European Bank Capital Quarterly

Basel 3 implementation imminent, refinements likely

Within two months, most European banks will be subject to final Basel 3 standards, which represent the culmination of the international regulatory response to the global financial crisis. These reforms aim to strengthen the resilience and stability of banks by improving the accuracy of how risks are measured and managed and by increasing the comparability and transparency of regulatory frameworks across jurisdictions.

In a context of rising capital requirements, it is not surprising that banks have been increasingly relying on significant risk transfer (SRT) to mitigate potential impacts on their balance sheets. As the reforms are being implemented gradually, this will allow banks to adapt to the new requirements.

We do not foresee further major changes to the regulatory framework at this time, although there are likely to be refinements to address emerging risks related to digitalisation, climate change, and the activities of non-bank financial institutions. In the medium term there should also be a shift in focus to assess how various reforms interact and on applying regulations proportionally to smaller and less complex banks to avoid undue burdens.

In addition to providing an update on the implementation of final Basel 3 reforms in the UK and US, we look at the use of SRT by major EU banks and explore proposed changes to AT1 securities aimed at enhancing their effectiveness as a going-concern capital instrument during periods of financial stress.

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UK and US Basel 3 implementation delayed

While the expected capital impact from the final Basel 3 reforms in the US and the UK has been reduced, the divergence in implementation between the various jurisdictions will pose challenges for internationally active European banks.

Since the publication of the last European bank capital quarterly, the UK Prudential Regulatory Authority (UK PRA) has released the second of two near-final policy statements on implementing Basel 3.1. standards, covering credit risk, the output floor, reporting and disclosure requirements. The timing for implementation has been postponed by a further six months to 1 January 2026, with a phased transition period of four years to ensure full implementation by 1 January 2030, in line with the original proposal published in 2022.

Figure 1: Timing for implementation of final Basel 3 reforms

	Implementation date	Fully phased-in date
EU	1 January 2025, except for market risk standards (1 January 2026)	31 December 2032
UK	1 January 2026	1 January 2030
US	1 July 2025 (subject to change)	1 July 2028 (subject to change)

Note: Dates for US are from original proposal.
Source: Council of the European Union, UK PRA, US Federal Reserve, Scope Ratings

Compared to an earlier estimate of an average increase in Tier 1 capital requirements of 3%, the UK PRA now estimates that requirements for major UK banks in aggregate are likely to increase by less than 1% by 1 January 2030. This smaller impact than other jurisdictions is partly because some risks that will now be captured in Pillar 1 capital requirements were already captured in the UK's Pillar 2 framework.

UK banks to receive new Pillar 2 requirements

The UK PRA confirmed that it is in the process of conducting an off-cycle review of firm-specific Pillar 2 capital requirements using existing Pillar 2 methodologies. This review will address double counting and unwarranted increases or decreases in capital that could result from changes in risk-weighted assets due to the implementation of Basel 3.1 standards. The PRA plans to provide firms with adjusted Pillar 2 requirements before the Basel 3.1 implementation date of 1 January 2026.

The UK has specific Pillar 2 methodologies covering a range of risks including credit, market, operational, counterparty credit, credit concentration, interest-rate risk in the banking book, pension obligations, and group risk, including ring-fenced groups. In addition, the PRA buffer can be used to cover weaknesses in risk management and governance

US Basel 3 proposal still to be finalised

In the US, regulators are revising the Basel 3 proposal in response to extensive feedback, with final rules expected after a 60-day comment period and further impact studies. It is unlikely that the proposal for Basel 3 reforms will be finalised before year-end.

Changes to original proposal have been previewed

In a recent speech, the Federal Reserve's Vice Chair for Supervision provided an overview of likely changes to the original proposal. The principle of tiering will be reinforced, with the largest and most complex firms being subject to the most stringent requirements.

For banks with assets between USD 250bn and USD 700bn that are not global systemically important (G-SIBs) or internationally active, new credit risk and operational risk requirements will apply but market risk and credit valuation adjustment (CVA) frameworks will apply only for those with significant trading activities. For banks with assets between USD 100bn and USD 250bn, final Basel 3 reforms will no longer apply.

However, both categories of banks will still be required to recognise unrealised gains and losses on securities in regulatory capital. This is intended to address a factor that played a significant role in the US bank failures of March 2023.

Expected CET1 impact to be reduced

Alongside proposed changes to the G-SIB surcharge, aggregate CET1 capital requirements for US G-SIBs would increase by 9% while for other large banks that are not G-SIBs, capital requirements would increase by 3%-4% over the long run. For other non-G-SIB firms subject to the rules, capital requirements would increase by 0.5%. The original proposals were expected to increase average CET1 capital requirements by 16%.

Use of SRTs in context of rising capital requirements

Since the beginning of the year, there has been growing interest by European banks in significant risk transfer (SRT), a sub-segment of the securitisation market. ECB data indicates that SRT is already an established part of banks' toolkits to manage credit risks and release capital. Banks with established SRT programmes include Barclays, BNP Paribas and Deutsche Bank.

Supply from both established and new originators

In 2022, over 30 banks issued 118 SRT securitisations, with a total notional amount of more than EUR 170bn. Most transactions (110 out of 118) involved performing loans, with a notional volume of EUR 163bn. Of the 110 transactions, 72 were synthetic rather than traditional cash deals. While equivalent ECB data for 2023 is not yet available, there was EUR 200bn of new synthetic SRT issuance in 2023 according to an International Association of Credit Portfolio Managers securitisation survey.

