European Bank Capital Quarterly

EU regulatory simplification advances; AT1s look ineffective as going-concern capital

European banks trail their US peers in profitability and valuations amid rising compliance and reorganisation costs. So EU policymakers are speeding up efforts to simplify banking regulation to cut reporting costs and minimise overlapping rules while maintaining prudential safeguards. Done effectively, this could enhance efficiency and competitiveness, although the potential for mis-steps should not be overlooked.

One potential step on the simplification agenda would be removing AT1 instruments from EU banks' capital stack. The proposal, most prominently floated by Bundesbank President Joachim Nagel, aligns with mounting evidence that AT1s have limited effectiveness as going-concern capital.

The Draghi report called for broad regulatory simplification, citing the need to reduce reporting obligations and complete the Banking Union. The ECB's High-Level Task Force on Simplification and the EBA's 21-point roadmap pave the way for reforms across Pillar 2, macroprudential buffers and reporting, with objectives to improve proportionality and enhance predictability without weakening resilience.

While aggregate capital levels cannot explain the historical lack of competitiveness of European banks, proposed adjustments to the US eSLR (enhanced supplementary leverage ratio) point to important shifts in the global regulatory landscape.

In principle, simplification could support greater market discipline by improving transparency and comparability, shifting risk-management priorities from emphasising compliance to risk ownership and accountability while helping limit regulatory arbitrage in the form of shifting activities to the non-regulated financial sector.

However, key policy risks remain. Reducing risk sensitivity to simplify capital would inevitably lead to less efficient capital allocation and pricing. Undoing "parallel" requirements overlooks the value of a multi-restrictive framework, while trimming Pillar 3 granularity or frequency could undermine market discipline. And if effective simplification cannot be distinguished from deregulation, the cost-benefit trade-off for resilience becomes ambiguous. If so, we may see limited efficiency gains from simplification or a gradual drift towards deregulation.

The Swiss Federal Administrative Court's October ruling revoking FINMA's decision to write down Credit Suisse's AT1 instruments is an encouraging development, potentially reversing hierarchy inversion and safeguarding property rights.

While the former is key to market efficiency, the latter is critical to institutional integrity and economic development in the long term. At the same time, the ruling adds to evidence that AT1s, in practice, do not absorb losses outside of resolution or insolvency proceedings.

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1. EU regulatory simplification gains momentum

The EU regulatory simplification agenda has accelerated. The EBA announced 21 actions on 29 September to strengthen the simplicity and efficiency of the bank regulatory framework and reduce reporting costs by 25%. Prior to that, Sharon Donnery, a member of the ECB's Supervisory Board, reaffirmed that the Bank is pursuing simplification efforts, including through SREP reform.

The ECB's High-Level Task Force on Simplification will deliver its recommendations by the end of the year. Final proposals are due be presented to the European Commission. Importantly, EU officials and policy makers have not endorsed a lowering of prudential standards, instead focusing on reducing procedural complexity, eliminating overlaps, and improving proportionality.

ECB task force, EBA roadmap pave the way for multi-year frameworks

The ECB task force is assessing possible cumulative regulatory impacts across prudential, resolution, and reporting domains, and mapping overlaps between requirements. Expected recommendations will address how to streamline capital structures, Pillar 2 requirements, macroprudential buffer co-ordination, and integrate reporting frameworks. Recommendations are likely to influence the 2026-27 EU policy agenda.

The EBA's 21 recommendations, published with its 2026 Work Programme, provide operational detail and timelines, targeting materiality assessments, a 25% reduction in reporting costs, a review of the Single Rulebook and internal organisation improvements. The 25% cost target will be pursued by reducing and simplifying requirements, establishing a public EU-wide repository of supervisory data requests, and improving change management to decrease frequency and increase predictability of updates.

Capital framework complexity acknowledged but prudential standards defended

EU takes stance against any measures that weaken resilience

EU policymakers and officials still maintain a clear distinction between capital framework complexity and overall capital requirements. In her June 2025 speech *Simplification without deregulation*, ECB Supervisory Board Chair Claudia Buch acknowledged that: "In the EU, the risk-based capital stack is complex. It comprises up to nine layers, including microprudential and macroprudential requirements and buffers, and it can be met with going and gone-concern funding instruments [...] the different elements may interact in unintended ways".

But Buch also emphasised that "a weakening of global rules that help keep the financial system safe and sound is a real risk" and "simplification without deregulation requires strong guardrails". The prevailing supervisory position is that deregulation, unlike simplification, would be at the expense of resilience.

Urgency in improving EU competitiveness underpins simplification drive

Competitiveness is a key motive for simplification.

Bank regulatory simplification fits into the larger context of the challenges to EU competitiveness. Notably, the Draghi report called for finalising the Banking Union and for regulatory simplification, including significant cuts to reporting obligations.

The European Parliament's 2024 Banking Union Annual Report concluded that compared with their US counterparts, EU banks suffer from lower profitability caused by too many regulatory hurdles. The level of profitability, the report noted, is insufficient to ensure competitiveness, constraining banks' ability to finance major investments.

While quantifying regulatory costs is not straightforward, the scope of banking regulation has continued to expand over many years. The 2024 EU Banking Package involved about 1,000 pages of new legislation (CRR3 and CRD6) and about 140 new EBA mandates, compared with about 500 pages and 62 mandates in the 2019 Banking Package.

More complex and fragmented prudential banking regulation in the EU than in the US was also documented in a May 2025 study by Bruegel for the European Parliament's Committee on Economic and Monetary Affairs. On capital levels, the study showed that while European banks' CET1 ratios were higher than that of their US counterparts between 2018 and 2024, US leverage ratios were significantly higher, so any lowering of aggregate capital requirements to improve competitiveness would not seem justified.

