

# European Bank Capital Quarterly: New requirements

European banks are facing their new, higher, capital requirements from a sound position. The higher interest rate environment has bolstered organic capital generation and the most demanding changes to requirements have multi-year transition periods. As the EU and the UK have published near-final rules for implementing Basel 3.1, banks can continue their preparations with better clarity. However, given the differences in rules and timelines across jurisdictions, internationally active banks will encounter particular challenges. Aside from Basel 3, risks related to climate change, leveraged finance and excessive leverage are impacting capital requirements for EU banks.

## Basel 3 implementation – increasing clarity for banks

The expected impact of final Basel 3 implementation varies across significant jurisdictions. The UK Prudential Regulation Authority (PRA) estimates an average increase in Tier 1 capital requirements of around 3% for UK banks when fully phased in (i.e. 2030). The European Banking Authority (EBA) estimates that Tier 1 capital requirements will increase by 9% for EU banks at the full implementation date in 2028. Meanwhile, US federal banking regulators estimate a 16% increase in CET1 capital requirements for large bank holding companies.

The UK and the EU published near-final rules on Basel 3.1 in December. The UK PRA published the [first of two near-final policy statements](#) covering market risk, credit valuation adjustment risk, counterparty credit risk, and operational risk. The second near-final policy statement covering the remaining elements of the Basel 3.1 package, including credit risk, the output floor, reporting and disclosure requirements, is planned for Q2 2024. The new rules will apply from 1 July 2025, with a 4.5-year transitional period ending on 1 January 2030.

During the consultation period, the UK PRA received numerous responses concerning the interaction between Pillar 1 and Pillar 2 under Basel 3.1. Consequently, the UK PRA plans to conduct an off-cycle review of firm-specific Pillar 2 capital requirements ahead of Basel 3.1 implementation in July 2025 to address potential double counting. A broader review of Pillar 2 methodologies will be performed after the final rules have been published.

In the EU, final texts of the provisional agreements on [CRR3](#) and [CRD6](#) were made public following the political agreement reached on Basel 3 implementation in June 2023. Pending approval by the European Parliament and publication in the EU Official Journal, the new regulations will apply from 1 January 2025, with a transition period to end-2032. Meanwhile, member states should transpose the provisions in CRD6 by mid-2025. With the legal texts now available, the EBA has started consulting on key technical standards to allow practical implementation by banks.

## Timing of Basel 3.1 implementation

	Implementation date	Fully phased in date
EU	1 January 2025	31 December 2032
UK	1 July 2025	1 January 2030
US	1 July 2025	1 July 2028

Source: Council of the European Union, UK PRA, US Federal Reserve, Scope Ratings

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US federal banking regulators published their proposal for [final Basel 3 reforms](#) in July 2023. The rules would apply from 1 July 2025, with a three-year transition period ending on 1 July 2028. The proposal applies to all banks with more than USD 100bn in assets, including intermediate holding companies of foreign banks. This would have implications for European banks with large operations in the US, such as Barclays, Banco Santander, HSBC and UBS. The market risk provisions of the proposal would also apply to banks with significant trading activity even if their assets are below USD 100bn.

US proposal remains to be finalised

The proposed changes are broad and will impose requirements which currently apply to larger banks (more than USD 250bn in assets) to banks with USD 100bn-250bn in assets. Following the US regional banking turmoil last year, there have been calls to expand the scope of banks subject to more stringent supervision and stricter standards.

## Climate risks impact capital requirements

### Macprudential measures

In December 2023, the ECB and the European Systemic Risk Board (ESRB) published a [joint report on the impact of climate change on the EU financial system](#). Of particular interest is the proposal for a macroprudential strategy incorporating systemic risk buffers to manage climate risks.

The systemic risk buffer (SyRB) is seen as a viable macroprudential tool for addressing the systemic aspects of climate risks. Further, the use of a SyRB is considered useful for mitigating the build-up of risk concentrations and improving the resilience of banks to climate risks.

Systemic risk buffer for climate risk is under consideration

The SyRB could be designed in numerous ways, depending on the exposures to be covered, the structure of the buffer rate, and the calibration approach. At one end of the spectrum, a general SyRB with a single rate could be applied to all banks. A more granular approach could be achieved by applying multiple rates based on different risk buckets or sector segmentation. At the other end, a SyRB could be tailored to reflect the climate risk exposures of individual banks.

While the specific details for a SyRB to address climate risks remain to be seen, the ECB/ESRB concluded that a stress-testing approach appeared to be the most suitable method for calibrating it. In an illustrative exercise based on the ECB climate stress test, aggregate capital requirements would increase by an estimated 59bp if a SyRB targeting transition risk were to be introduced.

Further, to ensure the effectiveness of a sectoral SyRB, more granularity regarding economic and geographic sectors would be desirable. The current definitions of economic sectors (NACE Rev 2 level 1, 21 categories A to U) and to a lesser extent, of geographies (NUTS 3, subregion) are considered insufficient to identify sets or subsets of exposures to climate-related financial risks.

### Microprudential measures

Implementation of a SyRB would complement the ECB's ongoing supervisory work on climate-related and environmental (C&E) risks at the microprudential level. The ECB has become increasingly forceful about the need to manage C&E risks. Banks are lagging supervisory expectations, and no bank fully meets all expectations<sup>1</sup>. While grace periods have been given, the ECB has stated that if requirements are not met by the deadlines, banks may face periodic penalties. These would be made public on the ECB's website.

Banks are lagging supervisory expectations

<sup>1</sup> Elderson, Frank, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB. "Making finance fit for Paris: achieving "negative splits". 14 November 2023

As part of the 2022 Supervisory Review and Evaluation Process (SREP), the ECB had imposed binding qualitative requirements related to C&E risks on more than 30 banks. Further, for a small number of banks, this also impacted their SREP scores and consequently their Pillar 2 capital requirements (P2R).

Climate risks impact Pillar 2 capital requirements

In the 2023 SREP, a greater number of banks saw an impact on their P2R due to C&E risks than in the previous cycle. In terms of qualitative measures, 12% of significant institutions received additional SREP measures, down from 30% in the 2022 cycle.

Supervisors consider adequate management of C&E risks to be part of overall sound risk management and the failure to do so raises questions about a bank’s governance. In 2020, the ECB published its [supervisory expectations](#) on C&E risks. In 2021, banks performed a self-assessment, with 80% of banks responding to the ECB that they would meet supervisory expectations by end-2024. In 2022, the ECB concluded that too few banks had progressed enough. Consequently, the ECB reiterated the end-2024 deadline and set interim deadlines of March 2023 and December 2023.

There may be penalties if deadlines are not met

By March 2023, the ECB expected banks to have adequately classified their C&E risks and to have assessed the impact on their business. By December 2023, the ECB further expected banks to have included C&E risks in their governance, strategy and risk management. Lastly, by end-2024, banks should meet all remaining supervisory expectations, including full integration of C&E risks in the ICAAP and stress testing.

