Overall capital requirements and Pillar 2 guidance

As percentage of RWAs



Source: ECB, Scope Ratings

Analysts

Pauline Lambert - London
p.lambert@scoperatings.com

Alvaro Dominguez Alcalde – London
a.dominguez@scoperatings.com

Alessandro Boratti, CFA – Milan
a.boratti@scoperatings.com

Tatiana Fomenko – Paris
t.fomenko@scoperatings.com

Andre Hansen – London
a.hansen@scoperatings.com

Karlo Fuchs – Frankfurt
k.fuchs@scoperatings.com

Magnus Rising – Oslo
m.rising@scoperatings.com

Milya Safiullina – Frankfurt
m.safiullina@scoperatings.com

Carola Andrea Saldias – Milan
c.saldias@scoperatings.com

Julian Zimmerman – Vienna
j.zimmerman@scoperatings.com

Team leader

Marco Troiano, CFA
m.troiano@scopegroup.com

Media

Keith Mullin
k.mullin@scopegroup.com

Table of contents

[1] EBA Basel III Monitoring Exercise, results based on data as of 31 December 2023.

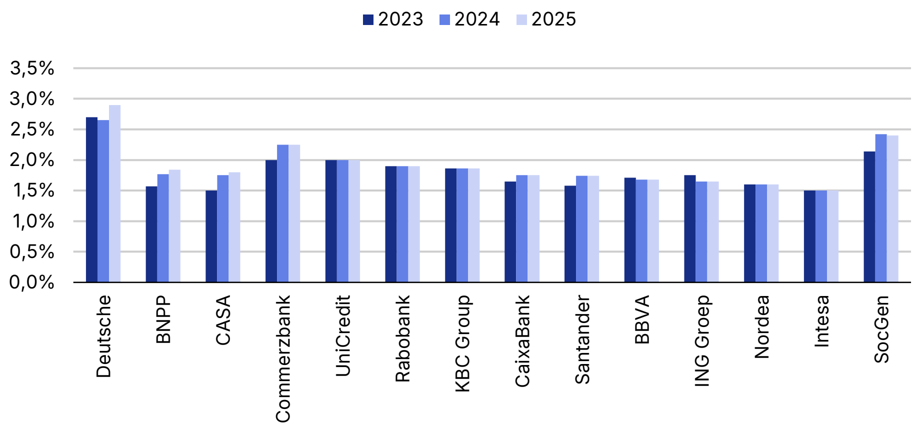
1. Pillar 2 requirements reflect broadly stable risk profiles

74% of banks received the same overall SREP score

The relatively stable Pillar 2 requirements (P2R) for 2025 are underpinned by an unchanged average overall SREP score of 2.6. Scores range from one to four, with higher scores reflecting higher risks to an institution's viability. Compared to the previous review cycle, 74% of banks received the same score, 11% received a worse score, and 15% saw improvements.

While overall SREP scores were broadly stable year-on-year, there were changes in underlying risk-specific scores. Supervisors observed further improvements in business models, governance, liquidity, market risk and capital, but there were lower scores for interest-rate risk in the banking book, credit risk, and operational/IT risk.

Figure 2: Evolution of Pillar 2 requirements



Source: ECB, Scope Ratings

1.1 Non-performing exposures and leveraged finance remain key concerns

For the second year, add-ons for NPE and leveraged finance

In line with its supervisory escalation approach, the ECB applied P2R add-ons for non-performing exposure (NPE) shortfalls and leveraged finance for the second year. Where long-standing deficiencies are identified, supervisors increasingly impose more binding measures and may ultimately use enforcement measures and sanctions.

The 2024 SREP cycle resulted in NPE P2R add-ons for 18 banks, down from 20 banks in the previous review cycle. For these institutions, the provisions for risks arising from older NPEs were assessed as being insufficient.

A leveraged finance add-on (14bp on average) was applied to nine banks with high exposure to leveraged loans, or where risk management practices were considered inadequate. Since the publication of its guidance on leveraged transactions in 2017, the ECB has expected banks to improve their risk management of leveraged loans.

In addition, the ECB also imposed quantitative measures for idiosyncratic liquidity risk on four banks, up from three banks in the previous review cycle. These measures required an add-on for LCR outflows, a currency-specific LCR, and a minimum survival period, underscoring the ECB's focus on strengthening liquidity risk management across supervised institutions.

1.2 Supervisory priorities for 2025-2027

The ECB takes SREP outcomes into consideration when it sets its supervisory priorities. For the 2025-2027 period, the supervisory priorities focus on three identified vulnerabilities of banks:

- Address deficiencies in credit risk management frameworks and IT outsourcing and IT security/cyber risks to strengthen the ability of banks to withstand immediate macro-financial threats and severe geopolitical shocks.

- Address deficiencies in business strategies and risk management in a timely manner, with respect to climate-related and environmental risks as well as risk data aggregation and reporting (RDARR) capabilities, which remain key supervisory concerns.
- Strengthen digitalisation strategies to effectively tackle emerging challenges from the use of new technologies.

Increasing supervision of risk data aggregation and reporting weaknesses

Given the ECB's supervisory escalation approach, RDARR may be a driver of future capital add-ons. The ECB notes that slow progress on RDARR remediation programmes is a concern, as the ability to effectively manage and aggregate risk-relevant data is a prerequisite for sound decision-making and effective risk governance.

Consequently, the ECB has intensified its supervisory approach, including the publication of a guide on effective risk data aggregation and risk reporting and targeted reviews of banks' RDARR capabilities in 2024. Following these reviews, supervisors communicated weaknesses to banks and followed up with an enhanced framework to address serious findings with prudential implications.

Regarding climate and environmental (C&E) risks, which have been a supervisory priority since 2022, the ECB has set regular milestones to ensure that banks identity, assess and manage these risks. By March 2023, banks were expected to have categorised C&E risks and conducted a comprehensive assessment of the impact on their activities. A number of banks failed to meet these expectations; 28 banks were given binding requirements, and 22 of these contained provisions for periodic penalty payments for non-compliance.