Leverage ratios cannot explain diverging performance of EU, US G-SIBs

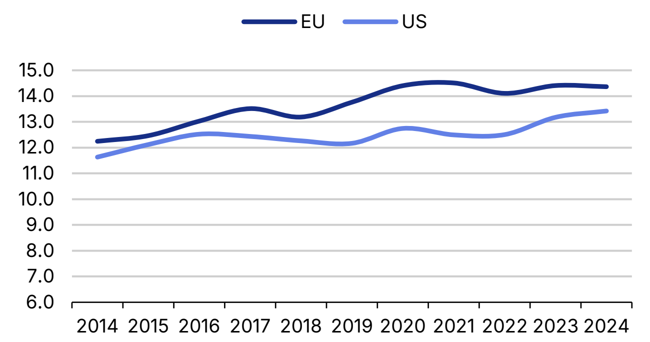
Leverage ratios higher in the US than in the EU, but this could change

The pattern holds true for G-SIBs (see Figures 1 and 2) where aggregate capital levels are most consequential for competition, given their global reach. Aggregate capital levels cannot explain the lack of competitiveness of European banks given higher leverage ratios at US counterparts.

However, given shifts in policy in the US, the issue could be less clear-cut in the future. Leverage ratio requirements have often been constraining for US banks, as we noted in the previous edition of our Bank Capital Quarterly (see p14 for link).

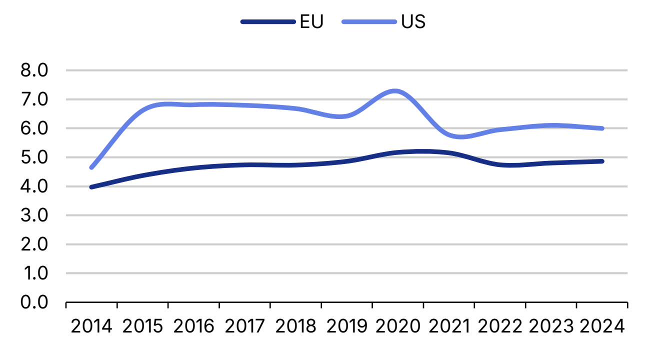
However, US regulators have proposed replacing the eSLR's fixed calibration of 5% with a buffer equal to 50% of the G-SIB Method 1 surcharge, so that the eSLR will function as a backstop to risk-based requirements as intended under Basel III. Based on current surcharges, this would lower the required eSLR into a band of 3.5% to 4.25% vs. 5% today.

Figure 1: G-SIB average asset-weighted CET1 ratios (%)



Source: SNL, Scope Ratings
Note: The sample covers G-SIBs as per the FSB's list of Nov 2024.

Figure 2: G-SIBs average asset-weighted leverage ratios (%)

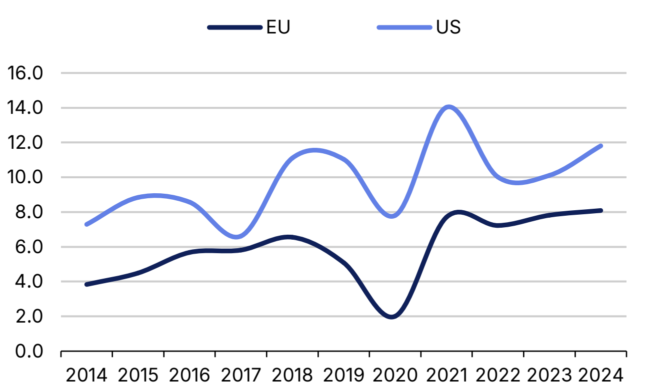


Source: SNL, Scope Ratings
Note: G-SIBs as per the FSB's list of Nov 2024. The ratios shown are Basel III leverage ratios, which in the case of US G-SIBs are effectively equivalent to SLR.

EU G-SIBS typically generate lower RoE than US rivals

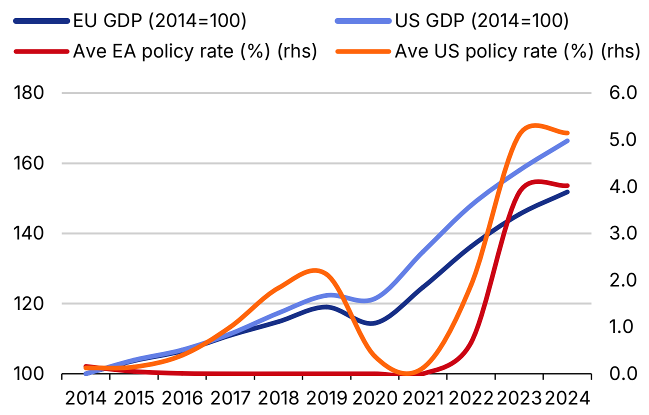
While EU G-SIBs have consistently generated lower returns on equity than US counterparts (Figure 3), ascribing this to banking regulation alone would be a mistake, though. For example, the EU lags the US in economic growth, a pattern which pre-dates the global financial crisis. In the past decade, US returns have also benefited from higher interest rates than in the euro area (Figure 4).

Figure 3: G-SIB average asset-weighted return on equity (%)



Source: SNL, Scope Ratings
Note: The sample covers G-SIBs as per the FSB's list of Nov 2024.