Figure 2: Selected banks: SRT exposure as originator

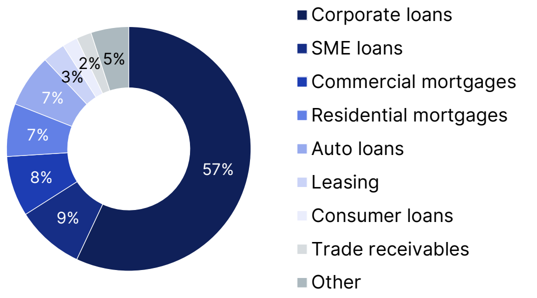
		Traditional SRT	Synthetic SRT	Synthetic: residential mortgages	Synthetic: other retail	Synthetic: corporate loans
Barclays	GBP m	3,343	49,756	0	0	47,100
BNP Paribas	EUR m	788	33,422	143	0	33,279
Deutsche Bank	EUR m	85	28,570	0	2,011	26,559
HSBC	USD m	52	10,198	0	0	10,198
Santander	EUR m	436	56,575	7,767	12,848	28,184
UniCredit	EUR m	939	13,659	3,707	793	8,866

Note: Data as of Q2 2024. Source: Banks, Scope Ratings

Figure 3 shows the underlying asset classes in the 2022 transactions captured by the ECB data. Not surprisingly, the largest exposures are those subject to higher capital requirements. Corporate loans account for over half of transactions while SME and commercial mortgages account for about 10% each.

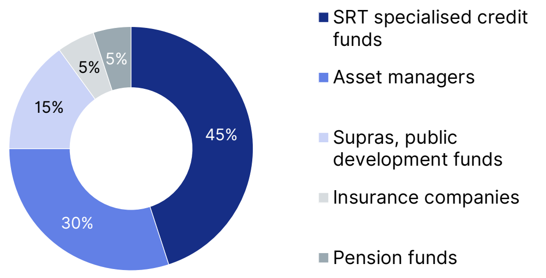
The largest investors in SRT transactions are specialised credit funds, including hedge funds and private credit funds (Figure 4). Insurance companies are increasingly active in the market while large European pension funds have been continuously present in this segment. Supranational investors, notably the European Investment Fund, have played a significant but variable role over the years.

Figure 3: Underlying asset classes in SRT transactions



Note: Includes both synthetic and traditional SRT transactions.
Source: ECB data for 2022.

Figure 4: Investors in SRT market



Source: ECB survey data (June 2023)

Clear regulatory guidelines support SRT activity

Supervisors evaluate SRT transactions to assess whether the credit risk transferred to third parties is significant, determining the amount of capital relief essentially due to a reduction in risk-weighted assets. Articles 244 and 245 of CRR detail the criteria to achieve SRT. The ECB asks that banks notify it of new originations at least three months in advance. There is an established procedure for this notification, which sets out the information banks are expected to provide.

SRT can be achieved in one of two ways: true sale or synthetic, with synthetic securitisations being the predominant form. In a traditional true-sale securitisation, a bank transfers legal ownership of the underlying assets. By contrast, in a synthetic securitisation, the underlying assets remain on the bank's balance sheets, with some of the risk transferred to investors through financial guarantees or credit derivatives such as credit-linked notes.

Proposed changes to AT1 securities

The effectiveness of AT1 securities in stabilising a bank during times of stress has long been questioned with limited changes made. to their role in the capital framework. This may be changing, requiring investors to more closely understand the different risks involved when investing in AT1 securities.

The Australian PRA (APRA) recently announced proposals that would phase out the use of AT1 securities, replacing them with other forms of capital. Meanwhile, the Swiss Federal Council has presented proposals to strengthen the going-concern loss-absorbing function of AT1 securities as part of its review of the Swiss 'too-big-to-fail' framework. These include limiting an issuer's ability to call the securities, prohibiting coupon payments when there are sustained losses, and raising the CET1 trigger level.

Changes may be limited to certain markets

By contrast, there are few signs in the EU of imminent change to the AT1 framework. The European Banking Authority continues to monitor AT1 issuance, and the templates introduced in October 2016 have increased standardisation of AT1 terms and conditions. As well, in its review of the 2023 banking turmoil, the Basel Committee on Banking Supervision only concluded that there may be merit in further assessing the "complexity, transparency and understanding of AT1 securities in a holistic manner".

APRA proposals to phase out AT1 securities

While APRA is proposing to phase out AT1 securities, the overall amount of regulatory capital that banks would be required to hold would remain unchanged. The various measures would ensure that the capital framework continues to maintain international equivalence and meets the Basel minimum standards for internationally active banks.

AT1 to be replaced by CET1 and Tier 2 capital

For large internationally active banks, the 1.5% of AT1 would be replaced by 0.25% CET1 and 1.25% Tier 2 capital. At the same time, the minimum CET1 capital requirement would increase to 6% from 4.5%. For banks using the standardised approach for credit risk capital requirements, AT1 would be fully replaced with Tier 2 capital.

Transitional arrangements to facilitate change

To facilitate an orderly transition, APRA expects to apply the following transitional arrangements:

- Changes to minimum capital requirements and buffers will take effect from 1 January 2027.
- From this date, existing AT1 securities would be eligible as Tier 2, until their first call date. All existing instruments reach their first call date by 2032 at the latest.
- APRA does not expect to approve regulatory calls on AT1 securities before their first call date.
- APRA does not expect banks to increase their AT1 capital from current levels or extend call dates beyond 2032.