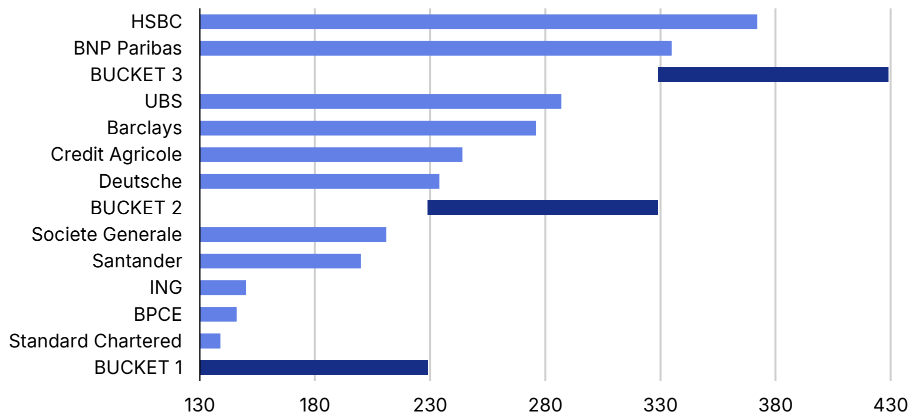
Another dedicated review by the ECB in 2024 found that a concentrated group of outliers still lacked fundamental elements for adequate C&E risk management. Again, supervisors issued binding requirements with potential periodic penalties for non-compliance. By the end of 2024, banks should have met all remaining supervisory expectations for C&E risks as set out in the 2020 guide on climate-related and environment risks, including the full integration of these risks into the Internal Capital Adequacy Assessment Process and stress testing.

2. No change in G-SIB buffer requirements for most banks

Only one European G-SIB moved into a higher bucket

The Financial Stability Board's 2024 list of global systemically important banks (G-SIBs) saw minimal changes from the prior year. The number of G-SIBs stayed at 29, with no bank being removed or added. However, two banks moved between buckets: the Credit Agricole group moved up a bucket, corresponding to a higher capital requirement, while Bank of America moved down a bucket, corresponding to a lower capital requirement. Both banks are now in bucket two and will be subject to a G-SIB buffer of 1.5% from 1 January 2026.

Figure 3: European G-SIBs ranked by overall score and bucket



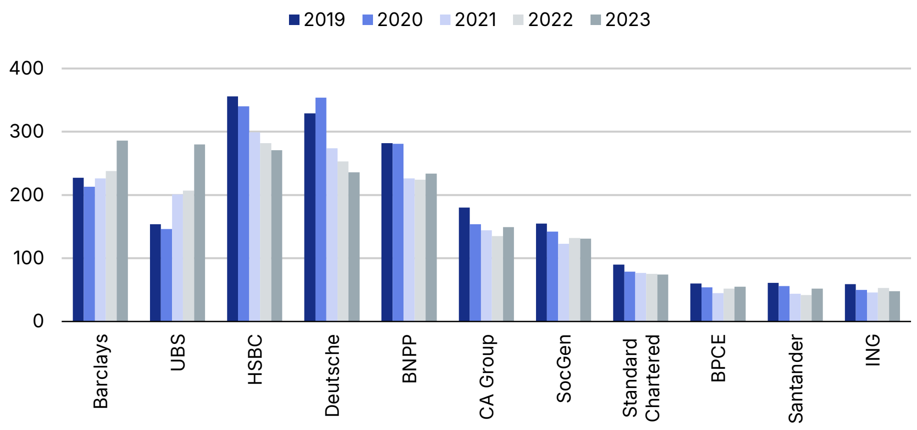
Note: Based on 2023 data.
Source: Basel Committee on Banking Supervision, Scope Ratings

A bank's overall systemic score is an average of five sub-scores reflecting: size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity, with the substitutability/infrastructure score capped at 500bp.

Credit Agricole's elevation from bucket one to bucket two was driven by a more than 10% change in its substitutability and complexity scores year-over-year. The substitutability/infrastructure score is based on assets under custody, payments activity, underwriting activity in debt and equity markets, and trading volumes. It is worth noting that for most European G-SIBs, these scores remain well below 2019 levels.

Indicators for substitutability have fallen over last five years...

Figure 4: Evolution of substitutability / financial institution infrastructure scores



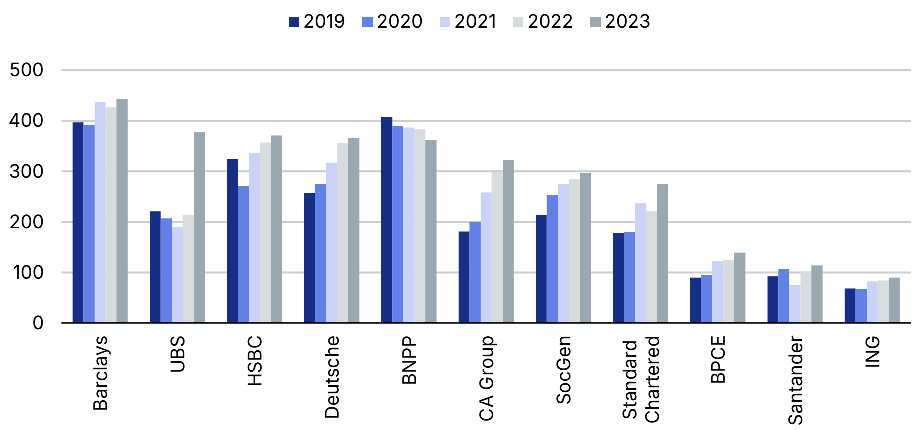
Source: Basel Committee on Banking Supervision, Scope Ratings

The complexity score is based on the notional amount of OTC derivatives, Level 3 assets and trading and available-for-sale securities. In contrast to the substitutability/infrastructure scores, all European G-SIBS have higher complexity scores than in 2019.

...while indicators for complexity have risen

Bank of America's drop from bucket three to bucket two was driven by a more than 15% decline in its complexity score and an 8% decline in its cross-jurisdictional score. Its overall score has fluctuated over the past 10 years, with the bank moving between buckets two and three several times.

