

European Bank Capital Quarterly

Regulatory landscape evolving: Basel III output floors, Swiss TBTF, delays to market-risk requirements

With Basel III finalisation in the EU, banks' reporting on expected fully phased-in standardised risk-weighted assets provides new insights into the impacts of the output floor, under the simplifying assumption of static balance sheets. There is considerable variation in CET1 ratio impacts, ranging from zero to 367bp for our sample of large EU banks. But unless there are extreme adverse events, we expect all of these banks will have ample time to adjust, given their buffers to overall regulatory requirements, their capacity to generate retained earnings, and targeted mitigation strategies.

The proposed amendments to the Swiss Too Big To Fail (TBTF) regime, including full CET1 deduction of the carrying value of foreign subsidiaries of Swiss systemically important banks, will have profound implications for UBS and need to be carefully monitored. The significant build-up of capital required will constrain growth opportunities and could have business-model implications. On the other hand, once phase-in is complete, the full capital backing of foreign participations will represent a credit strength relative to other large European banking groups.

Further delays to the implementation of the Fundamental Review of the Trading Book for market risk capital requirements are likely in the EU and the UK, over concerns about an international level playing field and the complexity that banks would face from running different models in different jurisdictions. In the US, the Basel III Endgame proposal is likely to be significantly revised with a view to avoiding increases in capital requirements and reducing complexity.

Ultimately, this may imply closer alignment with Basel standards, as the complexity and higher capital requirements associated with the 2023 Basel III Endgame proposal are largely attributed to gold plating. US federal regulators have already taken a rule-making step to align the G-SIB leverage ratio requirement surcharge with global standards, which will make leverage-ratio requirements less constraining for US G-SIBs.

1. Banks have time to adjust to the impacts of the output floor

Based on static balance sheets, banks now report standardised risk-weighted assets under CRR3 rules. These are expected to become the base of the output floor once transitional arrangements come to an end. This data provides new insights into how constraining the output floor could become for different banks, under the simplifying assumption of no further portfolio optimisation in response to CRR3.

The greatest CET1 ratio impact is seen with the Credit Agricole group. But given the group's sizable buffer to its total CET1 ratio requirement, the impact at group level should be easily absorbed.

Only two banks in our sample would fall short of their respective CET1 ratio requirements if the output floor and all changes to the standardised approaches were applied overnight: Deutsche Bank and Nordea (see **Figure 1**). In business-as-usual scenarios, though, we would expect both banks to be able very quickly to generate the capital increases required through earnings retention. In addition, mitigation strategies in the form of portfolio optimisation and other measures will limit impacts. For all banks in the sample, there should be enough time to adjust.

Estimates are subject to certain limitations, however. Guidelines and definitions as to the new standardised approaches are not yet finalised, and banks' interpretations may differ. Fully phased-in standardised approaches will not apply until 2033. In practice, balance sheets will not remain static but will evolve over the eight-year period.

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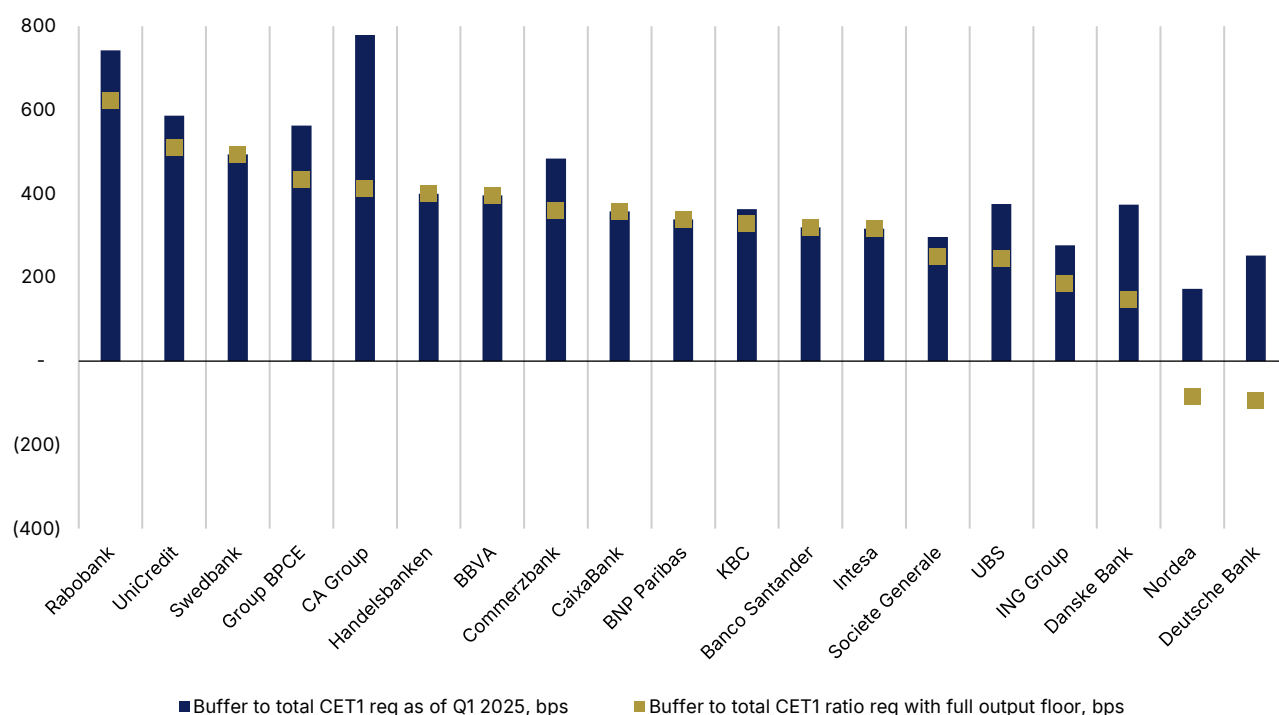
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Figure 1: Impacts of the output floor under CRR3
Q1 2025 static balance sheets and fully standardised output floor base