APRA considered redesigning AT1 securities to make them more effective as a going-concern tool, including higher trigger levels and a new discretionary trigger but concluded that this would be complex and costly to implement. Further, given the material proportion of AT1 securities held by domestic retail investors (20%-30%), this could make it more difficult to use AT1 securities to facilitate the recapitalisation of a bank.

The APRA is soliciting feedback on the proposals in its discussion paper until 8 November 2024. This will be followed by an update on the consultation process in late 2024 and a formal consultation on specific changes to prudential standards in 2025.

Market commentary

Heavy capital issuance activity

European banks have been significant issuers of capital securities since 11 July, with 17 European banks raising over USD 12bn-equivalent of Tier 2 debt by 8 October, and 18 European issuers raising USD 16bn-equivalent of hybrid debt over the same period.

Given the ongoing discussions about a potential merger of UniCredit and Commerzbank, a highlight of busy AT1 activity was the emergence of both banks with new issues. UniCredit came to market on 9 September with its first hybrid capital issue since July 2021, with EUR 1bn in Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes.

UniCredit said the new issue completed its institutional MREL funding plan for 2024. The transaction attracted peak demand of EUR 3.8bn (final demand EUR 2.8bn) from more than 220 investors, resulting in a final coupon of 6.50% against a starting point of 7% area.

Commerzbank, meanwhile, tapped the market on 1 October with a USD 750m 7.5% offering. The deal was 7x over-subscribed as peak investor interest amounted to USD 5.25bn.

Robust dollar demand

European banks actively tapped into strong USD demand, benefiting from significant coupon compression. This trend was best exemplified by Nordea Bank's USD 800m equity conversion reset AT1 on 19 September which saw overwhelming demand of USD 11.5bn and was 14.4x over-subscribed. This allowed Nordea to price the coupon at 82.5bp inside initial price talk at 6.3%, the lowest on a dollar European bank AT1 since Credit Agricole, BNP Paribas and UBS sold deals with a four handle in January 2022. The bank called its USD 500m 2014-vintage 6.125% AT1 on its 23 September call date.

BNP Paribas saw USD 8.5bn of demand for its USD 1bn 7.375% Perpetual Fixed Rate Resettable AT1 Contingent Convertible Notes on 3 September, while ING Groep's USD 1bn 7.25% Perpetual AT1 Contingent Convertible Capital Securities a couple of days later received orders of USD 8.4bn. Both transactions saw 62.5bp of coupon compression during marketing.

Lloyds Banking Group's USD 1bn in Fixed Rate Reset AT1 Perpetual Subordinated Contingent Convertible Securities on 26 September came with the tightest reset spread – 315bp – of all the group's USD AT1s, according to one of the deal's lead underwriters, and one of the lowest reset margins of all US dollar UK bank AT1s. The 6.75% coupon came 50bp below the 7.125%-area starting point. The group has a GBP 500m 5.125% 2019 AT1 hitting its first call date on 27 December 2024 (at 460.7bp over Gilts).

Credit Agricole had pre-announced that it would redeem its 6.875% USD 1.25bn reset AT1 of 2019 on its 23 September 2024 call date (reset margin 431.9bp over five-year mid-swaps). It replaced that with USD 1.25bn of non-call 10 write-down/write-up Undated Deeply Subordinated AT1 Fixed Rate Resettable Notes the day after the deal was called, shaving 55bp off initial price thoughts to set the coupon at 6.70%.

Active liability management

The preponderance of liability management exercises accompanying new issues has been a feature of the capital securities market in recent weeks. BAWAG, KBC, Bank of Ireland and Arion Banki launched AT1 tenders alongside new issues, while RBI, Piraeus Bank and Volksbank Wien launched Tier 2 tenders.

BAWAG's cash tender offer on its outstanding 5% temporary write-down EUR 300m AT1 of 2018 (first reset date 14 May 2025) was accepted by 85% of investors. Alongside the tender, the bank priced EUR 500m of Undated PNC5.5 Non-cumulative Fixed to Reset Rate AT1 write-down/write-up Notes on 10 September with a 7.25% coupon (from initial price thoughts of 7.50% area).

KBC Bank accepted EUR 636m in its tender offer for its EUR 1bn 2018-vintage 4.25% Undated Deeply Subordinated AT1 Fixed Rate Resettable Callable Securities (callable 24 October 2025 with a reset margin of 359.4bp over five-year mid-swaps). Its new EUR 750m 6.25% Undated non-call seven Deeply Subordinated AT1 Fixed Rate Resettable Callable Securities on 10 September saw final demand of EUR 1.4bn.

Bank of Ireland accepted EUR 506m in its tender for its EUR 675m outstanding AT1, which reaches its first reset date on 19 November 2025. The group also confirmed it would call its EUR 300m Tier 2 (maturing 14 October 2029) on the optional redemption date of 14 October 2024. The AT1 tender provided liquidity for a new capped EUR 600m Fixed Rate Reset Perpetual September 2030 Contingent Temporary Write-Down AT1. The new issue drew peak orders of over EUR 3bn and priced 62.5bp through initial thoughts with a coupon of 6.375%.