Figure 5: Evolution of complexity scores



Source: Basel Committee on Banking Supervision, Scope Ratings

3. Impact of final Basel III reforms manageable for EU banks

Output floor largest driver of higher capital requirements

CRR3 has been in force since 1 January, while CRD6 has to be transposed into national law by January 2026. CRR3/CRD6 reflect the implementation of final Basel III reforms in the EU and contain certain EU-specific adjustments that are not part of the Basel III framework.

However, long transition period until 2033

According to the European Banking Authority's latest monitoring exercise, EU banks would need an additional EUR 5.1bn in total capital to comply by the time of full implementation in 2033. The capital shortfall is driven by G-SIIs, which account for nearly two thirds of the total capital shortfall.

Tier 1 capital requirements would increase on average by 7.8% for all banks, driven by the output floor and operational risk. For the sub-sample of large and internationally active banks (Group 1)[2], the impact would be 8.6%. For G-SIIs, a subset of Group 1 banks, the increase would be 12.2%. Meanwhile, for Group 2 banks, the impact would be 3.6%.

Figure 6: Change in Tier 1 capital requirements (%) from implementation of Basel III

	Credit risk		Market risk	CVA	Op risk	Output floor	Other Pillar 1	Total risk-based	Revised leverage ratio	Total
	Standard-ised approach	Internal ratings-based								
All banks	1.2	-1.5	1.1	0.3	2.8	5.7	-0.8	8.8	-1.0	7.8
Group I	1.2	-1.7	1.3	0.4	3.1	6.4	-0.9	9.7	-1.2	8.6
G-SIIs	1.4	-1.4	2.7	0.5	3.8	8.6	-0.5	14.8	-2.6	12.2
Group 2	1.5	-0.5	0.3	0.1	0.8	2.0	-0.1	4.0	-0.3	3.6

Notes:
(1) Based on sample of 152 banks, of which 60 are Group 1 and 92 are Group 2 banks.
(2) Results based on data as of 31 December 2023.
(3) CVA = credit valuation adjustment.
Source: European Banking Authority, Scope Ratings

[2] Group 1 banks have Tier 1 capital of more than EUR 3bn and are internationally active. All other banks are considered Group 2 banks.

4. Market commentary

Issuance volumes reasonable given uncertainties

European bank debt issuance kicked off 2025 with reasonably strong activity across covered, senior unsecured and subordinated formats, although activity was unable to match the frenzied pace of January 2024.

European bank supply of USD 88bn-equivalent to January 21 was roughly 20% down on the same period of the previous year. AT1 and Tier 2 issuance saw USD 11.8n-equivalent in supply, according to Bond Radar data, slightly undershooting 2024 on a proportional basis.

But it is important to put these figures into context, as they depend on banks' changing capital market funding requirements relative to other sources, including deposits. In fact, against the backdrop of multiple uncertainties, political and geopolitical, monetary and economic, debt issuance in early 2025 has been rather encouraging.

Investors have been receptive to new issues

Generally speaking, investors have been receptive to new issuance. In the subordinated sphere, deals have been over-subscribed, comfortably so in some cases, enabling pricing to be set in from initial marketing levels.

AIB was first European bank issuer in the euro hybrid market, pricing EUR 700m of PNC7 Fixed Rate Reset AT1 Perpetual Contingent Temporary Write Down Securities on 7 January. The 6% coupon was set 50bp through initial price thoughts, thanks to a robust order book that peaked at EUR 3.9bn.

BBVA and Standard Chartered opted for US dollars, both coming to market on 7 January. BBVA's first US dollar AT1 since September 2023, USD 1bn of PNC7 Series 14 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Securities, found a solid investor reception. The offering was 5.7x over-subscribed, enabling a 50bp tightening from initial price thoughts to a 7.75% coupon fix, equivalent to 324.9bp over US Treasuries, which the bank noted was the lowest ever achieved by a southern European bank in AT1s and represented a zero new-issue premium.

Also in US dollars, Turkiye Is Bankasi priced its debut international AT1, a no-grow USD 500m offering of PNC5.5 write-down Fixed Rate Resettable AT1 Notes. The 9.125% coupon was tightened from initial thoughts of 9.50% area. The bank said the notes priced with the lowest yield and spread of a Turkish bank AT1 to-date. Peak demand was USD 1.65bn. Most bonds were allocated to investors in the UK (41%), Middle East (28%), and Continental Europe (21%).

Aareal Bank's USD 425m 9.875% PNC5.5 offering of write-up/write-down Undated Non-Cumulative Fixed to Reset Rate AT1 Notes drew peak orders of USD 725m, allowing a coupon fix of 9.875%, against initial price thoughts of 10% area. The new issue came alongside an any-and-all cash tender offer on its outstanding 2014-vintage EUR 300m AT1, which hits its next call on 30 April 2025. The bank said it tends to terminate any notes that remain outstanding after the settlement of the tender.

Figure 7: Selected recent European bank AT1 issuance

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call
CaixaBank	16-Jan-25	USD	1,000	6.250	24-Jul-32
Aareal Bank	15-Jan-25	USD	425	9.875	31-Jul-30
Grenke Finance	09-Jan-25	EUR	200	8.750	31-Mar-30
Turkiye Is Bankasi	09-Jan-25	USD	500	9.125	15-Jan-30
Standard Chartered	07-Jan-25	USD	1,000	7.625	16-Jul-32
BBVA	07-Jan-25	USD	1,000	7.770	14-Jan-32
Allied Irish	07-Jan-25	EUR	700	6.000	14-Jul-31
Newcastle Building Society	03-Dec-24	GBP	40	14.000	06-Jun-30
Barclays	22-Nov-24	SGD	600	5.400	15-Mar-30
Raiffeisen Bank International	18-Nov-24	EUR	650	7.375	15-Dec-29
mBank	15-Nov-24	PLN	1,500	10.630	01-Dec-29
Societe Generale	14-Nov-24	USD	1,000	8.125	21-Nov-29
Deutsche Bank	14-Nov-24	EUR	1,500	7.375	30-Apr-31
NatWest	14-Nov-24	USD	750	7.300	19-Nov-34
BPER Banca	13-Nov-24	EUR	500	6.500	20-Mar-30
LBBW	29-Oct-24	EUR	750	6.750	15-Oct-30
Skandinaviska Enskilda Banken	28-Oct-24	USD	500	6.750	04-Nov-31
Belfius Bank	28-Oct-24	EUR	500	6.125	06-May-31
Siauliu Bankas	14-Oct-24	EUR	50	8.750	17-Oct-29
Commerzbank	01-Oct-24	USD	750	7.500	09-Oct-30