Figure 4: Evolution of nominal GDP and policy rates



Source: Eurostat, BEA, BIS, Scope Ratings

The case for simplification reflects more nuanced debate over regulation

We welcome EU regulatory simplification, including from a credit-risk perspective. If done right, the benefits could include not just lower regulatory hurdles for bank profitability but better oversight, more transparency and comparability across banks as well as enhanced accountability.

Regulators and official organisations cite evidence that an excessive regulatory burden can incentivise the transfer of activities to institutions outside the regulatory perimeter i.e. into the unregulated non-bank arena, where systemic risks may amplify. This could introduce banking sector vulnerabilities given growing financial interlinkages, such as bank lending to private credit funds, fund investors, and fund portfolio companies as well as other funding and derivatives transactions with non-bank financial institutions.

Though still small compared with North America, European private credit assets under management have been accelerating in recent years, reaching EUR 430bn as of year-end 2024, equivalent to about 7.5% of the volume of loans to non-financial corporates held by significant institutions in the SSM.

EU banks have lower valuations relative to US counterparts

Well calibrated simplification would improve market efficiency through reduced opacity and unpredictability. The EU approach to determining capital requirements complicates banks' capital management as well as investors' efforts to understand their investments. This might be one reason for the lower valuations of European banks relative to US counterparts.

Whereas the US has a single stress capital buffer (SCB), authorities across Europe impose multiple, differing buffer requirements as well as Pillar 2 requirements. As such, the EU framework is more complex, less quantitatively driven and less transparent, with more supervisory discretion. These features of the EU framework limit the comparability of capital adequacy metrics at face value across EU banks.

Simplification can enhance accountability for banks and supervisors by shifting incentives from mere compliance to genuine risk ownership. Complex regulation can make compliance all-consuming. Neither box-ticking nor an over-fitted framework promote an understanding of evolving risks.

Pitfalls remain in ensuring simplification, efficiency go hand in hand

Simplification pitfalls include removing risk sensitivity

While we expect positive outcomes from simpler regulation, there is a risk that measures could result in new inefficiencies or less resilient banks.

First, there is an impulse to simplify the regulatory capital framework by removing risk sensitivity. This would incentivise banks to take on exposure with economically poorer risk-adjusted returns. It would not promote more efficient allocation of capital through the economy, transparency, or greater comparability between banks' riskiness.

In his September 2025 speech (Banking regulation: as complex as necessary, as simple as possible), the Bundesbank's Nagel, an ECB Simplification Task Force member, suggested allowing small banks to opt for a regime in which risk-weighted capital requirements do not apply. Meanwhile, in an August SUERF paper (*Better EU banking regulation can fuel growth, but lower capital requirements do not*), Austrian central bank officials describe the final Basel III output floor as "a welcome attempt to address the opacity and complexity of internal models".

We have a different interpretation. The output floor does not alter the transparency or opacity of internal models. Rather, it imposes less risk-sensitive binding constraints with additional parallel reporting requirements, even as safeguards against model manipulation remain in place, including rigorous supervisory approvals. The authors themselves acknowledge that the "impact [of the output floor] on regulatory complexity remains uncertain as the rules for banks' IRB models and risk weights themselves remain unchanged".

Secondly, in the simplification debate, much attention is given to parallel capital requirements and the fact that, as a result, not all buffers are usable. However, parallel requirements serve different purposes. The leverage ratio requirement, for instance, is intended as a backstop and safeguard against risk-weighted methods.

Dangers in cutting Pillar 3 disclosures

Third, any cutting of Pillar 3 disclosure risks backfiring if it trims granularity, frequency, and comparability, especially when it comes to standard prudential risks. The potential to improve market efficiency with less opacity and more predictability as to prudential requirements needs to be set against the possibility that the granularity and frequency of reporting do not allow for meaningful insights and timeliness.

Is simplification deregulation in disguise?

Finally, it remains unclear whether simplification, if it is to be effective in improving competitiveness, can be distinguished from deregulation. It should be possible to simplify and *increase* the prudential regulatory burden, e.g. by removing risk sensitivity and granularity and compensating for it by increasing overall capital requirements. In this sense, 'simple' can also mean 'unsophisticated'.

Whether simplification can unambiguously reduce costs without lowering the prudential bar is not yet clear. If effective simplification without deregulation is not possible, a less euphemistic framing of the problem would be to focus on competitiveness through deregulation with minimal adverse effects on resilience. Ultimately, we might see either limited benefits from simplification or a drift toward deregulation.

2. AT1 capital revisited as simplification project progresses

AT1s could become subject to the EU regulatory simplification agenda. In his September speech, the Bundesbank's Nagel outlined certain possibilities for simplifying regulatory capital including reducing the number of own funds requirements so that only CET1 capital would be eligible. CET1 capital absorbs losses without restraints, Nagel said, so if banks were to consistently rely on CET1 capital, loss-absorption capacity on a going-concern basis would be strengthened.

Swiss ruling effectively rejects inversion of the hierarchy of claims

In this context, the Swiss Federal Administrative Court's partial ruling in October revoking FINMA's 19 March 2023 decree to entirely write down Credit Suisse's CHF 16.5bn in AT1s was an encouraging development reversing hierarchy inversion and safeguarding property rights. While the former is key to market efficiency, the latter is critical to institutional integrity and economic wealth and development in the long term.

Mounting evidence that AT1s have proven unfit for purpose as going concern capital

AT1 instruments do not function as intended

While a welcome development from an institutional (rules of the game) point of view, the Swiss court's ruling adds to evidence that AT1s do not in practice function as going-concern capital but take losses only at the point of failure.