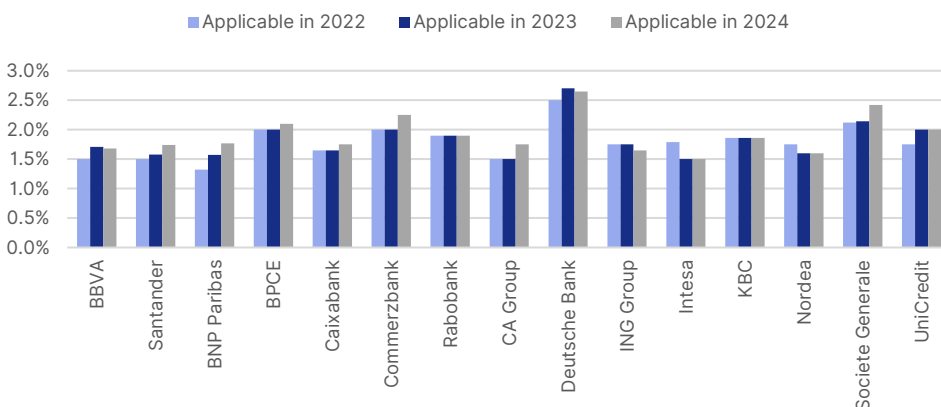
**Pillar 2 add-ons reflect bank-specific risks**

Following the 2023 SREP cycle, the ECB published the P2Rs applicable in 2024 for European banks under their direct supervision. The average P2R remained stable at around 2.1% of risk-weighted assets (RWA). Meanwhile, the median P2R increased slightly to 2.25%, up from 2.15% in the previous year. In addition to C&E risks, noted drivers of P2R were inadequate provisioning for older non-performing exposures, leveraged finance exposures, and potential risks related to excessive leverage.

Limited changes to Pillar 2 requirements for EU banks

In our sample below, four banks saw a 20bp or more increase in their P2R: BNP Paribas, Credit Agricole Group, Societe Generale and Commerzbank. Meanwhile, three banks saw a slight decline (10bp or less), BBVA, Deutsche Bank and ING.

**Figure 1: Evolution of Pillar 2 requirements**



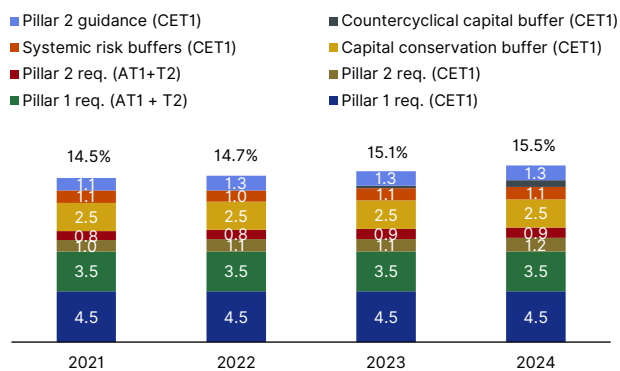
Source: ECB, Scope Ratings

In aggregate, total capital requirements and guidance applicable in 2024 increased to 15.5% of RWA on average, up from 15.1% in 2023 (Figure 2). This was largely due to changes in countercyclical capital buffer requirements as several countries reintroduced or increased countercyclical buffer rates, including Belgium, France and the Netherlands (Figure 3). The average Pillar 2 guidance (P2G) remained unchanged at 1.3%.

European banks are well positioned to meet supervisory expectations. The ECB stated that all significant banks have reported CET1 ratios above the regulatory requirements and guidance applicable in 2024. In our sample, banks have buffers of nearly 500bp to their requirements as of Q3 2023 and thus can readily absorb any applicable P2R increases.

Banks well positioned against updated requirements

**Figure 2: Overall capital requirements and guidance**



Source: ECB, Scope Ratings

**Figure 3: Countercyclical capital buffer rates – selected 2024 changes**

	Previous rate	Change
Belgium	0%	0.5% from 1 April, 1% from 1 Oct
France	0%	1% from 2 Jan
Hungary	0%	0.5% from 1 Jul
Iceland	2%	2.5% from 15 Mar
Ireland	1%	1.5% from 7 Jun
Netherlands	1%	2% from 31 May

Source: ESRB, Scope Ratings

**Pillar 2 add-on related to older non-performing exposures**

Twenty banks received a P2R add-on related to older non-performing exposures (NPE) as the ECB determined that provisions for these exposures were inadequate. The ECB stated that for a few banks with persistent and material shortfalls, the P2R add-on was imposed entirely in the form of CET1 capital. Banks can address the shortfalls by NPE disposals, increased provisions, or voluntary deductions from CET1 capital.

In our sample, BNP Paribas noted that its P2R CET1 requirement included 100% of the add-on related to NPE on loans granted before 26 April 2019. Societe Generale also disclosed that its P2R of 2.42% for 2024 included an additional 17bp add-on for NPE which must be fully covered by CET1 capital.

**Pillar 2 add-on related to leveraged finance**

Eight banks received a Pillar 2 add-on related to leveraged finance, which has been a supervisory focus for some time. In 2022, the ECB issued a [letter to CEOs](#) specifying its expectations regarding the design and functioning of risk appetite frameworks and high levels of risk taking. Several banks were assessed as having made insufficient progress in addressing weaknesses and supervisory expectations. For these banks, the ECB applied a specific capital-on, a measure first used with the 2022 SREP.

**Pillar 2 add-ons for risks related to excessive leverage**

Since 2022, the ECB has also been assessing the risk of excessive leverage. Six banks received a Pillar 2 add-on to their leverage ratio requirement (P2R-LR), BNP Paribas, Commerzbank, Deutsche Bank, KBC, Societe Generale, and Barclays Bank Ireland plc. The P2R-LR was on average 10bp and is in addition to the 3% requirement.

New leverage ratio Pillar 2 requirement and guidance

The add-on covers potential risks related to the extensive use of derivatives, securities financing transactions and off-balance-sheet items as well as regulatory arbitrage. The ECB noted that excessive variability around reporting days can signal window-dressing behaviour. Like the P2R, the P2R-LR is legally binding. Banks that do not comply may be subject to supervisory measures.

At the same time, seven banks received a leverage ratio Pillar 2 guidance (P2G- LR) averaging 37bp. The P2G-LR is driven by how a bank’s leverage ratio develops in a stress scenario, with the ECB stating that banks showing the highest depletion may receive an add-on.