Note: For period from October 2024 to 16 January 2025.
Source: Bond Radar, banks, media reports

Tier 2 supply primarily from French banks

The Tier 2 market in January (to 21 January) was dominated by French banks. BPCE, BFCM, BNP Paribas, and Credit Agricole were all active, accounting for 74% of issuance, raising USD 5.3bn-equivalent (in AUD, EUR, GBP, JPY, SGD and USD) of the USD 7.4bn in total European supply.

Worthy of note was BPCE's long-dated USD 800m 21NC20 Tier 2 on 7 January, part of a USD 3.55bn three-part offering (the two other tranches were senior non-preferreds). The 6.915% coupon on the Tier 2, equivalent to 195bp over US Treasuries, drew an enthusiastic investor response, with orders of over USD 6.7bn. Initial price thoughts had been T+235bp area.

Nykredit's Tier 2 came in the wake of the December 2024 launch of its DKK 24.7bn takeover offer for Spar Nord Bank. If it succeeds, the merger will create Denmark's third largest bank. The bank priced a EUR 750m 10.25NC5.52 Tier 2 on 16 January, as part of a EUR 2.25bn three-tranche financing (the two other tranches were senior non-preferreds). The Tier 2 coupon fixed at 4%, equivalent to 165bp over mid-swaps, in from a MS+200bp starting point.

Figure 8: Selected recent European bank Tier 2 issuance

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call	Maturity
OP Bank	21-Jan-25	EUR	500	3.625	28-Jan-30	28-Jan-35
Eurobank	21-Jan-25	EUR	400	4.250	30-Jan-2030	30-Apr-35
Nykredit	16-Jan-25	EUR	750	4.000	24-Apr-30	24-Apr-35
30-BPCE	13-Jan-25	SGD	300	4.500	21-Jan-30	21-Jan-35
Credit Agricole	10-Jan-25	JPY	5,300	2.199	17-Jan-30	17-Jan-35
Danske Bank	09-Jan-25	NOK	1,000	Nibor+150	16-Jan-30	16-Apr-35
BNP Paribas	09-Jan-25	EUR	1,000	4.199	16-Jul-30	16-Jul-35
Credit Agricole	09-Jan-25	AUD	350	BBSW+205	16-Jan-30	16-Jan-35
Credit Agricole	09-Jan-25	AUD	250	6.606	16-Jan-30	16-Jan-35
BFCM	08-Jan-25	EUR	1,250	4.000	15-Jan-30	15-Jan-35
BNP Paribas	08-Jan-25	GBP	400	6.318	15-Nov-30	15-Nov-35
BPCE	07-Jan-25	USD	800	6.915	14-Jan-45	14-Jan-46
BPCE	07-Jan-25	EUR	750	4.250	16-Jul-30	16-Jul-35
Credit Agricole	07-Jan-25	SGD	400	4.250	14-Jan-30	14-Jan-35
Nykredit	16-Jan-25	EUR	750	4.000	24-Apr-30	24-Apr-35
BPCE	13-Jan-25	SGD	300	4.500	21-Jan-30	21-Jan-35
Credit Agricole	07-Jan-25	SGD	400	4.250	14-Jan-30	14-Jan-35
NIBC Bank	05-Jan-25	EUR	200	4.500	12-Jun-30	12-Jun-35
Abanca	27-Nov-24	EUR	500	4.625	11-Dec-31	11-Dec-36
Barclays	20-Nov-24	AUD	500	2.137	28-May-30	28-May-35
Barclays	20-Nov-24	AUD	500	6.158	28-May-30	28-May-35
Banco BPM	19-Nov-24	EUR	500	4.500	26-Nov-31	26-Nov-36
Commerzbank	13-Nov-24	EUR	500	4.125	20-Nov-31	20-Feb-37
HSBC	12-Nov-24	USD	1750	5.874	18-Nov-34	18-Nov-35
BNP Paribas	12-Nov-24	USD	1750	5.283	19-Nov-29	19-Nov-30
BNP Paribas	12-Nov-24	USD	1,750	5.906	19-Nov-34	19-Nov-35
Danske Bank	12-Nov-24	EUR	500	3.750	19-Nov-31	19-Nov-36
Intesa Sanpaolo	07-Nov-24	EUR	1250	4.271	14-Nov-31	14-Nov-36
Svenska Handelsbanken	25-Oct-24	EUR	500	3.625	4-Nov-31	4-Nov-36
Erste Bank	08-Oct-24	EUR	750	4.000	15-Jan-30	15-Jan-35
BNP Paribas	08-Oct-24	SGD	550	3.950	15-Apr-30	15-Apr-35
Luminor Bank Estonia	07-Oct-24	EUR	200	5.399	14-Oct-30	14-Oct-35
OakNorth Bank	02-Oct-24	GBP	150	10.000	9-Jan-30	9-Jan-35