Source: Bank reports, Scope Ratings

2. Swiss TBTF proposal have profound implications for UBS

Swiss measures to update the TBTF regime include several deductions from CET1 capital. Most notably, the proposal requires systemically important banks to deduct in full the carrying value of foreign subsidiaries from the parent bank's CET1 capital. This is intended to improve room for manoeuvre in a crisis, including the possibility to divest foreign subsidiaries without compromising the parent bank's ability to meet capital requirements.

It should also prevent impacts on the parent bank's CET1 capital from valuation losses on foreign subsidiaries. The measures do not include increases in capital requirements *per se*. The risk-weighting of foreign subsidiaries would be removed, as foreign participations are instead deducted from capital. Further CET1 capital deductions are proposed for assets not considered sufficiently recoverable in a crisis, such as capitalised software and deferred tax assets.

If implemented, the new rules will require significant CET1 capital build-up at UBS, the only systemically important Swiss bank (and with significant foreign participations). Based on Q1 2025 figures and taking into account previously announced capital repatriations of USD 5bn, the bank's pro forma estimates indicate that the proposed capital deductions would bring UBS AG's CET1 ratio down from 12.9% to 5.5% on a stand-alone basis.

To bring UBS AG's CET1 ratio up to the lower end of the 12.5%-13.0% CET1 ratio target would require a CET1 capital build-up of USD 24bn, of which USD 23bn would result from deductions of foreign participations of about USD 46.4bn, net of the USD 5bn of expected capital repatriations. That infers a carrying value of foreign subsidiaries of about USD 51.4bn at Q1 2025.

The capital build-up of USD 24bn, in turn, would bring the CET1 ratio of UBS Group AG to around 19% on a pro forma consolidated basis before taking into account the other proposed CET1 deductions. In economic terms, this would effectively represent an increase of around 470bp on the CET1 ratio of UBS Group as of Q1 2025.

Measures intended to improve room for manoeuvre in crisis

The Swiss Federal Council envisages discussion of the legislative amendments to deduct foreign participations from CET1 capital by both chambers of parliament in the second half of 2026 and entry into force at the beginning of 2028 at the earliest. The Council has suggested a minimum transition period of six to eight years for fully deducting foreign participations. Whilst strongly opposed by UBS, the Council's proposal is supported by the Swiss National Bank and the Swiss Financial Market Supervisory Authority.

3. Double leverage

The proposal to deduct foreign participations from CET1 capital eliminates double leverage, which entails debt financing part of the investments in subsidiaries' capital instruments. A bank subsidiary, in turn, will tend to be highly levered, too. Double leverage gives rise to two main issues, though two sides of the same coin: (i) capital held to cover risks other than subsidiary exposures may be compromised by developments at subsidiary level; (ii) the parent's capital position may fall short of requirements due to capital depletion from declines in subsidiary valuations.

Considering a banking group as a whole, the parent's double leverage may be unproblematic, especially if there are no obstacles to transfers of capital and debt repayments to the parent. Investments in subsidiaries are eliminated against the respective portions of the subsidiaries' capital in consolidated reporting.

The Basel framework relies on a consolidated, as opposed to stand-alone, approach. Capital reporting frameworks, too, tend to emphasise requirements on different levels of consolidation as opposed to on an entity stand-alone basis. Yet, in practice, the parent bank's debt service is funded, at least in part, by subsidiaries' dividend payments.

These depend on business performance so are not always guaranteed. Further, as a result of regulatory resolution frameworks implemented in the wake of the global financial crisis and which included the need for ringfencing, large cross-border banking groups have had to organise activities in major markets internationally within independent local entities.

Local regulators, in turn, impose capital and liquidity requirements locally, effectively limiting the capacity for transfers to the parent. In its [report](#) on the 2023 banking turmoil, the Basel Committee noted that an important question for risk management, supervision and regulation is how to factor in solvency and liquidity developments at both group and stand-alone legal entity level.

Under Swiss rules, foreign participations are currently risk-weighted 340% and are set to reach 400% by 2028. Combined with an overall CET1 ratio requirement of 10.3% for UBS AG on a stand-alone basis, this implies a need for around 35% backing of foreign participations with CET1 capital today. Once the risk weight of 400% is phased in, the required CET1 capital backing of foreign subsidiaries will be around 41%. Full deduction of foreign participations from CET1 capital, of course, implies 100% backing of these investments.