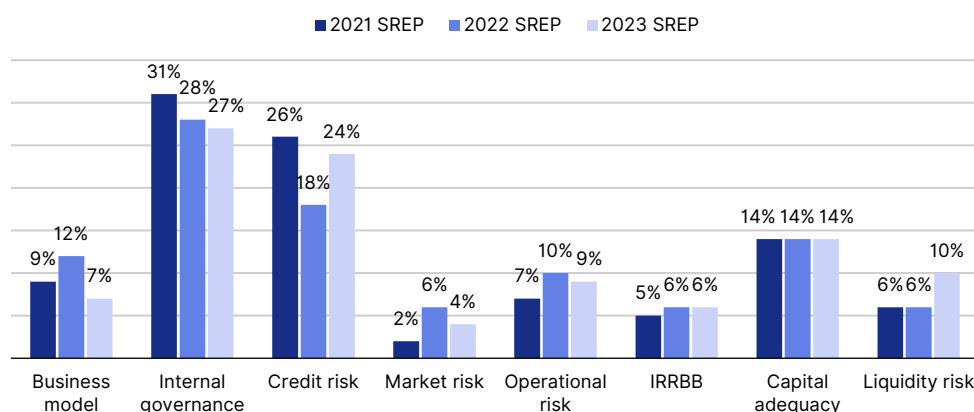
**Reassuring use of qualitative measures**

For investors, capital add-ons are the most visible aspect of the annual SREP cycle. However, the SREP also results in qualitative measures for banks. These are just as important in supporting our constructive view on European banks’ credit fundamentals. The banking turmoil last March underlined that not all vulnerabilities stem from a lack of capital and that not all risks can be addressed by capital alone.

In the 2023 SREP cycle, the ECB issued qualitative measures to 103 banks. Most of the new measures are intended to address deficiencies in internal governance (27%), credit risk (24%) and capital adequacy (14%) See Figure 4. Like last year, deficiencies in internal governance mainly relate to management bodies, risk management frameworks, internal audit and compliance functions, and risk data aggregation and reporting. Consequently, these areas have been incorporated into the supervisory priorities for 2024-2026.

More than half of measures are for governance and credit risks

**Figure 4: Qualitative measures by risk area**



IRRBB: interest rate risk in banking book  
 Source: ECB, Scope Ratings

Due to changed financial conditions, measures related to liquidity risk and interest-rate risk in the banking book almost doubled compared to the 2022 SREP cycle. The ECB set three specific quantitative measures. Two required a minimum survival period and the third imposed an additional currency-specific liquidity buffer. Survival period refers to the time a bank can cover its operating expenses and financial obligations using available liquid assets and without access to additional sources of funding.

**Overall SREP scores remained stable**

The overall SREP score remained stable at 2.6 compared to the previous year. In 2023, 71% of banks received the same overall SREP score as in 2022 while 14% received a worse score and 15% a better score. The ECB stated that downgrades were driven by worsening governance and the more challenging environment for liquidity management while upgrades reflected improvements in

governance and business model risk. Positively, more than half of banks with an overall SREP score in the highest risk category in 2022 improved their score in 2023 (Figure 5).

Based on an assessment of four elements (business model and profitability, internal governance and risk management, risks to capital, and risks to liquidity and funding), the SREP is intended to reflect the supervisory view of a bank's risk profile and the viability and sustainability of its business. The overall SREP score ranges from one to four, with higher scores indicating higher risks to a bank's viability from one or more aspects of its risk profile.

**Figure 5: Migration in overall SREP scores**

		2023 overall SREP scores						
		2+	2	2-	3+	3	3-	4
2022 overall SREP scores	2+	50.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	2	0.0%	77.3%	22.7%	0.0%	0.0%	0.0%	0.0%
	2-	0.0%	9.1%	81.8%	9.1%	0.0%	0.0%	0.0%
	3+	0.0%	0.0%	18.8%	56.3%	25.0%	0.0%	0.0%
	3	0.0%	0.0%	0.0%	23.8%	66.7%	9.5%	0.0%
	3-	0.0%	0.0%	0.0%	0.0%	12.5%	87.5%	0.0%
	4	0.0%	0.0%	0.0%	0.0%	0.0%	57.1%	42.9%

Source: ECB, Scope Ratings

## Market commentary

The late 2023 rally in yields and credit spreads unleashed a wave of new issuance across all borrower segments, which led to a raging start to 2024 in primary markets. Global bond issuance in January hit USD 759bn, 33% above the average of the past two years. FIG issuers accounted for just over a third of total monthly volumes, bringing USD 254bn-equivalent in new supply in January.

European financial issuers accounted for 54% of that number, volumes broadly on par with activity in January 2023. European banks were active up and down the capital and funding structure from AT1 and Tier 2 through senior unsecured (non-preferred and preferred) to covered bonds.

In covereds, 47 European issuers priced close to USD 47bn-equivalent in January according to Bond Radar, up 13% year-over-year, predominantly in euros, across the maturity spectrum out to 10 years and beyond, and almost all in benchmark size. January also saw USD 30bn-equivalent of senior preferred, over USD 20bn in senior non-preferred, and USD 16bn senior unsecured format (mainly from UK banks).

In subordinated instruments, there were five European bank AT1 trades in January, mainly from smaller banks or less frequent issuers (Figure 6). Most of the big action in European bank AT1 had come in the US dollar market in November, when Barclays, Santander, Societe Generale and UBS raised USD 9bn between them in a 10-day period in November.

**Santander's** trade was its first AT1 since 2021 while **UBS's** USD 3.5bn dual-tranche equity conversion PNC5s and PNC10s were its first hybrids since the Credit Suisse takeover. Any concern that the Swiss bank might suffer after-effects of the Credit Suisse AT1 write-down were laid firmly to rest as investor demand was in excess of USD 36bn, according to market participants. UBS called its 2019-issued USD 2.5bn 7% AT1 on the 31 January 2024 call date.

As for 2024 business, **Credit Agricole** wasted no time, seeking first-mover advantage by putting its PNC6.2 AT1 into marketing during the Asian morning session on 2 January. The size was set at EUR 1.25bn in the European afternoon and the coupon fixed at 6.5% from a 6.75% start as peak orders of over EUR 2.8bn came into the book. Action for the rest of the month was away from the large internationally active groups.

**BPER Banca's** EUR 500m PNC5.5 write-down/write-up started out at 9% and fixed at 8.375% on the back of EUR 3.2bn in investor orders. The reset rate is 595bp over five-year mid-swaps. The issuance rationale, outlined by BPER, is to strengthen capital ratios and optimise the capital structure; enhance loss-absorption capacity with a new MREL-eligible instrument; improve the leverage ratio and create a wider buffer of subordinated instruments to support senior funding costs and the rating profile; and improve the capital structure by strengthening the Tier 1 and total capital ratios against requirements with better flexibility over the MDA.