Significant improvement in funding costs for Alpha Bank

Alpha Bank followed up its EUR 500m 6% Tier 2 of June with a EUR 300m offering of Fixed Rate Reset AT1 Perpetual Contingent Temporary Write-Down Notes on 3 September. The AT1 ended up almost 10x subscribed, attracting EUR 2.7bn of demand at the final coupon fix of 7.5%, well below the initial 8% guidance.

The 7.5% coupon on the new AT1 came in stark contrast to the group's EUR 400m PNC5.5 AT1 of February 2023, on which the bank had to pay 11.875%. The new notes feature a three-month par call that gives the issuer the option (subject to conditions) to redeem the securities at any time during the three months prior to and including the first reset date of 10 June 2030 (reset rate 517.8bp over five-year mid-swaps)

Interest in the transaction came from investors in the UK (46%) and EU (43%) led by long-term holders. The high level of demand came on the back of the bank's consistent delivery of profitability and organic capital generation.

Figure 5: Selected recent European bank AT1 issuance

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call
Commerzbank	01-Oct-24	USD	750	7.500	09-Oct-30
Lloyds Banking Group	26-Sep-24	USD	1,000	6.750	27-Sep-31
Credit Agricole	24-Sep-24	USD	1,250	6.700	23-Sep-34
Nordea Bank	19-Sep-24	USD	800	6.300	25-Mar-32
Arion Banki	17-Sep-24	USD	125	8.125	25-Mar-30
BAWAG	10-Sep-24	EUR	500	7.250	18-Mar-30
KBC Bank	10-Sep-24	EUR	750	6.250	17-Sep-31
UniCredit SpA	09-Sep-24	EUR	1,000	6.700	03-Dec-31
Nationwide Building Society	09-Sep-28	GBP	750	7.500	20-Dec-30
ING Bank	05-Sep-24	USD	1,000	7.250	16-Nov-34
UBS	05-Sep-24	USD	1,500	6.850	19-Sep-29
HSBC	04-Sep-24	USD	1,350	6.875	11-Sep-29
HSBC	04-Sep-24	USD	1,150	6.950	11-Mar-34
BNP Paribas	03-Sep-24	USD	1,000	7.375	10-Sep-34
Alpha Bank	03-Sep-24	EUR	300	7.500	10-Jun-30
Bank of Ireland	03-Sep-24	EUR	600	6.375	10-Mar-30
ABN AMRO	02-Sep-24	EUR	750	6.375	22-Sep-34
Banco Santander	29-Jul-24	USD	1,500	8.000	01-Feb-34
Banco BPM	09-Jul-24	EUR	400	7.250	16-Jan-31

Source: Bond Radar, banks, media reports

Figure 6: Selected recent European bank Tier 2 issuance

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call	Maturity
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	2-Oct-24	GBP	150	10.000	9-Jan-20	9-Jan-35
Raiffeisen Bank International	25-Sep-24	EUR	500	5.250	2-Oct-29	2-Jan-35
ING Bank A.S.	17-Sep-24	USD	150	8.500	24-Dec-29	24-Dec-34
Piraeus Bank	10-Sep-24	EUR	650	5.375	18-Jun-30	18-Sep-35
NatWest	10-Sep-24	GBP	600	5.642	17-Oct-29	17-Oct-34
Aareal Bank	5-Sep-24	EUR	400	5.625	12-Dec-29	12-Dec-34
Aktia Bank	4-Sep-24	EUR	70	5.000	11-Sep-29	11-Dec-34
Credit Agricole	2-Sep-24	GBP	500	5.750	9-Nov-29	9-Nov-34
Volksbank Wien	28-Aug-24	EUR	500	5.500	4-Dec-30	4-Dec-35
Lloyds Bank	22-Aug-24	AUD	500	BBSW+218bp	29-Aug-29	29-Aug-34
Lloyds Bank	22-Aug-24	AUD	250	5.788	29-Aug-29	29-Aug-45
BBVA	21-Aug-24	EUR	1,000	4.375	29-Aug-29	29-Aug-36
BNP Paribas	20-Aug-24	EUR	1,250	4.159	28-Aug-29	28-Aug-34
ING Groep	19-Aug-24	EUR	1,250	4.250	26-Aug-30	26-Aug-35
BNP Paribas	14-Aug-24	AUD	600	BBSW+215bp	23-Aug-29	23-Aug-34
BNP Paribas	14-Aug-24	AUD	400	5.830	23-Aug-29	23-Aug-34
CaixaBank	1-Aug-24	EUR	1,000	4.375	8-Feb-31	8-Aug-36
Banco Santander	10-Jul-24	AUD	300	6.444	17-Jul-29	17-Jul-34
Banco Santander	10-Jul-24	AUD	300	BBSW+225bp	17-Jul-29	17-Jul-34