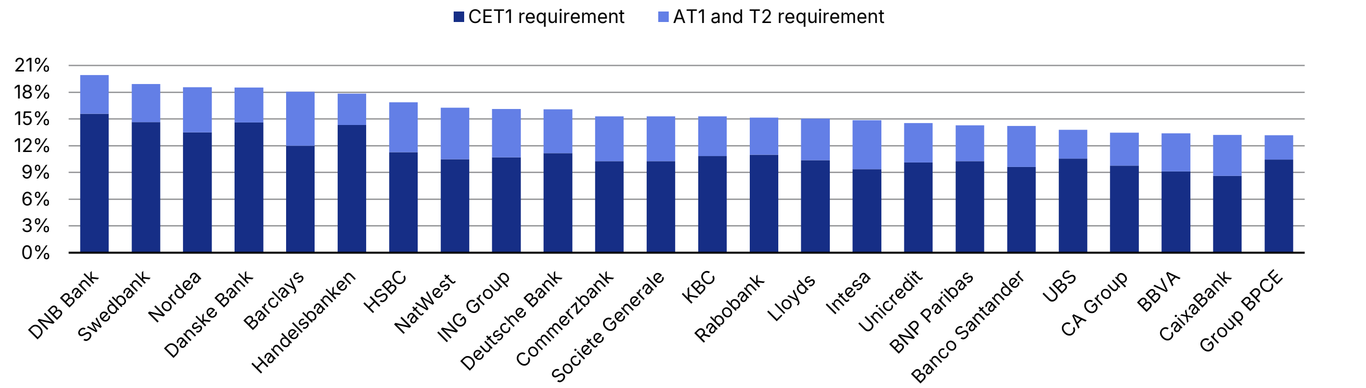
Note: For period from October 2024 to 16 January 2025.
Source: Bond Radar, banks, media reports

Appendix 1. Capital requirements

Total capital requirements as of Q3 2024 (%)

	Pillar 1	Pillar 2R	Buffer requirements					Total req.	Of which CET1 req.
			Capital con-servation	G-SII	O-SII	Systemic	Counter-cyclical		
BBVA	8.0%	1.59%	2.5%		1.0%		0.11%	**13.3%**	9.1%
Banco Santander	8.0%	1.74%	2.5%	1.3%			0.40%	**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%			0.65%	**14.4%**	10.3%
CaixaBank	8.0%	1.75%	2.5%		0.5%		0.13%	**12.9%**	8.6%
Commerzbank	8.0%	2.25%	2.5%		1.3%	0.1%	0.66%	**14.8%**	10.3%
Rabobank	8.0%	1.90%	2.5%		1.8%	0.0%	1.17%	**15.3%**	11.0%
CA Group	8.0%	1.75%	2.5%	1.0%			0.77%	**14.0%**	9.8%
Danske Bank	8.0%	3.07%	2.5%		3.0%	0.7%	2.10%	**19.4%**	14.6%
Deutsche Bank	8.0%	2.65%	2.5%	1.5%	2.0%	0.2%	0.50%	**15.8%**	11.2%
DNB Bank	8.0%	2.00%	2.5%		2.0%	3.3%	2.22%	**20.0%**	15.6%
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%			0.80%	**15.9%**	11.3%
ING Group	8.0%	1.65%	2.5%	1.0%	2.0%		0.78%	**14.9%**	10.7%
Intesa	8.0%	1.50%	2.5%		1.3%		0.28%	**13.5%**	9.4%
KBC	8.0%	1.86%	2.5%		1.5%	0.1%	1.14%	**15.1%**	10.8%
Lloyds	8.0%	2.60%	2.5%				1.90%	**15.0%**	10.4%
NatWest	8.0%	3.20%	2.5%				1.70%	**15.4%**	10.5%
Nordea	8.0%	1.60%	2.5%		2.5%	1.4%	1.70%	**17.7%**	13.5%
Societe Generale	8.0%	2.42%	2.5%	1.0%			0.83%	**14.8%**	10.3%
Handelsbanken	8.0%	2.19%	2.5%		1.0%	3.2%	1.98%	**18.5%**	14.3%
Swedbank	8.0%	2.77%	2.5%		1.0%	3.1%	1.70%	**19.1%**	14.7%
UBS							0.55%	**14.9%**	10.6%
UniCredit	8.0%	2.00%	2.5%		1.5%	0.0%	0.46%	**14.5%**	10.1%

Total capital requirements as of Q3 2024 (%)



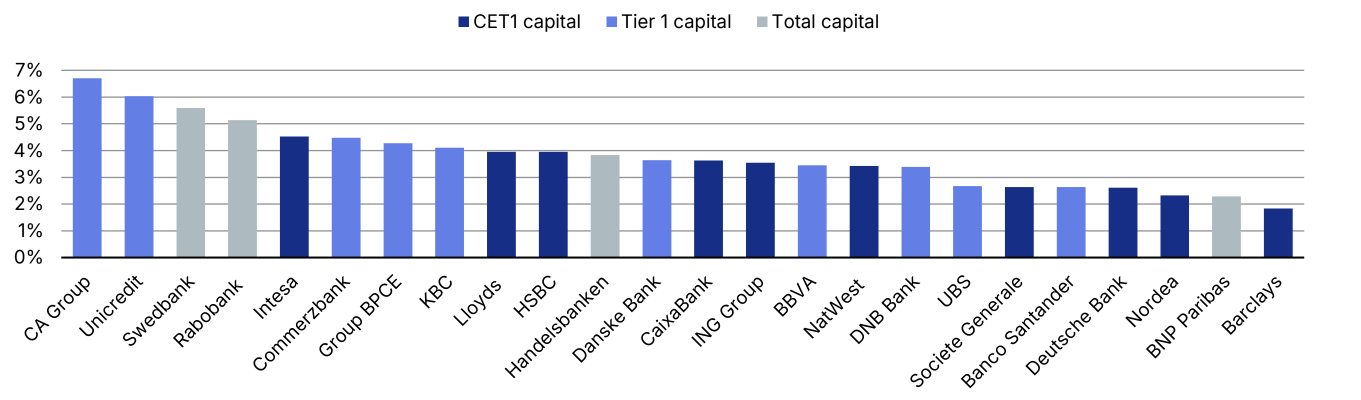
Note: For Rabobank, data is as of Q2 2024.
Source: Banks, Scope Ratings