**CaixaBank's** EUR 750m PNC 6.5-year equity-conversion AT1 started out at 7.75% area and priced at 7.50% against a EUR 1.55bn order book. The bank's EUR 1bn 6.75% AT1, issued in 2017, hits its first call on 13 June 2024 at a reset rate of 649.8bp over five-year mid-swaps.

**Banco Comercial Português** tightened pricing on its EUR 400m PNC5.5 AT1 by 50bp from initial thoughts to the 8.125% fix. The new notes replace the EUR 400m 9.25% AT1, which was called on the 31 January call date. Dutch banking and wealth management group **Van Lanschot Kempen** printed a 2.25x covered EUR 100m AT1 on 22 January at 8.875% (50bp through initial thoughts of 9.375% area). The group said it will call its EUR 100m 6.75% AT1 of 2019 on its of 1 April 2024 call date (reset rate of 681.6bp over five-year mid-swaps).

The theme of smaller banks was relevant for the AT1 market in late 2023. **Virgin Money UK** paid 11% on its 3.7x covered GBP 350m PNC5.5 AT1 in November, which was marketed alongside a tender for its outstanding GBP 250m 9.25% AT1. The old AT1 hit its first call on 8 June 2024 with a margin of 830.7bp over Gilts hence the new notes offered good economics. Virgin came a week after merchant banking group **Close Brothers** priced its 7.25x over-subscribed GBP 200m AT1 at 11.125% in a market that hadn't seen a sterling trade for several months.

Also in November **Banco BPM** refinanced its outstanding EUR 300m 8.75% AT1, which hits its first call on 18 June 2024 at a reset of 892.1bp over five-year mid-swaps. The new EUR 300m 9.5% AT1 came alongside a tender for the old notes and at 9.5% the issuer achieved good terms. Underwriters had started out in the 10%-area and the deal ended up 5x covered.

**Figure 6: Q4 2023 to January 2024 European bank AT1 issuance**

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call
<b>Van Lanschot Kempen</b>	22-Jan-24	EUR	100	8.875	01-Apr-29
<b>Banco Comercial Português</b>	11-Jan-24	EUR	400	8.125	18-Jul-29
<b>BPER Banca</b>	09-Jan-24	EUR	500	8.375	16-Jul-29
<b>Caixabank</b>	03-Jan-24	EUR	750	7.500	16-Jul-30
<b>Credit Agricole</b>	02-Jan-24	EUR	1 250	6.500	23-Mar-30
<b>Virgin Money</b>	29-Nov-23	GBP	350	11.000	08-Dec-28
<b>Close Brothers</b>	22-Nov-23	GBP	200	11.125	29-Nov-28
<b>Banco BPM</b>	17-Nov-23	EUR	300	9.500	24-May-29
<b>Santander</b>	16-Nov-23	USD	1 350	9.625	21-May-33
<b>Santander</b>	16-Nov-23	USD	1 150	9.625	21-Nov-28
<b>Barclays</b>	15-Nov-23	USD	1 750	9.625	15-Dec-29
<b>UBS</b>	08-Nov-23	USD	1 750	9.250	13-Nov-33
<b>UBS</b>	08-Nov-23	USD	1 750	9.250	13-Nov-28
<b>Societe Generale</b>	07-Nov-23	USD	1 250	10.000	14-Dec-28

Source: Bond Radar, banks, media reports

## Tier 2 market active

The Tier 2 market saw 16 European banks plus two Turkish banks in action in January raising USD 14bn (Figure 7). Eight issuers had priced Tier 2 transactions between the publication of the last Bank Capital Quarterly in October and the end of 2023 for USD 4.4bn equivalent. Three banks priced trades in November 2023 and again in January: BBVA (in USD and EUR), Credit Agricole (USD and JPY) and Societe Generale (JPY and USD).

As well as national champions (and continuing the theme) smaller banks and less frequent issuers also completed Tier 2 trades, many in sub-benchmark size and some offering reasonably high euro yields: OLB Bank (8.5%), Piraeus Bank (7.25%), BAWAG (6.75%) and Eurobank (6.25). In sterling, the UK's Co-operative Bank paid 11.75% on its Tier 2. For the more frequent large bank issuers, euro Tier 2 coupons were in the 4.375% to 5.375% range.

Deals ran relatively smoothly, with only one casualty (CM Arkea pulled its deal). Transactions attracted reasonable levels of over-subscription and pricing typically tightened by roughly 30bp between initial thoughts and pricing. Investors had clearly come into the new year with a mission to book exposure to credit ahead of anticipated rate cuts later this year.

Away from new issues, the EBA advised on 5 January that BNP Paribas could not count its USD 500m undated subordinated FRN (originally issued in 1986) as a fully eligible Tier 2 instrument as the notes should have been grandfathered. This follows a similar decision in 2023 which prohibited DNB Bank from counting three discount perpetual securities as fully eligible Tier 2 instruments.



Figure 7: Q4 2023 and January 2024 European bank Tier 2 issuance

	Issue date	Currency	Volume (m)	Coupon (%)	First call	Maturity
<b>BBVA</b>	31-Jan-24	EUR	1 250	4.875	08-Nov-30	08-Feb-36
<b>Jyske Bank</b>	23-Jan-24	EUR	500	5.125	01-May-30	01-May-35
<b>Eurobank</b>	18-Jan-24	EUR	300	6.250	25-Jan-29	25-Apr-34
<b>Credit Agricole</b>	18-Jan-24	JPY	13 200	2.073	26-Jan-29	26-Jan-34
<b>Nova Ljubljanska Banka</b>	17-Jan-24	USD	300	6.875	24-Jan-29	24-Jan-34
<b>OLB Bank</b>	17-Jan-24	EUR	170	8.500	24-Jan-29	24-Apr-34
<b>Santander</b>	15-Jan-24	EUR	1 250	5.000	22-Apr-29	22-Apr-34
<b>MedioBanca</b>	15-Jan-24	EUR	300	5.250	22-Jan-29	22-Apr-34
<b>Societe Generale</b>	11-Jan-24	USD	1 250	7.132	19-Jan-54	19-Jan-55
<b>Turk Ekonomi Bankasi</b>	10-Jan-24	USD	400	9.375	17-Jan-29	17-Jan-34
<b>KBC</b>	10-Jan-24	EUR	1 000	4.750	17-Apr-30	17-Apr-35
<b>Yapi ve Kredi Bankasi</b>	09-Jan-24	USD	650	9.250	17-Jan-29	17-Jan-34
<b>Piraeus Bank</b>	09-Jan-24	EUR	500	7.250	17-Apr-29	17-Apr-34
<b>UniCredit</b>	09-Jan-24	EUR	1 000	5.375	16-Apr-29	16-Apr-34
<b>BPCE</b>	08-Jan-24	USD	900	6.508	18-Jan-34	18-Jan-35
<b>Credit Agricole</b>	03-Jan-24	USD	1 500	6.251	10-Jan-34	10-Jan-35
<b>Lloyds Bank</b>	02-Jan-24	EUR	500	4.375	05-Apr-29	05-Apr-34
<b>BFCM</b>	02-Jan-24	EUR	1 500	4.365		11-Jan-34
<b>BAWAG</b>	16-Nov-23	EUR	400	6.750	24-Nov-28	24-Feb-34
<b>Nordea Bank</b>	16-Nov-23	EUR	500	4.875	23-Nov-28	23-Feb-34
<b>The Co-Operative Bank</b>	14-Nov-23	GBP	200	11.750	22-Nov-28	22-May-34
<b>BBVA</b>	07-Nov-23	USD	750	7.883	15-Nov-33	15-Nov-34
<b>HSBC</b>	06-Nov-23	USD	2 000	7.399	13-Nov-33	13-Nov-34
<b>Commerzbank</b>	17-Oct-23	SGD	300	6.500	24-Apr-29	24-Apr-34
<b>Societe Generale</b>	13-Oct-33	JPY	5 100	2.484	19-Oct-28	19-Oct-33