AT1 instruments were conceived as loss-absorption tools that would stabilise banks before reaching non-viability, providing a cushion between common equity depletion and resolution. The Basel Committee designed them with discretionary coupon payments and loss-absorption mechanisms triggered when CET1 ratios breach thresholds. But reality has diverged from design. The Basel Committee's 2022 evaluation of Basel III reforms was unable to reach "robust empirical conclusions regarding [AT1 instruments'] loss-absorption capacity".

The Australian prudential regulator APRA proposed a complete phase-out of AT1s by 2032, marking a likely change in policy implementation based on the view that "AT1 has not been shown to act effectively in a going-concern scenario and does not offer advantages to Tier 2 in resolution". APRA launched a consultation in July 2025 on its phase-out proposal.

Table 1: Historical AT1 loss-absorption events in Europe

Date	Bank	Amount Written Down	Full or Partial Write-Down	Formal resolution or insolvency proceedings	Full use of common equity loss absorption
7 June 2017	Banco Popular Español	EUR 1.35bn	Full	Yes (resolution)	Yes
1 March 2022	Sberbank Europe AG and subsidiaries	Not publicly disclosed	Full	Yes (national insolvency proceedings for Austrian parent)	Yes
13 March 2023	Silicon Valley Bank UK Limited	GBP 322m	Full	Yes (resolution)	Yes (transferred for GBP 1)
19 March 2023	Credit Suisse Group AG	CHF 16.5bn	Full	No (expropriation in emergency restructuring outside resolution)	No (shareholders received ~CHF 3 billion worth of UBS stock)

Source: Scope Ratings

Little surprise that AT1s have proven ineffective as going-concern capital

Even by design, it should not be surprising that AT1s are not effective as going-concern capital. In practice, once the CET1 ratio threshold of 5.125% is breached, a bank would already be in severe distress, having used virtually all of its buffers. A resolution scheme would likely be adopted well in advance of any such situation.

Credit Suisse serviced AT1 coupons through crisis

In theory, suspending AT1 coupon payments could serve a purpose on a going-concern basis but this, too, has proven tenuous in practice, due to adverse signalling effects. Credit Suisse exemplifies this dynamic. Despite reporting net losses of CHF 7.3bn in 2022 and suffering consequential deposit outflows, the bank continued servicing all AT1 coupons through early 2023 until regulatory write-down, with an understanding that suspension would accelerate rather than mitigate the crisis.

Similarly, during the Deutsche Bank market stress episode of February 2016, mere speculation about coupon suspension caused the bank's AT1s to plunge to 70% of face value and forced extraordinary management reassurances. Concurrent with spikes in subordinated CDS spreads, senior five-year CDS spreads also rose sharply approaching the levels associated with the euro area debt crisis of 2011. This illustrates that the signalling effects associated with possible AT1 suspension can extend beyond the AT1 market.

If AT1 coupon suspension signals terminal distress rather than prudent capital management, it is rendered useless as a going-concern loss-absorption mechanism.

Regulators acknowledge limits of AT1 in capital stack

ECB looks to limit stigma of AT1 coupon cancellation

Regulators appear to have recognised this dynamic, which conceivably raises the bar for supervisory denial of coupon payments. In 2020, the ECB released the capital conservation buffer and requested that banks withhold dividends. This did not extend to AT1 coupon payments, though, on the basis that banks were far from hitting the triggers for suspension. But dividends and AT1 coupons are subject to the same MDA trigger levels.

The ECB has since expressed support for reducing the "stigma effects" associated with AT1 coupon cancellation and suggested amending the definition of distributable items to ensure that only profitable banks can make AT1 coupon payments.

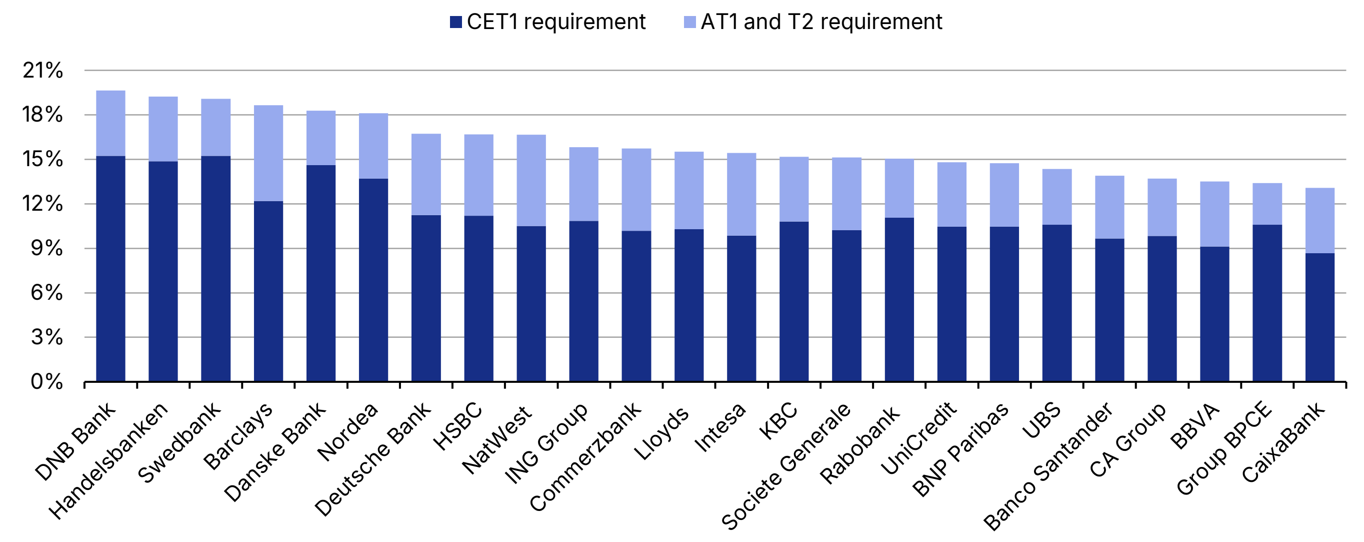
Appendix

Capital requirements

Total capital requirements as of Q2 2025 (%)