Appendix 2. Positioning against requirements

Buffers to capital requirements as of Q3 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%	10.9%	14.4%	3.5%	13.3%	17.1%	3.8%	EUR	14
Banco Santander	9.6%	12.5%	2.9%	11.5%	14.1%	2.6%	13.9%	17.1%	3.2%	EUR	20
Barclays	12.0%	13.8%	1.8%	14.4%	17.3%	2.9%	17.5%	19.9%	2.4%	GBP	8
BNP Paribas	10.3%	12.7%	2.4%	12.1%	14.7%	2.7%	14.4%	16.7%	2.3%	EUR	17
CaixaBank	8.6%	12.2%	3.6%	10.4%	14.1%	3.6%	12.9%	16.8%	4.0%	EUR	9
Commerzbank	10.3%	14.8%	4.5%	12.2%	16.7%	4.5%	14.8%	19.8%	5.1%	EUR	9
Rabobank	11.0%	16.3%	5.3%	12.9%	18.2%	5.3%	15.3%	20.5%	5.1%	EUR	13
CA Group	9.8%	17.4%	7.6%	11.6%	18.3%	6.7%	14.0%	21.0%	7.0%	EUR	45
Danske Bank	14.6%	19.1%	4.5%	16.6%	20.3%	3.6%	19.4%	23.0%	3.7%	DKK	31
Deutsche Bank	11.2%	13.8%	2.6%	13.2%	16.6%	3.4%	15.8%	18.7%	2.9%	EUR	10
DNB Bank	15.6%	19.0%	3.4%	17.5%	20.9%	3.4%	20.0%	23.4%	3.4%	NOK	38
Group BPCE	10.5%	16.2%	5.8%	12.0%	16.2%	4.3%	14.5%	19.0%	4.5%	EUR	20
HSBC	11.3%	15.2%	4.0%	13.3%	17.4%	4.2%	15.9%	20.8%	4.9%	USD	42
ING Group	10.7%	14.3%	3.5%	12.5%	16.7%	4.1%	14.9%	19.7%	4.7%	EUR	16
Intesa	9.4%	13.9%	4.5%	11.2%	16.6%	5.4%	13.5%	19.4%	5.9%	EUR	17
KBC	10.8%	15.2%	4.4%	12.7%	16.8%	4.1%	15.1%	19.6%	4.5%	EUR	5
Lloyds	10.4%	14.3%	4.0%	12.4%	16.5%	4.1%	15.0%	19.0%	4.0%	GBP	9
NatWest	10.5%	13.9%	3.4%	12.6%	16.5%	3.9%	15.4%	19.7%	4.3%	GBP	8
Nordea	13.5%	15.8%	2.3%	15.3%	18.4%	3.1%	17.7%	20.9%	3.2%	EUR	5
Societe Generale	10.3%	12.9%	2.6%	12.2%	15.3%	3.1%	14.8%	17.9%	3.2%	EUR	12
Handelsbanken	14.3%	18.8%	4.5%	16.0%	20.0%	4.0%	18.5%	22.3%	3.8%	SEK	32
Swedbank	14.7%	20.4%	5.7%	16.5%	22.3%	5.8%	19.1%	24.6%	5.6%	SEK	48
UBS	10.6%	14.3%	3.7%	14.9%	17.5%	2.7%	14.9%	17.5%	2.7%	USD	14
UniCredit	10.1%	16.2%	6.1%	12.0%	18.0%	6.0%	14.5%	20.7%	6.2%	EUR	17

Lowest buffer to capital requirements as of Q3 2024 (%)



Note: For Rabobank, data is as of Q2 2024.
Source: Banks, Scope Ratings

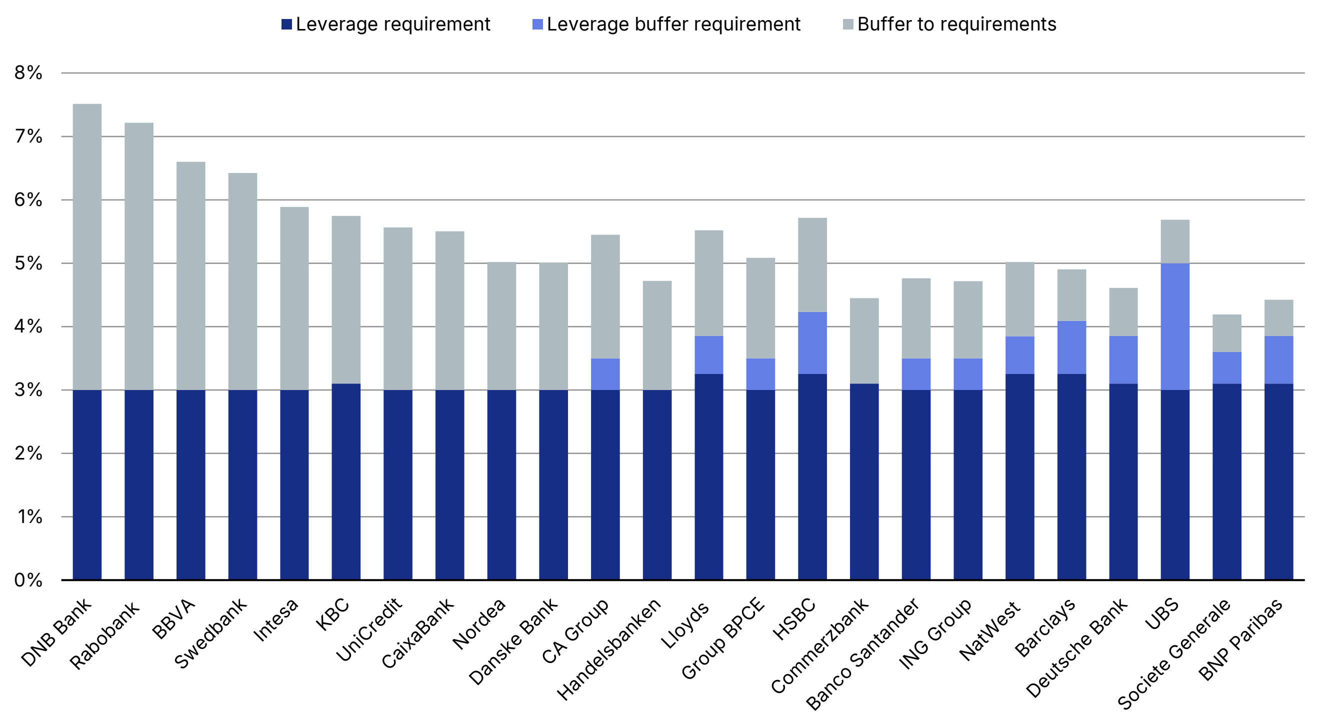
Appendix 3. Leverage requirements and positioning against requirements

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. In the sample below, BNP Paribas, Commerzbank, Deutsche Bank, KBC, and Societe Generale have been given a Pillar 2 add-on for leverage of 10bp.