Source: Bond Radar, banks, media reports

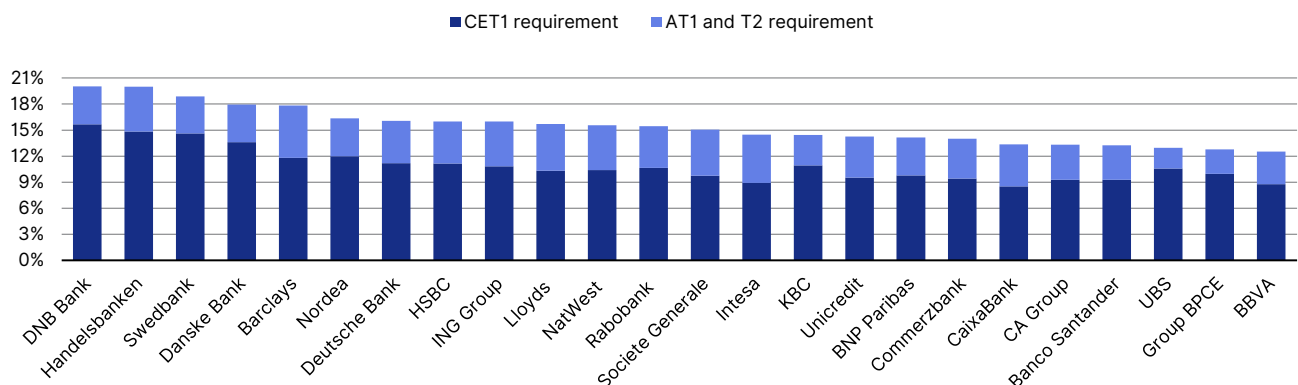
**Appendix I: Capital requirements**

**Total capital requirements as of Q3 2023 (%)**

	Pillar 1	Pillar 2R	Buffer requirements					Total req	Of which CET1 req
			Capital conservation	G-SII	O-SII	Systemic	Counter-cyclical		
<b>BBVA</b>	8.0%	1.71%	2.5%		0.8%		0.05%	<b>13.0%</b>	8.8%
<b>Banco Santander</b>	8.0%	1.58%	2.5%	1.0%			0.40%	<b>13.5%</b>	9.3%
<b>Barclays</b>	8.0%	4.30%	2.5%	1.5%			0.90%	<b>17.2%</b>	11.8%
<b>BNP Paribas</b>	8.0%	1.57%	2.5%	1.5%			0.41%	<b>14.0%</b>	9.8%
<b>CaixaBank</b>	8.0%	1.65%	2.5%		0.5%		0.10%	<b>12.8%</b>	8.5%
<b>Commerzbank</b>	8.0%	2.00%	2.5%		1.3%		0.04%	<b>13.8%</b>	9.4%
<b>Rabobank</b>	8.0%	1.90%	2.5%			2.0%	0.60%	<b>15.0%</b>	10.7%
<b>CA Group</b>	8.0%	1.50%	2.5%	1.0%			0.43%	<b>13.4%</b>	9.3%
<b>Danske Bank</b>	8.0%	2.60%	2.5%		3.0%		2.00%	<b>18.1%</b>	13.6%
<b>Deutsche Bank</b>	8.0%	2.70%	2.5%	1.5%	2.0%		0.64%	<b>15.8%</b>	11.2%
<b>DNB Bank</b>	8.0%	2.10%	2.5%		2.0%	3.3%	2.21%	<b>20.1%</b>	15.7%
<b>Group BPCE</b>	8.0%	2.00%	2.5%	1.0%			0.48%	<b>14.0%</b>	10.0%
<b>HSBC</b>	8.0%	2.60%	2.5%	2.0%			0.70%	<b>15.8%</b>	11.2%
<b>ING Group</b>	8.0%	1.75%	2.5%	1.0%		2.0%	0.85%	<b>15.1%</b>	10.8%
<b>Intesa</b>	8.0%	1.72%	2.5%		0.8%		0.21%	<b>13.2%</b>	8.9%
<b>KBC</b>	8.0%	1.86%	2.5%		1.5%	0.1%	1.24%	<b>15.2%</b>	10.9%
<b>Lloyds</b>	8.0%	2.70%	2.5%		1.7%		1.82%	<b>15.0%</b>	10.3%
<b>NatWest</b>	8.0%	3.00%	2.5%		1.2%		1.70%	<b>15.2%</b>	10.4%
<b>Nordea</b>	8.0%	1.60%	2.5%		2.5%		1.60%	<b>16.2%</b>	12.0%
<b>Societe Generale</b>	8.0%	2.14%	2.5%	1.0%			0.56%	<b>14.2%</b>	9.8%
<b>Handelsbanken</b>	8.0%	1.97%	2.5%		1.0%	3.2%	1.91%	<b>19.0%</b>	14.8%
<b>Swedbank</b>	8.0%	2.70%	2.6%		1.0%	3.1%	1.61%	<b>19.3%</b>	14.6%
<b>UBS</b>							0.42%	<b>14.9%</b>	10.6%
<b>Unicredit</b>	8.0%	2.00%	2.5%	1.0%		0.0%	0.37%	<b>13.9%</b>	9.5%

Note: For Lloyds and NatWest, an O-SII buffer applies at the level of their ring-fenced entities. The O-SII buffer noted above reflects the requirement at group level.