			Buffer requirements						
	Pillar 1	Pillar 2R	Capital conservation	G-SII	O-SII	Systemic	Counter-cyclical	Total req.	Of which CET1 req.
BBVA	8.0%	1.68%	2.5%		1.0%		0.11%	**13.3%**	9.1%
Banco Santander	8.0%	1.75%	2.5%	1.0%	1.3%	0.0%	0.38%	**13.9%**	9.7%
Barclays	8.0%	4.80%	2.5%	1.5%			1.00%	**17.8%**	12.2%
BNP Paribas	8.0%	1.84%	2.5%	1.5%			0.83%	**14.7%**	10.5%
CaixaBank	8.0%	1.75%	2.5%		0.5%	0.1%	0.13%	**12.9%**	8.7%
Commerzbank	8.0%	2.25%	2.5%		1.3%	0.1%	0.62%	**14.7%**	10.2%
Rabobank	8.0%	1.90%	2.5%		1.8%	0.0%	1.22%	**15.4%**	11.1%
CA Group	8.0%	1.68%	2.5%	1.5%			0.76%	**14.0%**	9.8%
Danske Bank	8.0%	3.14%	2.5%		3.0%	0.7%	2.00%	**19.3%**	14.6%
Deutsche Bank	8.0%	2.90%	2.5%	1.5%	2.0%	0.1%	0.48%	**16.0%**	11.2%
DNB Bank	8.0%	1.70%	2.5%		2.0%	3.1%	2.19%	**19.5%**	15.2%
Group BPCE	8.0%	2.25%	2.5%	1.0%			0.90%	**14.7%**	10.6%
HSBC	8.0%	2.64%	2.5%	2.0%			0.70%	**15.8%**	11.2%
ING Group	8.0%	1.65%	2.5%	1.0%	2.0%		0.93%	**15.1%**	10.9%
Intesa	8.0%	1.50%	2.5%		1.3%	0.5%	0.30%	**14.0%**	9.9%
KBC	8.0%	1.83%	2.5%		1.5%	0.1%	1.15%	**15.1%**	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%	1.5%	1.70%	**17.9%**	13.7%
Societe Generale	8.0%	2.38%	2.5%	1.0%			0.82%	**14.7%**	10.2%
Handelsbanken	8.0%	2.19%	2.5%		1.0%	3.2%	2.02%	**19.1%**	14.9%
Swedbank	8.0%	2.77%	2.5%		1.0%	3.1%	1.78%	**19.6%**	15.2%
UBS		0.98%					0.46%	**14.9%**	10.6%
UniCredit	8.0%	2.00%	2.5%		1.5%	0.4%	0.46%	**14.8%**	10.5%

Total capital requirements as of Q2 2025 (%)



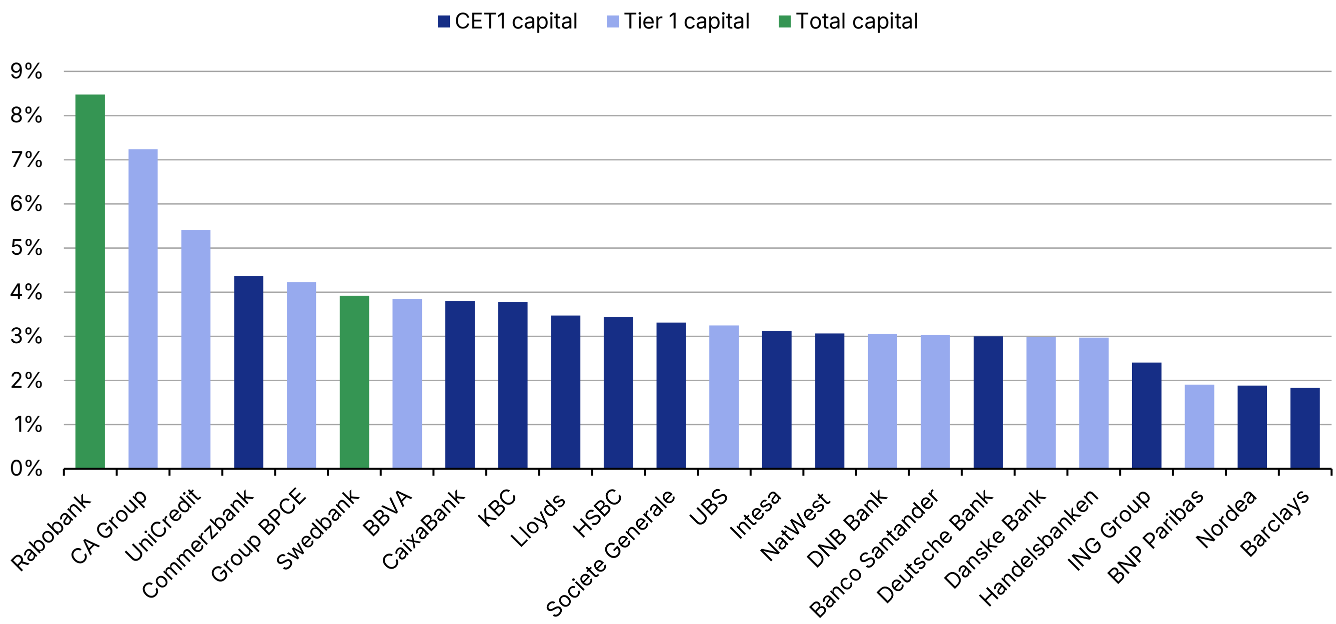
Source: Banks, Scope Ratings

Positioning against requirements

Buffers to capital requirements as of Q2 2025 (%)