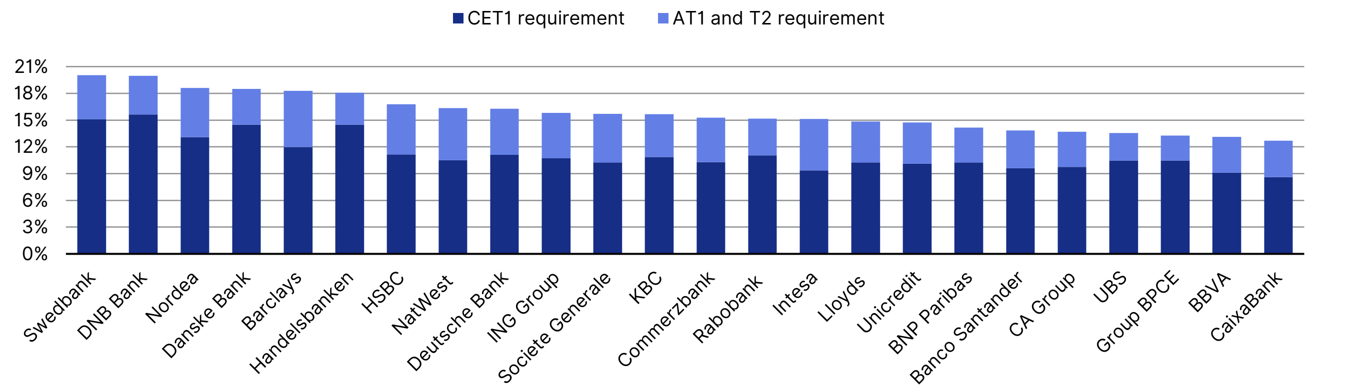
Source: Bond Radar, banks, media reports

Appendix I: Capital requirements

Total capital requirements as of Q2 2024 (%)

	Pillar 1	Pillar 2R	Buffer requirements: Capital conservation	G-SII	O-SII	Systemic	Counter-cyclical	Total req.	Of which CET1 req.
BBVA	8.0%	1.02%	2.5%		1.0%		0.09%	**9.1%**	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%			0.65%	**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%	0.67%	**14.8%**	10.3%
Rabobank	8.0%	1.90%	2.5%		1.8%	0.0%	1.20%	**15.4%**	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%	2.00%	**19.3%**	14.5%
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%	3.3%	2.20%	**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%			0.70%	**15.8%**	11.2%
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%		0.26%	**13.5%**	9.4%
KBC	8.0%	1.86%	2.5%		1.5%	0.1%	1.16%	**15.2%**	10.8%
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%	**17.3%**	13.1%
Societe Generale	8.0%	2.42%	2.5%	1.0%			0.83%	**14.8%**	10.3%
Handelsbanken	8.0%	2.00%	2.5%		1.0%	3.2%	2.00%	**18.7%**	14.5%
Swedbank	8.0%	3.20%	2.5%		1.0%	3.1%	1.70%	**19.5%**	15.1%
UBS							0.48%	**14.8%**	10.5%
Unicredit	8.0%	2.00%	2.5%		1.5%	0.0%	0.46%	**14.5%**	10.1%

Total capital requirements as of Q2 2024 (%)