**Total capital requirements as of Q3 2023 (%)**



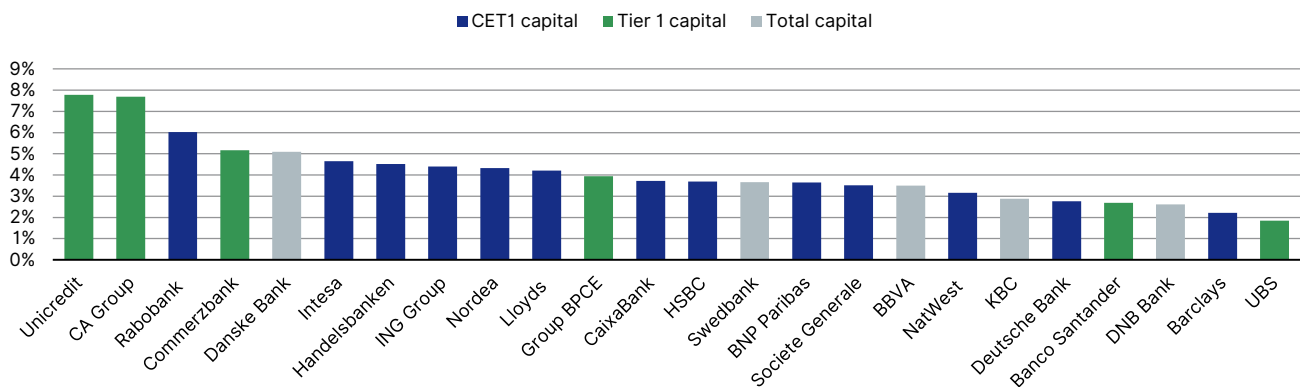
Source: Banks, Scope Ratings

## Appendix II: Positioning against capital requirements

### Buffers to capital requirements as of Q3 2023 (%)

	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)
<b>BBVA</b>	8.8%	12.7%	4.0%	10.6%	14.5%	3.9%	13.0%	16.5%	3.5%	EUR	13
<b>Banco Santander</b>	9.3%	12.4%	3.1%	11.1%	13.8%	2.7%	13.5%	16.3%	2.8%	EUR	18
<b>Barclays</b>	11.8%	14.0%	2.2%	14.1%	17.5%	3.4%	17.2%	20.0%	2.8%	GBP	10
<b>BNP Paribas</b>	9.8%	13.4%	3.6%	11.6%	15.5%	4.0%	14.0%	17.8%	3.8%	EUR	27
<b>CaixaBank</b>	8.5%	12.3%	3.7%	10.3%	14.3%	3.9%	12.8%	17.1%	4.3%	EUR	10
<b>Commerzbank</b>	9.4%	14.6%	5.2%	11.3%	16.5%	5.2%	13.8%	19.2%	5.4%	EUR	9
<b>Rabobank</b>	10.7%	16.7%	6.0%	12.5%	18.7%	6.2%	15.0%	21.5%	6.5%	EUR	16
<b>CA Group</b>	9.3%	17.5%	8.2%	11.1%	18.7%	7.7%	13.4%	21.5%	8.1%	EUR	49
<b>Danske Bank</b>	14.3%	18.8%	4.5%	16.3%	20.6%	4.3%	18.9%	23.2%	4.3%	DKK	42
<b>Deutsche Bank</b>	11.2%	13.9%	2.8%	13.2%	16.3%	3.1%	15.9%	18.8%	3.0%	EUR	11
<b>DNB Bank</b>	15.7%	18.3%	2.6%	17.5%	20.2%	2.6%	20.1%	22.7%	2.6%	NOK	28
<b>Group BPCE</b>	10.0%	15.4%	5.4%	11.5%	15.4%	3.9%	14.0%	18.2%	4.2%	EUR	19
<b>HSBC</b>	11.2%	14.9%	3.7%	13.2%	17.0%	3.8%	15.8%	19.7%	3.9%	USD	33
<b>ING Group</b>	10.8%	15.2%	4.4%	12.7%	17.5%	4.9%	15.1%	20.4%	5.3%	EUR	17
<b>Intesa</b>	8.9%	13.6%	4.6%	10.8%	16.2%	5.4%	13.2%	19.1%	6.0%	EUR	18
<b>KBC</b>	10.9%	14.6%	3.7%	12.8%	16.1%	3.3%	15.2%	18.1%	2.9%	EUR	3
<b>Lloyds</b>	10.3%	14.6%	4.2%	12.3%	17.2%	4.9%	15.0%	19.9%	4.9%	GBP	11
<b>NatWest</b>	10.4%	13.5%	3.2%	12.5%	15.7%	3.2%	15.2%	18.7%	3.5%	GBP	6
<b>Nordea</b>	12.0%	16.3%	4.3%	13.8%	18.7%	4.9%	16.2%	20.7%	4.5%	EUR	6
<b>Societe Generale</b>	9.8%	13.3%	3.5%	11.7%	15.9%	4.3%	14.2%	18.6%	4.4%	EUR	17
<b>Handelsbanken</b>	14.8%	19.4%	4.5%	16.6%	21.2%	4.6%	19.0%	24.5%	5.5%	SEK	48
<b>Swedbank</b>	14.6%	18.7%	4.1%	16.7%	20.5%	3.8%	19.3%	23.0%	3.7%	SEK	31
<b>UBS</b>	10.6%	14.4%	3.8%	14.9%	16.8%	1.9%	14.9%	16.8%	1.9%	USD	10
<b>Unicredit</b>	9.5%	17.5%	8.0%	11.4%	19.2%	7.8%	13.9%	22.2%	8.3%	EUR	24