	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%	13.3%	4.2%	10.9%	14.8%	3.8%	13.3%	17.7%	4.4%	EUR	17
Banco Santander	9.7%	13.0%	3.3%	11.5%	14.5%	3.0%	13.9%	17.2%	3.3%	EUR	21
Barclays	12.2%	14.0%	1.8%	14.6%	17.8%	3.2%	17.8%	20.5%	2.7%	GBP	9
BNP Paribas	10.5%	12.5%	2.0%	12.6%	14.5%	1.9%	14.7%	16.7%	2.1%	EUR	16
CaixaBank	8.7%	12.5%	3.8%	10.5%	14.3%	3.8%	12.9%	16.9%	3.9%	EUR	9
Commerzbank	10.2%	14.6%	4.4%	12.1%	16.5%	4.4%	14.7%	20.1%	5.4%	EUR	10
Rabobank	11.1%	19.9%	8.8%	12.9%	22.0%	9.1%	15.4%	23.9%	8.5%	EUR	20
CA Group	9.8%	17.6%	7.7%	11.6%	18.9%	7.2%	14.0%	21.4%	7.4%	EUR	48
Danske Bank	14.6%	18.7%	4.1%	16.6%	19.6%	3.0%	19.3%	22.4%	3.0%	DKK	24
Deutsche Bank	11.2%	14.2%	3.0%	13.3%	17.7%	4.4%	16.0%	19.7%	3.7%	EUR	13
DNB Bank	15.2%	18.3%	3.1%	17.1%	20.1%	3.1%	19.5%	22.7%	3.3%	NOK	37
Group BPCE	10.6%	16.3%	5.7%	12.1%	16.3%	4.2%	14.7%	19.1%	4.5%	EUR	20
HSBC	11.2%	14.6%	3.4%	13.2%	17.0%	3.8%	15.8%	20.1%	4.3%	USD	38
ING Group	10.9%	13.3%	2.4%	12.7%	15.1%	2.4%	15.1%	18.2%	3.2%	EUR	11
Intesa	9.9%	13.0%	3.1%	11.6%	15.5%	3.8%	14.0%	18.5%	4.5%	EUR	14
KBC	10.8%	14.6%	3.8%	12.6%	16.9%	4.2%	15.1%	18.9%	3.9%	EUR	5
Lloyds	10.3%	13.8%	3.5%	12.3%	16.1%	3.8%	14.9%	19.0%	4.1%	GBP	9
NatWest	10.5%	13.6%	3.1%	12.6%	16.7%	4.1%	15.4%	19.7%	4.3%	GBP	8
Nordea	13.7%	15.6%	1.9%	15.5%	17.5%	2.0%	17.9%	20.0%	2.1%	EUR	3
Societe Generale	10.2%	13.5%	3.3%	12.0%	15.8%	3.8%	14.7%	18.4%	3.7%	EUR	14
Handelsbanken	14.9%	18.4%	3.5%	16.6%	19.5%	3.0%	19.1%	22.7%	3.7%	SEK	30
Swedbank	15.2%	19.7%	4.5%	17.0%	21.5%	4.4%	19.6%	23.5%	3.9%	SEK	35
UBS	10.6%	14.4%	3.8%	14.9%	18.2%	3.2%	14.9%	18.2%	3.2%	USD	16
UniCredit	10.5%	16.0%	5.6%	12.3%	17.7%	5.4%	14.8%	20.4%	5.5%	EUR	16

Lowest buffer to capital requirements as of Q2 2025 (%)



Source: Banks, Scope Ratings

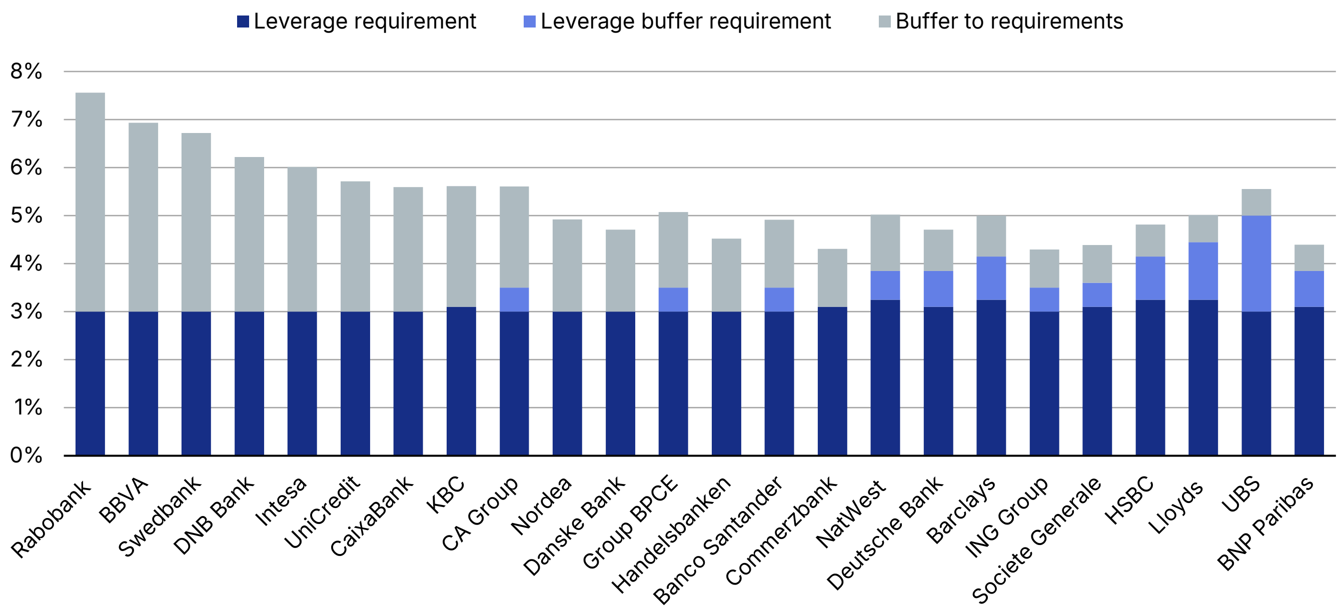
Leverage requirements and positioning against requirements