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 Q3 2024 figures (%)



Notes:
(1) For UK banks, the buffer to requirements is based on the UK leverage ratio.
(2) For Rabobank, data is as of Q2 2024.
Source: Banks, Scope Ratings

Appendix 4. 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:

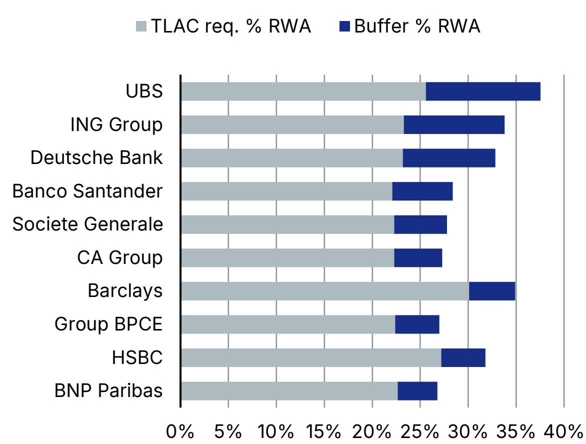
- 18% of the total risk exposure amount plus the combined buffer requirement
- 6.75% of the leverage exposure measure.

Positioning against TLAC requirements as of Q3 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%	28.4%	6.3%	6.8%	9.6%	2.8%	RWA	EUR	21
Barclays	30.1%	34.9%	4.8%	8.2%	9.9%	1.7%	RWA	GBP	12
BNP Paribas	22.7%	26.8%	4.2%	6.8%	8.0%	1.3%	RWA	EUR	36
CA Group	22.3%	27.3%	5.0%	6.8%	8.2%	1.5%	LE	EUR	27
Deutsche Bank	23.2%	32.8%	9.6%	6.8%	9.1%	2.4%	LE	EUR	28
Group BPCE	22.4%	27.0%	4.6%	6.8%	n/a	n/a	RWA	EUR	18
HSBC	27.2%	31.8%	4.6%	8.5%	10.6%	2.2%	RWA	USD	38
ING Group	23.3%	33.8%	10.5%	6.8%	9.6%	2.9%	LE	EUR	31
Societe Generale	22.3%	27.8%	5.5%	6.8%	7.5%	0.7%	LE	EUR	11
UBS	25.6%	37.5%	12.0%	8.8%	12.1%	3.4%	LE	USD	61

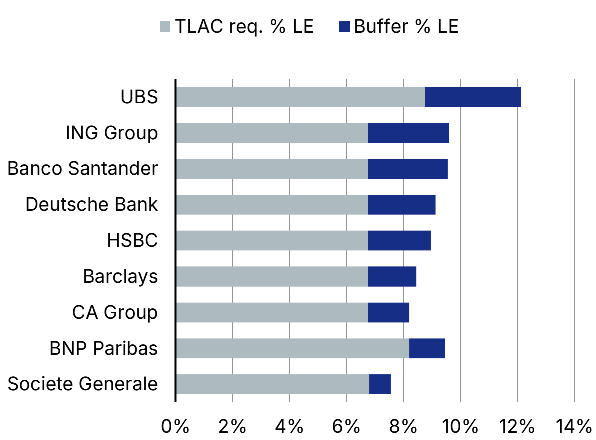
Notes:
(1) HSBC's binding requirement is based on "sum-of-the-parts" under a multiple point of entry resolution approach. Data as of Q2 2024.
(2) For Banco Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

TLAC-RWA requirements and positioning as of Q3 2024



Source: Banks, Scope Ratings

TLAC-leverage requirements and positioning as of Q3 2024



Source: Banks, Scope Ratings

Appendix 5. MREL requirements and positioning against requirements

Final MREL requirements have been binding since 1 January 2024 although some banks have been given extended transition periods to meet their requirements.

Across the European Banking Union, the average MREL requirement including the combined buffer requirement (CBR) was 28%, with the MREL subordination requirement including the CBR at 21.5%.[3]

Positioning against MREL-RWA requirements as of Q3 2024 (%)

	MREL req. % RWAs	MREL % RWAs	Buffer %	MREL sub req. % RWAs	MREL sub % RWAs	Buffer %
BBVA	26.4%	28.8%	2.4%	14.2%	22.9%	8.7%
Banco Santander	33.8%	40.1%	6.3%	14.4%	33.8%	19.4%
Barclays	30.1%	34.9%	4.8%	30.1%	34.9%	4.8%
BNP Paribas	27.3%	29.8%	2.5%	19.2%	26.8%	7.6%
CaixaBank	24.7%	28.3%	3.6%	16.6%	24.7%	8.1%
Commerzbank	28.1%	33.5%	5.5%	22.7%	29.6%	6.9%
Rabobank	28.9%	33.4%	4.5%	21.4%	28.9%	7.5%
CA Group	26.3%	32.9%	6.6%	22.5%	27.3%	4.8%
Danske Bank	36.5%	49.7%	13.2%	29.3%	33.4%	4.1%
Deutsche Bank	31.0%	36.7%	5.8%	24.6%	32.8%	8.3%
DNB Bank	37.7%	40.4%	2.6%	30.0%	32.9%	2.9%
Group BPCE	27.3%	35.1%	7.8%	22.4%	27.0%	4.6%
HSBC	27.2%	31.8%	4.6%	27.2%	31.8%	4.6%
ING Group	29.0%	33.8%	4.8%	24.4%	33.8%	9.4%
Intesa	25.7%	40.7%	15.0%	18.0%	23.6%	5.6%
KBC	28.2%	31.3%	3.1%	23.8%	31.3%	7.5%
Lloyds	27.3%	32.2%	4.9%	27.3%	32.2%	4.9%
NatWest	26.7%	32.9%	6.2%	26.7%	32.9%	6.2%
Nordea	31.3%	34.7%	3.4%	27.0%	29.5%	2.5%
Societe Generale	27.6%	32.2%	4.6%	23.9%	27.8%	3.9%
Handelsbanken	36.0%	47.0%	11.0%	28.0%	31.0%	3.0%
Swedbank	36.7%	48.8%	12.1%	29.6%	37.5%	7.9%
UniCredit	27.3%	32.4%	5.1%	19.5%	24.2%	4.7%