### Lowest buffer to capital requirements as of Q3 2023 (%)



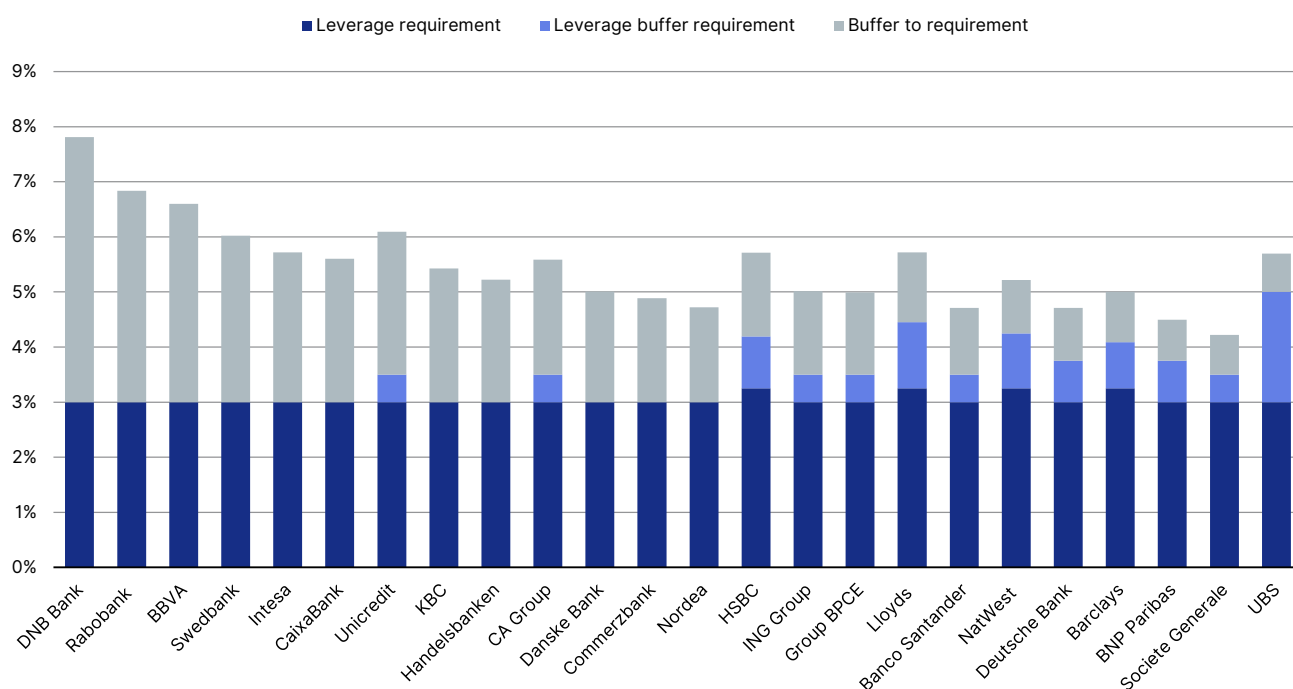
Source: Banks, Scope Ratings

### 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 requirements based on Q3 2023 figures (%)



Notes:

- (1) For UK banks, the buffer to requirements is based on the UK leverage ratio.
  - (2) The ring-fenced sub-group of Lloyds is subject to an additional leverage ratio buffer of 0.7% which equates to 0.6% at group level.
  - (3) The ring-fenced bank holding company of NatWest is subject to an additional leverage ratio buffer which equates to 0.4% at group level.
- 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:

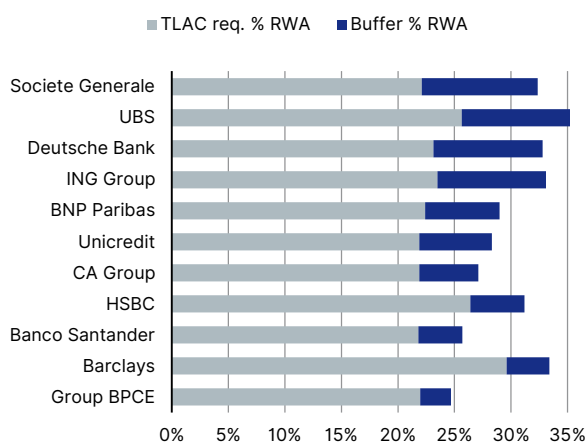
- 18% of the total risk exposure amount plus the combined buffer requirement
- 6.75% of the leverage exposure measure.

#### Positioning against TLAC requirements as of Q3 2023

	TLAC req. % RWA	TLAC % RWA	Buffer % RWA	TLAC req. % LE	TLAC % LE	Buffer % LE	Binding req.	Currency	Buffer to binding req. (bn)
<b>Banco Santander</b>	21.8%	25.7%	3.9%	6.8%	8.8%	2.1%	RWA	EUR	12
<b>Barclays</b>	29.6%	33.4%	3.8%	8.1%	9.5%	1.4%	RWA	GBP	13
<b>BNP Paribas</b>	22.4%	29.0%	6.6%	6.8%	8.4%	1.7%	LE	EUR	40
<b>CA Group</b>	21.9%	27.1%	5.2%	6.8%	8.2%	1.5%	LE	EUR	29
<b>Deutsche Bank</b>	23.2%	32.8%	9.6%	6.8%	9.4%	2.7%	LE	EUR	33
<b>Group BPCE</b>	22.0%	24.7%	2.7%	6.8%	n/a	n/a	RWA	EUR	12
<b>HSBC</b>	26.4%	31.2%	4.8%	8.5%	10.7%	2.3%	RWA	USD	40
<b>ING Group</b>	23.5%	33.1%	9.6%	6.8%	9.5%	2.8%	RWA	EUR	31
<b>Societe Generale</b>	22.1%	32.4%	10.3%	6.8%	8.5%	1.7%	LE	EUR	25
<b>UBS</b>	25.6%	35.7%	10.0%	8.8%	12.1%	3.3%	LE	USD	53
<b>Unicredit</b>	21.9%	28.3%	6.4%	6.8%	9.0%	2.2%	RWA	EUR	19

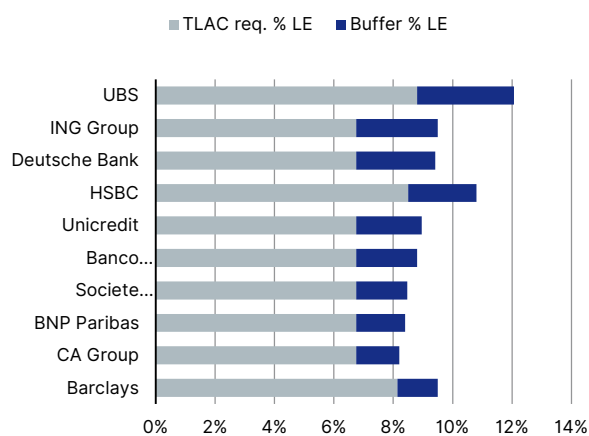
Notes: HSBC's binding requirement is based on a "sum-of-the-parts" approach as a multiple point of entry resolution group; figures above are from Q2 2023. For Santander, figures are for the resolution group and not the entire group.  
Source: Banks, Scope Ratings

#### TLAC-RWA requirements and positioning as of Q3 2023



Source: Banks, Scope Ratings

#### TLAC-leverage requirements and positioning as of Q3 2023



Source: Banks, Scope Ratings

## Appendix V: MREL requirements and positioning against requirements

On the whole, end-state MREL requirements must have been met from 1 January 2024 although some banks have extended deadlines. More complete disclosures should be forthcoming as requirements for publishing the MREL ratio will apply from the same date.

The [EBA's MREL dashboard with Q2 2023 data](#) shows that the average MREL level was 33.5% while the average MREL requirement including the combined buffer requirement (CBR) was 27.3%. The average MREL subordinated level was 27.6% while the average MREL subordinated requirement including the CBR was 22.2%. Including the CBR, the MREL shortfall totalled EUR 19.5bn, of which EUR 6bn was due by 1 January 2024 and EUR 3bn was the subordination shortfall.