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 10bp Pillar 2 add-on for leverage.

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 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 2025 figures (%)



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

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

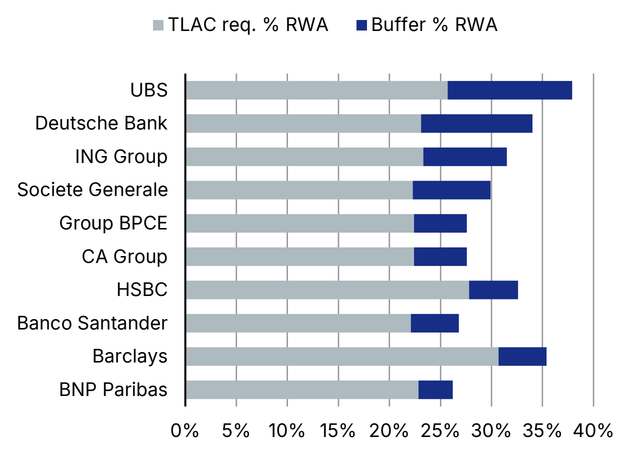
6.75% of the leverage exposure measure.

Positioning against TLAC requirements as of Q2 2025

	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%	26.8%	4.7%	6.8%	8.4%	1.6%	RWA	EUR	12
Barclays	30.7%	35.4%	4.7%	8.2%	9.9%	1.7%	RWA	GBP	17
BNP Paribas	22.8%	26.2%	3.4%	6.8%	7.9%	1.2%	RWA	EUR	28
CA Group	22.4%	27.6%	5.2%	6.8%	8.2%	1.5%	LRE	EUR	32
Deutsche Bank	23.1%	34.0%	10.9%	6.8%	9.1%	2.3%	LRE	EUR	30
Group BPCE	22.4%	27.6%	5.2%	6.8%	8.7%	1.9%	RWA	EUR	24
HSBC	27.8%	32.6%	4.8%	8.5%	10.3%	1.9%	RWA	USD	43
ING Group	23.3%	31.5%	8.2%	6.8%	8.9%	2.2%	LRE	EUR	26
Societe Generale	22.3%	29.9%	7.6%	6.8%	8.3%	1.6%	LRE	EUR	22
UBS	25.7%	37.9%	12.2%	8.8%	11.5%	2.8%	LRE	USD	46

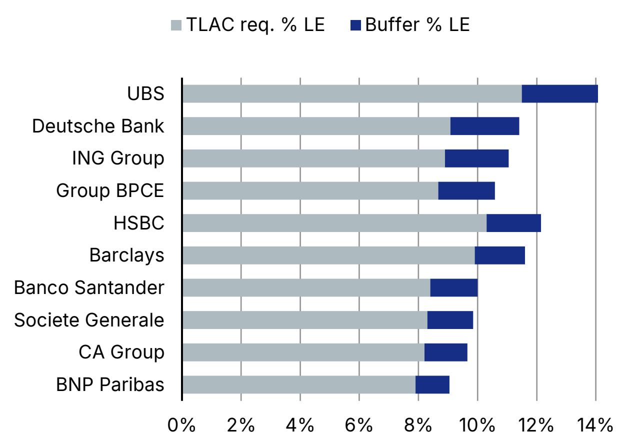
Notes:
(1) HSBC's binding requirement is based on "sum-of-the-parts" under a multiple point of entry resolution approach.
(2) For Banco Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

TLAC-RWA requirements and positioning as of Q2 2025



Source: Banks, Scope Ratings

TLAC-leverage requirements and positioning as of Q2 2025



Source: Banks, Scope Ratings

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.

Positioning against MREL-RWA requirements as of Q2 2025 (%)