Notes:
(1) For Banco Santander, figures are for the resolution group and not the entire group.
(2) For HSBC and Rabobank, data is as of Q2 2024.
Source: Banks, Scope Ratings

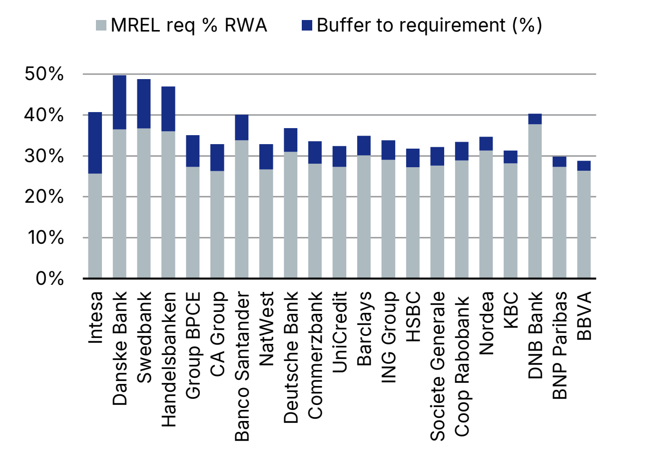
[3] SRB MREL dashboard, Q2 2024

Positioning against MREL-leverage requirements as of Q3 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%	16.7%	5.2%	6.1%	11.5%	5.4%
Barclays	8.2%	9.9%	1.8%	8.2%	9.9%	1.7%
BNP Paribas	5.9%	8.9%	3.0%	5.9%	8.0%	2.1%
CaixaBank	6.2%	11.1%	4.9%	6.2%	n/a	n/a
Commerzbank	6.8%	8.8%	2.0%	6.8%	7.8%	1.0%
Rabobank	7.5%	13.3%	5.8%	n/a	11.5%	n/a
CA Group	6.3%	9.8%	3.6%	6.3%	8.2%	2.0%
Danske Bank	6.0%	n/a	n/a	n/a	n/a	n/a
Deutsche Bank	7.0%	10.2%	3.3%	7.0%	9.1%	2.2%
DNB Bank	6.0%	10.8%	4.8%	n/a	8.8%	n/a
Group BPCE	n/a	n/a	n/a	n/a	n/a	n/a
HSBC	8.5%	10.6%	2.2%	8.5%	10.6%	2.2%
ING Group	7.3%	9.6%	2.3%	7.3%	9.6%	2.3%
Intesa	6.0%	n/a	n/a	6.0%	n/a	n/a
KBC	7.4%	10.7%	3.3%	7.4%	10.7%	3.3%
Lloyds	7.1%	10.7%	3.6%	7.1%	10.7%	3.6%
NatWest	7.2%	n/a	n/a	7.2%	n/a	n/a
Nordea	7.1%	8.0%	0.9%	7.1%	9.4%	2.3%
Societe Generale	6.2%	8.8%	2.6%	n/a	n/a	n/a
Handelsbanken	6.0%	11.1%	5.1%	6.0%	7.3%	1.3%
Swedbank	6.0%	14.0%	8.0%	6.0%	10.8%	4.8%
UniCredit	6.1%	10.0%	3.9%	6.1%	7.5%	1.4%

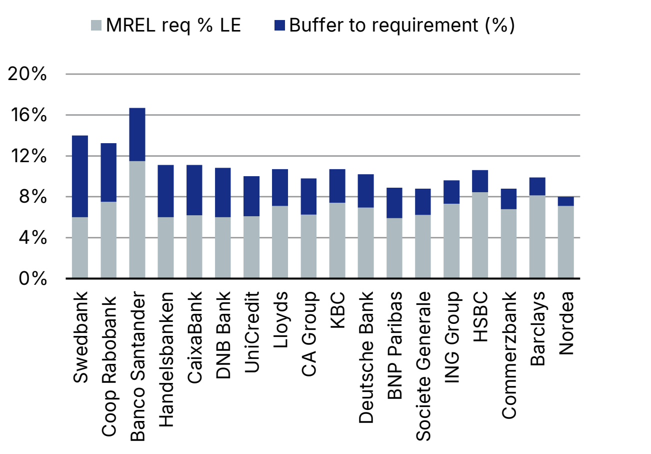
Notes: (1) For Santander, figures are for the resolution group and not the entire group. (2) For HSBC and Rabobank, data is as of Q2 2024.
Source: Banks, Scope Ratings

MREL-RWA requirement and positioning as of Q3 2024



Source: Banks, Scope Ratings

MREL-leverage requirement and positioning as of Q3 2024



Source: Banks, Scope Ratings

Related research

EU banks' NPL Heatmaps: marginal increase in non-performing loan ratio, January 2025

Covered Bond Outlook 2025: credit stability in times of increasing uncertainty, January 2025

Stress-testing European banks: significant climate-related credit losses likely, January 2025

French bank outlook: fundamentals support profitability; political uncertainty clouds loan growth, December 2024

Norway: positive credit implications from banking sector consolidation, December 2024

Sovereign Outlook 2025: robust fundamentals, rising fiscal pressures and geopolitical uncertainty, December 2024

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

in
Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

Disclaimer