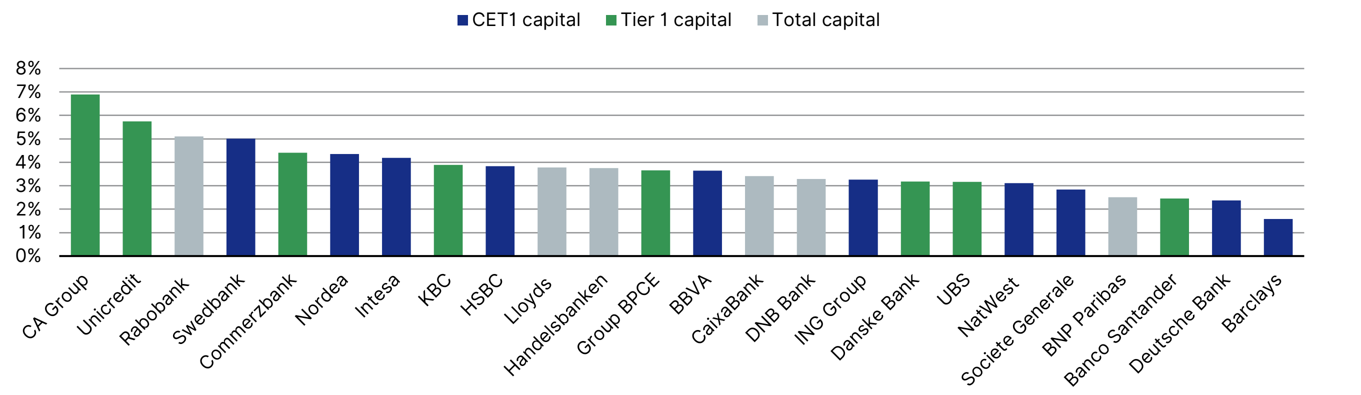
Source: Banks, Scope Ratings

Appendix II: Positioning against capital requirements

Buffers to capital requirements as of Q2 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%	3.6%	9.1%	14.3%	5.2%	9.1%	16.8%	7.7%	EUR	29
Banco Santander	9.6%	12.5%	2.9%	11.4%	13.9%	2.5%	13.9%	16.7%	2.8%	EUR	18
Barclays	12.0%	13.6%	1.6%	14.4%	17.3%	2.9%	17.5%	19.9%	2.4%	GBP	8
BNP Paribas	10.3%	13.0%	2.8%	12.1%	15.1%	3.0%	14.4%	16.9%	2.5%	EUR	18
CaixaBank	8.6%	12.2%	3.6%	10.4%	14.0%	3.6%	12.9%	16.3%	3.4%	EUR	8
Commerzbank	10.3%	14.8%	4.5%	12.2%	16.6%	4.4%	14.8%	19.8%	5.0%	EUR	9
Rabobank	11.0%	16.3%	5.3%	12.9%	18.2%	5.3%	15.4%	20.5%	5.1%	EUR	13
CA Group	9.8%	17.3%	7.6%	11.6%	18.5%	6.9%	14.0%	21.3%	7.3%	EUR	46
Danske Bank	14.5%	18.5%	4.0%	16.5%	19.7%	3.2%	19.3%	22.5%	3.2%	DKK	27
Deutsche Bank	11.1%	13.5%	2.4%	13.1%	16.3%	3.1%	15.8%	18.6%	2.9%	EUR	10
DNB Bank	15.6%	19.0%	3.3%	17.5%	20.8%	3.3%	20.0%	23.3%	3.3%	NOK	36
Group BPCE	10.5%	15.6%	5.2%	12.0%	15.6%	3.7%	14.5%	18.4%	3.9%	EUR	18
HSBC	11.2%	15.0%	3.8%	13.2%	17.3%	4.1%	15.8%	20.6%	4.8%	USD	40
ING Group	10.7%	14.0%	3.3%	12.5%	16.2%	3.6%	14.9%	19.1%	4.1%	EUR	14
Intesa	9.4%	13.5%	4.2%	11.1%	16.5%	5.3%	13.5%	19.3%	5.8%	EUR	17
KBC	10.8%	15.1%	4.2%	12.7%	16.6%	3.9%	15.2%	19.9%	4.7%	EUR	5
Lloyds	10.3%	14.1%	3.8%	12.3%	16.3%	4.0%	14.9%	18.7%	3.8%	GBP	8
NatWest	10.5%	13.6%	3.1%	12.6%	16.2%	3.6%	15.4%	19.5%	4.1%	GBP	7
Nordea	13.1%	17.5%	4.4%	14.9%	19.8%	4.9%	17.3%	23.0%	5.7%	EUR	8
Societe Generale	10.3%	13.1%	2.8%	12.2%	15.7%	3.5%	14.8%	18.5%	3.8%	EUR	15
Handelsbanken	14.5%	18.9%	4.4%	16.2%	20.1%	3.9%	18.7%	22.5%	3.8%	SEK	32
Swedbank	15.1%	20.1%	5.0%	16.9%	22.7%	5.8%	19.5%	25.0%	5.5%	SEK	47
UBS	10.5%	14.9%	4.4%	14.8%	18.0%	3.2%	14.8%	18.0%	3.2%	USD	16
Unicredit	10.1%	16.3%	6.2%	12.0%	17.7%	5.8%	14.5%	20.9%	6.4%	EUR	18

Lowest buffer to capital requirements as of Q2 2024 (%)



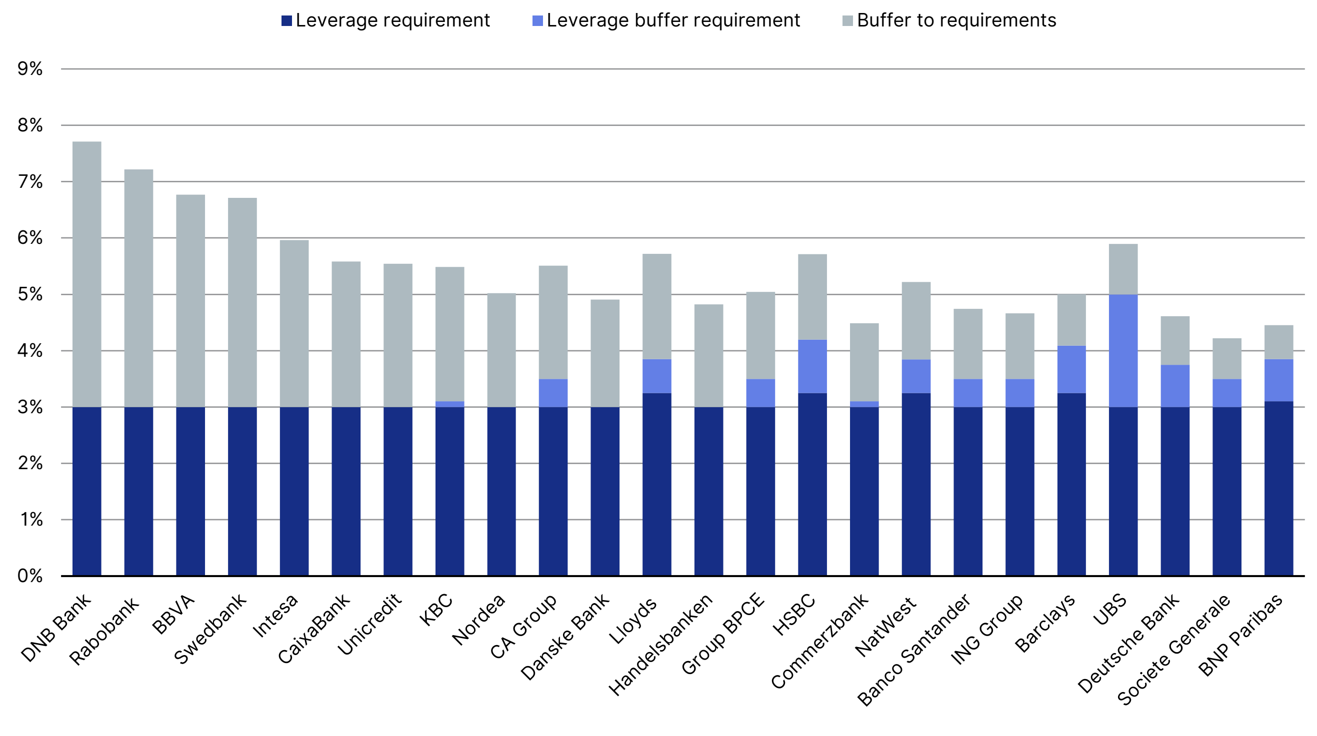
Source: Banks, Scope Ratings

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 Q2 2024 figures (%)