	MREL req. % RWAs	MREL % RWAs	Buffer %	MREL sub req. % RWAs	MREL sub % RWAs	Buffer %
BBVA	26.8%	31.6%	4.8%	17.2%	26.7%	9.5%
Banco Santander	31.9%	39.8%	7.9%	11.0%	33.5%	22.5%
Barclays	30.7%	35.4%	4.7%	30.7%	35.4%	4.7%
BNP Paribas	27.0%	28.9%	1.8%	19.6%	26.2%	6.6%
CaixaBank	24.4%	26.9%	2.5%	16.7%	23.6%	6.9%
Commerzbank	27.8%	34.8%	7.0%	19.3%	30.9%	11.5%
Coop Rabobank	28.1%	37.1%	9.0%	20.3%	34.3%	14.0%
CA Group	26.2%	32.7%	6.5%	22.4%	27.6%	5.2%
Danske Bank	34.8%	43.6%	8.8%	29.5%	36.1%	6.6%
Deutsche Bank	31.1%	37.9%	6.8%	24.9%	34.0%	9.1%
DNB Bank	36.8%	39.7%	2.9%	29.2%	32.3%	3.1%
Group BPCE	27.5%	33.5%	6.0%	24.7%	27.4%	2.7%
HSBC	27.8%	32.6%	4.8%	27.8%	32.6%	4.8%
ING Group	29.1%	31.5%	2.4%			
Intesa	25.5%	36.90%	11.4%	18.0%	22.6%	4.6%
KBC	27.6%	30.8%	3.2%	22.2%	30.8%	8.6%
Lloyds	27.3%	31.4%	4.1%	27.3%	31.4%	4.1%
NatWest	27.7%	32.4%	4.7%	27.7%	32.4%	4.7%
Nordea	31.9%	34.2%	2.3%	27.0%	28.6%	1.6%
Societe Generale	27.4%	33.4%	6.0%	22.7%	29.9%	7.2%
Handelsbanken	35.8%	47.0%	11.2%	26.8%	31.7%	4.8%
Swedbank	37.0%	39.6%	2.6%	28.7%	39.6%	10.9%
UniCredit	27.0%	32.2%	5.1%	19.3%	24.0%	4.7%

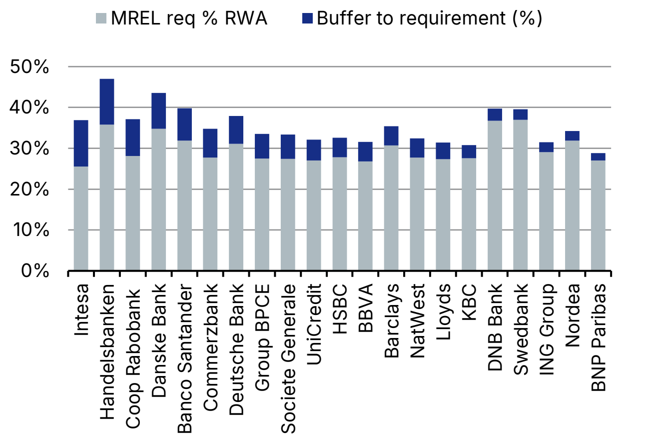
Notes:
(1) For Banco Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

Positioning against MREL-leverage requirements as of Q2 2025 (%)

	MREL req. % LE	MREL % LE	Buffer %	MREL sub req. % LE	MREL sub % LE	Buffer %
BBVA	8.6%	12.0%	3.4%	5.7%	10.2%	4.5%
Banco Santander	12.8%	16.1%	3.3%	6.3%	13.6%	7.3%
Barclays	8.2%	9.9%	1.7%	8.2%	9.9%	1.7%
BNP Paribas	5.9%	8.7%	2.8%	5.8%	7.9%	2.2%
CaixaBank	6.2%			6.2%		
Commerzbank	6.4%	8.8%	2.5%	5.8%	7.8%	2.1%
Coop Rabobank	7.5%	12.7%	5.2%	7.5%	11.7%	4.3%
CA Group	6.3%	10.0%	3.8%	6.3%	8.4%	2.2%
Danske Bank	6.0%	10.9%	4.9%		9.0%	
Deutsche Bank	7.0%	10.1%	3.1%	7.0%	9.1%	2.1%
DNB Bank	6.0%	12.9%	6.9%		10.5%	
Group BPCE	6.5%					
HSBC	8.5%	10.3%	1.9%	8.5%	10.3%	1.9%
ING Group	7.3%	8.9%	1.6%	7.3%	8.9%	1.6%
Intesa	5.9%	13.7%	7.8%	5.9%	8.3%	2.3%
KBC	7.4%	10.1%	2.7%	7.4%	10.1%	2.7%
Lloyds	7.7%	10.5%	2.8%	7.1%	10.5%	3.4%
NatWest	6.7%	9.7%	3.0%	6.7%	9.7%	3.0%
Nordea	7.0%	9.7%	2.7%	7.0%	8.1%	1.1%
Societe Generale	6.8%	8.3%	1.5%			
Handelsbanken	6.0%	11.0%	5.0%	6.0%	7.3%	1.3%
Swedbank	6.0%	14.9%	8.9%	6.0%	11.8%	5.8%
UniCredit	6.0%	10.3%	4.3%	6.0%	7.7%	1.7%

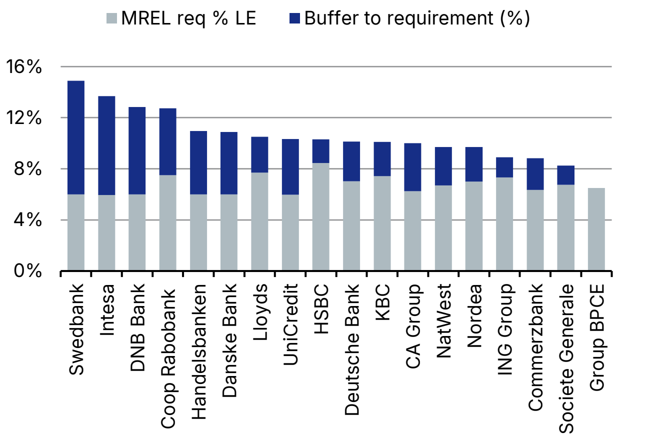
Note: For Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

MREL-RWA requirement and positioning as of Q2 2025



Source: Banks, Scope Ratings

MREL-leverage requirement and positioning as of Q2 2025



Source: Banks, Scope Ratings

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