### Positioning against MREL-RWA requirements as of Q3 2023 (%)

	MREL req. % RWAs	MREL % RWAs	Buffer %	MREL sub req. % RWAs	MREL sub % RWAs	Buffer %
<b>BBVA</b>	24.8%	27.2%	2.5%	16.8%	22.5%	5.7%
<b>Banco Santander</b>	33.6%	37.3%	3.7%	n/a	33.6%	n/a
<b>Barclays</b>	29.6%	33.4%	3.8%	29.6%	33.4%	3.8%
<b>BNP Paribas</b>	n/a	n/a	n/a	n/a	n/a	n/a
<b>CaixaBank</b>	22.4%	27.1%	4.7%	16.6%	23.9%	7.3%
<b>Commerzbank</b>	27.5%	31.4%	4.0%	18.0%	27.7%	9.7%
<b>Coop Rabobank</b>	28.3%	35.1%	6.9%	22.9%	30.2%	7.4%
<b>CA Group</b>	25.0%	32.2%	7.2%	n/a	n/a	n/a
<b>Danske Bank</b>	34.4%	41.2%	6.8%	27.4%	32.2%	4.8%
<b>Deutsche Bank</b>	30.4%	35.2%	4.8%	24.7%	32.8%	8.1%
<b>DNB Bank</b>	37.9%	41.9%	3.9%	26.1%	31.0%	4.9%
<b>Group BPCE</b>	25.5%	32.4%	6.9%	22.0%	24.7%	2.7%
<b>HSBC</b>	26.4%	31.2%	4.8%	26.4%	31.2%	4.8%
<b>ING Group</b>	27.3%	33.1%	5.8%	n/a	33.1%	n/a
<b>Intesa</b>	n/a	n/a	n/a	n/a	n/a	n/a
<b>KBC</b>	26.5%	30.2%	3.7%	n/a	n/a	n/a
<b>Lloyds</b>	27.3%	32.6%	5.3%	26.5%	32.6%	6.1%
<b>NatWest</b>	27.4%	31.2%	3.8%	27.4%	31.2%	3.8%
<b>Nordea</b>	29.3%	37.0%	7.7%	22.7%	29.6%	6.9%
<b>Societe Generale</b>	25.7%	34.0%	8.3%	21.1%	29.0%	7.9%
<b>Handelsbanken</b>	34.0%	48.0%	14.0%	27.0%	31.0%	4.0%
<b>Swedbank</b>	23.0%	39.8%	16.8%	17.0%	28.0%	11.0%
<b>Unicredit</b>	24.6%	32.4%	7.7%	n/a	n/a	n/a

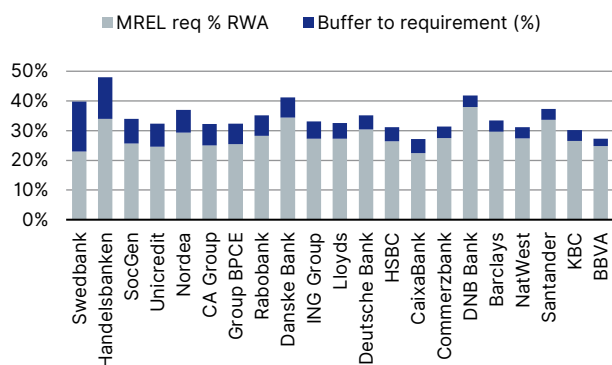
Notes: For Santander, figures are for the resolution group and not the entire group. For HSBC, figures are from Q2 2023.  
Source: Banks, Scope Ratings

Positioning against MREL-leverage requirements as of Q3 2023 (%)

	MREL req. % LE	MREL % LE	Buffer %	MREL sub req. % LE	MREL sub % LE	Buffer %
<b>BBVA</b>	7.3%	11.3%	4.0%	5.6%	9.2%	3.6%
<b>Banco Santander</b>	11.5%	15.7%	4.2%	n/a	n/a	n/a
<b>Barclays</b>	8.0%	9.4%	1.4%	8.0%	9.4%	1.4%
<b>BNP Paribas</b>	n/a	n/a	n/a	n/a	n/a	n/a
<b>CaixaBank</b>	n/a	n/a	n/a	n/a	n/a	n/a
<b>Commerzbank</b>	6.5%	9.6%	3.1%	6.5%	8.3%	1.8%
<b>Coop Rabobank</b>	7.5%	11.0%	3.5%	n/a	n/a	n/a
<b>CA Group</b>	6.0%	9.6%	3.6%	n/a	n/a	n/a
<b>Danske Bank</b>	n/a	n/a	n/a	n/a	n/a	n/a
<b>Deutsche Bank</b>	6.9%	9.8%	2.9%	6.9%	9.3%	2.3%
<b>DNB Bank</b>	6.0%	13.0%	7.0%	n/a	9.4%	n/a
<b>Group BPCE</b>	n/a	n/a	n/a	n/a	n/a	n/a
<b>HSBC</b>	8.5%	10.7%	2.3%	8.5%	10.7%	2.3%
<b>ING Group</b>	6.0%	9.0%	3.1%	n/a	9.0%	n/a
<b>Intesa</b>	n/a	n/a	n/a	n/a	n/a	n/a
<b>KBC</b>	7.3%	9.8%	2.5%	n/a	n/a	n/a
<b>Lloyds</b>	7.4%	10.5%	3.1%	7.4%	10.5%	3.1%
<b>NatWest</b>	7.3%	10.0%	2.7%	7.3%	10.0%	2.7%
<b>Nordea</b>	6.0%	9.1%	3.1%	6.0%	0.0%	-6.0%
<b>Societe Generale</b>	5.9%	8.8%	2.8%	n/a	n/a	n/a
<b>Handelsbanken</b>	5.5%	11.3%	5.8%	5.5%	7.3%	1.8%
<b>Swedbank</b>	5.5%	13.4%	7.9%	5.5%	10.0%	4.5%
<b>Unicredit</b>	5.9%	9.9%	4.0%	n/a	n/a	n/a

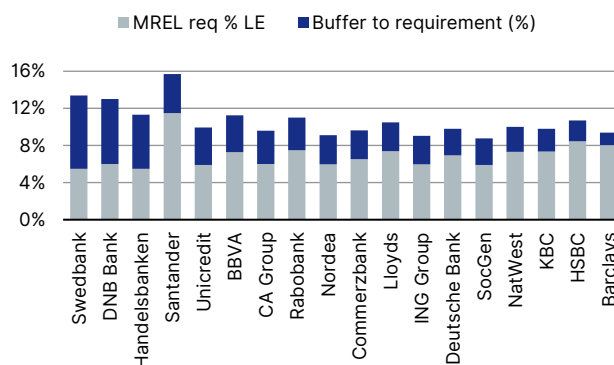
Notes: For Santander, figures are for the resolution group and not the entire group. For HSBC, figures are from Q2 2023.  
Source: Banks, Scope Ratings

MREL-RWA requirement and positioning as of Q3 2023



Source: Banks, Scope Ratings

MREL-leverage requirement and positioning as of Q3 2023



Source: Banks, Scope Ratings

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