Note: For UK banks, the buffer to requirements is based on the UK leverage ratio.
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:

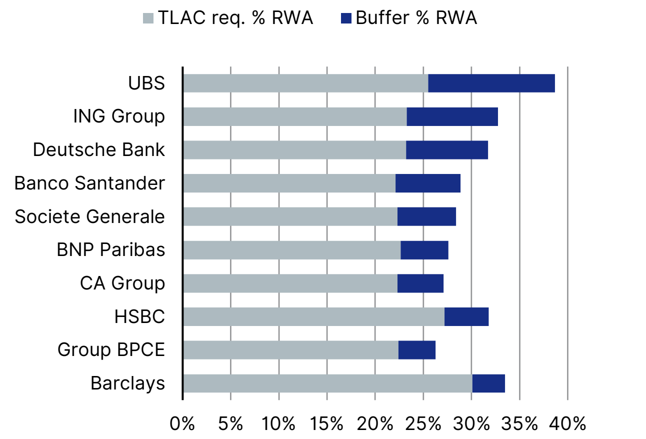
- 18% of the total risk exposure amount plus the combined buffer requirement
- 6.75% of the leverage exposure measure.

Positioning against TLAC requirements as of Q2 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%	28.9%	6.8%	6.8%	9.8%	3.0%	RWA	EUR	21
Barclays	30.1%	33.5%	3.4%	8.2%	9.6%	1.4%	RWA	GBP	12
BNP Paribas	22.7%	27.6%	5.0%	6.8%	8.2%	1.5%	LE	EUR	36
CA Group	22.3%	27.1%	4.8%	6.8%	8.0%	1.3%	LE	EUR	27
Deutsche Bank	23.2%	31.7%	8.5%	6.8%	9.0%	2.2%	LE	EUR	28
Group BPCE	22.4%	26.3%	3.9%	6.8%	8.5%	1.7%	RWA	EUR	18
HSBC	27.2%	31.8%	4.6%	8.5%	10.6%	2.2%	RWA	USD	38
ING Group	23.3%	32.8%	9.5%	6.8%	9.4%	2.7%	LE	EUR	31
Societe Generale	22.3%	28.4%	6.1%	6.8%	7.5%	0.7%	LE	EUR	11
UBS	25.5%	38.7%	13.2%	8.8%	12.6%	3.9%	LE	USD	61

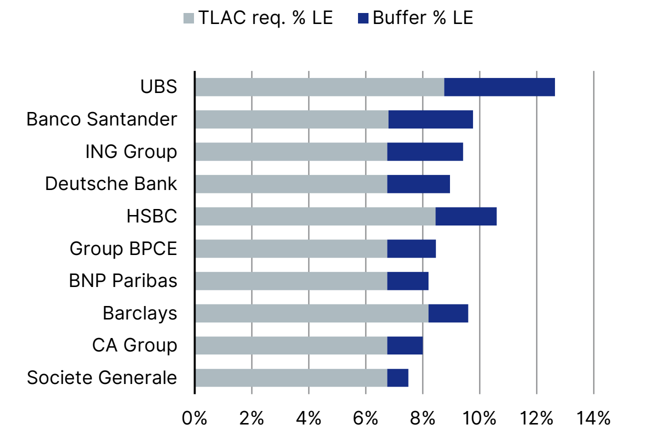
Notes:
(1) HSBC's binding requirement is based on "sum-of-the-parts" under a multiple point of entry resolution approach.
(2) For Banco Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

TLAC-RWA requirements and positioning as of Q2 2024



Source: Banks, Scope Ratings

TLAC-leverage requirements and positioning as of Q2 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 banks have been granted a deadline extension[1].

Positioning against MREL-RWA requirements as of Q2 2024 (%)

	MREL req. % RWAs	MREL % RWAs	Buffer %	MREL sub req. % RWAs	MREL sub % RWAs	Buffer %
BBVA	26.4%	28.4%	2.0%	17.1%	22.2%	5.1%
Banco Santander	33.8%	40.1%	6.3%	14.4%	34.1%	19.7%
Barclays	30.1%	33.5%	3.4%	30.1%	33.5%	3.4%
BNP Paribas	27.3%	30.6%	3.3%	19.2%	27.6%	8.4%
CaixaBank	24.7%	26.9%	2.2%	16.6%	23.7%	7.1%
Commerzbank	28.0%	32.6%	4.6%	20.3%	28.8%	8.5%
Rabobank	28.9%	33.4%	4.5%	21.4%	28.9%	7.5%
CA Group	26.3%	32.8%	6.5%	22.5%	27.1%	4.6%
Danske Bank	35.0%	43.0%	8.0%	28.2%	36.1%	7.9%
Deutsche Bank	31.0%	35.7%	4.7%	24.6%	31.7%	7.2%
DNB Bank	37.7%	41.1%	3.4%	30.0%	32.5%	2.5%
Group BPCE	27.3%	34.5%	7.2%	22.4%	26.3%	3.9%
HSBC	27.2%	31.8%	4.6%	27.2%	31.8%	4.6%
ING Group	28.8%	32.8%	4.0%	24.4%	32.8%	8.3%
Intesa	25.7%	41.1%	15.5%	18.0%	22.8%	4.8%
KBC	28.3%	32.1%	3.8%	23.8%	32.1%	8.3%
Lloyds	27.3%	31.7%	4.4%	27.3%	31.7%	4.4%
NatWest	26.7%	31.7%	5.0%	26.7%	31.7%	5.0%
Nordea	30.8%	39.0%	8.2%	27.0%	32.7%	5.7%
Societe Generale	27.6%	33.1%	5.5%	23.9%	28.3%	4.4%
Handelsbanken	36.0%	46.6%	10.6%	29.0%	30.3%	1.3%
Swedbank	28.4%	41.0%	12.6%	21.3%	30.0%	8.7%
Unicredit	27.3%	32.5%	5.2%	19.6%	24.4%	4.8%

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

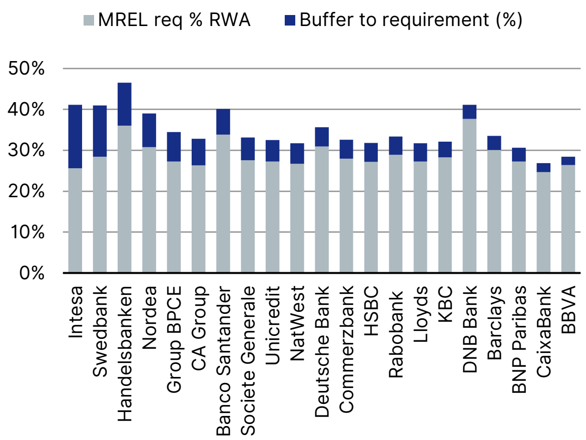
[1] EBA MREL dashboard, Q4 2023.

Positioning against MREL-leverage requirements as of Q2 2024 (%)

	MREL req. % LE	MREL % LE	Buffer %	MREL sub req. % LE	MREL sub % LE	Buffer %
BBVA	8.5%	12.0%	3.5%	5.8%	9.3%	3.5%
Banco Santander	11.5%	16.9%	5.4%	6.1%	14.4%	8.2%
Barclays	8.2%	9.6%	1.5%	8.2%	9.6%	1.4%
BNP Paribas	5.9%	9.0%	3.1%	5.9%	8.2%	2.3%
CaixaBank	6.2%	10.7%	4.5%	6.2%	9.4%	3.2%
Commerzbank	6.5%	8.9%	2.4%	6.5%	7.9%	1.4%
Rabobank	7.5%	13.3%	5.8%	n/a	11.5%	n/a
CA Group	6.3%	9.8%	3.6%	6.3%	8.0%	1.8%
Danske Bank	6.0%	11.5%	5.5%	n/a	9.7%	n/a
Deutsche Bank	7.0%	10.1%	3.1%	7.0%	9.0%	2.0%
DNB Bank	6.0%	12.7%	6.7%	n/a	10.0%	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%	9.4%	2.2%	7.3%	9.4%	2.2%
Intesa	6.0%	14.9%	8.9%	6.0%	8.2%	2.2%
KBC	7.4%	10.6%	3.2%	7.4%	10.6%	3.2%
Lloyds	7.1%	10.6%	3.5%	7.1%	10.6%	3.5%
NatWest	7.2%	10.1%	2.9%	7.2%	10.1%	2.9%
Nordea	7.1%	9.8%	2.7%	7.1%	8.2%	1.1%
Societe Generale	6.2%	8.8%	2.6%	n/a	n/a	n/a
Handelsbanken	6.0%	11.0%	5.0%	6.0%	7.2%	1.2%
Swedbank	6.0%	14.5%	8.5%	6.0%	11.3%	5.3%
Unicredit	6.1%	10.1%	4.0%	6.1%	7.6%	1.5%

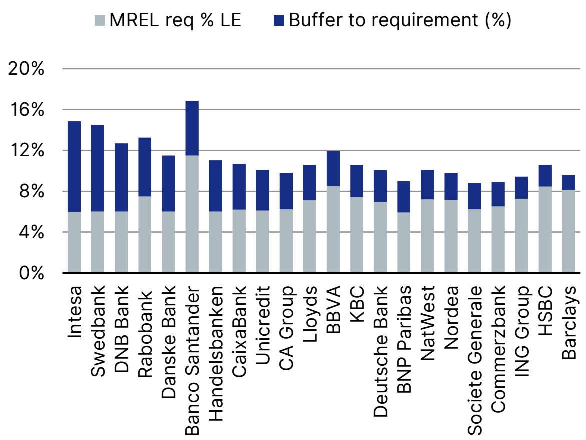
Notes: For Santander, figures are for the resolution group and not the entire group. For Danske Bank, DNB Bank, and Rabobank, there does not appear to a MREL subordinated LRE requirement.
Source: Banks, Scope Ratings

MREL-RWA requirement and positioning as of Q2 2024



Source: Banks, Scope Ratings

MREL-leverage requirement and positioning as of Q2 2024



Source: Banks, Scope Ratings

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