As of Q1 2025, foreign participations holdings accounted for 72% of UBS AG's CET1 capital, while these holdings represented about 34% of risk-weighted assets. As was the case in the Credit Suisse crisis, this leaves the parent bank's capital position vulnerable to scenarios of severe declines in foreign subsidiary valuations.

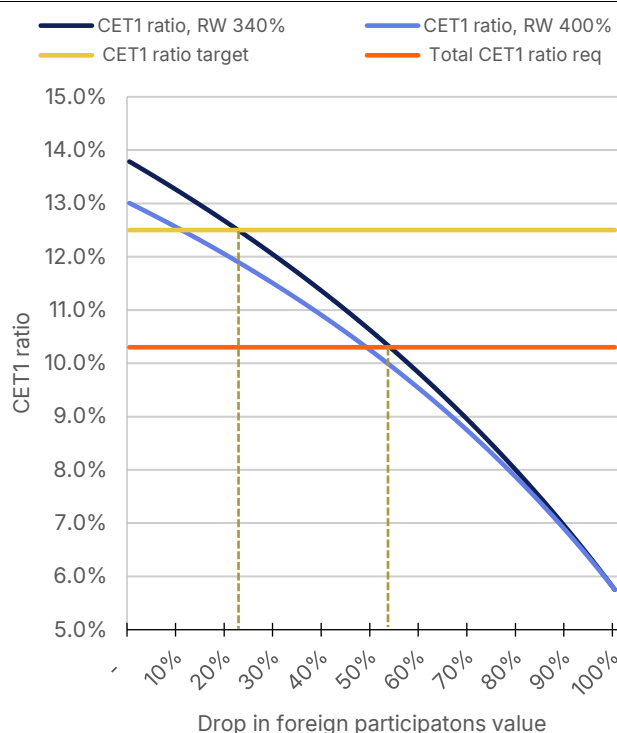
Other things being equal and based on Q1 2025 figures, we estimate that a decline in foreign participation valuations of 22% would be needed for the parent bank to fall short of its CET1 ratio target of 12.5% and that a 53% decline would be needed to breach the overall CET1 ratio requirement of 10.3% (Figure 2).

Similarly, if we assume that capital allocation for foreign participations is maintained at the respective requirement for this risk exposure as the value of the foreign participations falls, the parent bank would be left with insufficient capital to cover unexpected loss from other risk types once the decline in valuations reaches about 53% (Figure 3).

Stand-alone entity capitalisation has become more topical

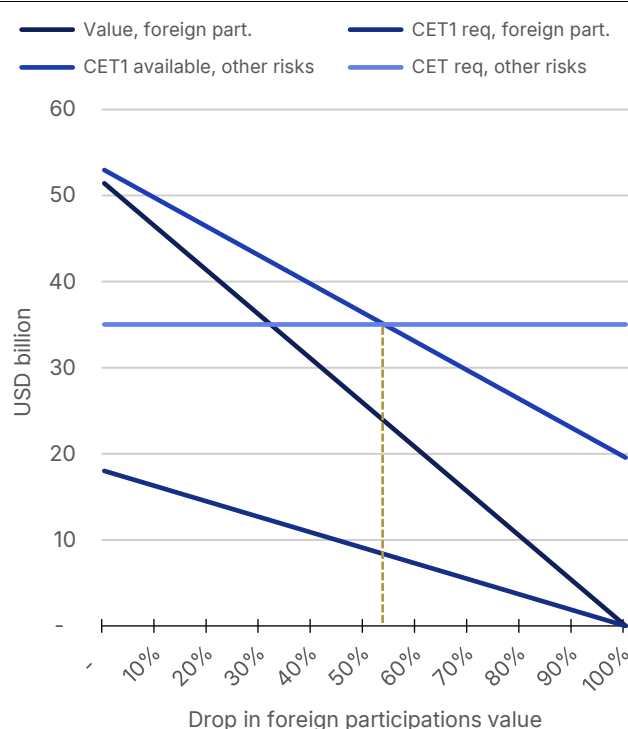
Vulnerability from double leverage is attenuated by capital buffers and high risk-weights

Figure 2: UBS AG stand-alone – CET1 ratio sensitivity to fall in valuations of foreign participations, Q1 2025



Source: Bank reports, Scope Ratings

Figure 3: UBS AG stand-alone – CET1 capital available for other risks with fall in valuation of foreign participations (RW 340%)



Source: Bank reports, Scope Ratings

Importantly, it is the bank's free capital buffer in excess of the overall CET1 ratio requirement of 10.3% that would allow for a fairly large fall in the value of foreign participations before breaching the requirement, though this is also helped by declining risk-weighted assets for foreign participations as these assets decline in value. In the hypothetical scenario of a CET1 ratio equal to the CET1 ratio requirement at the outset, any decline in the value of foreign participations would imply a breach of the parent's capital requirement.

If the buffer to the overall requirement were to be managed very tightly, this would imply much greater risk from double leverage than UBS AG's Q1 2025 figures indicate. The capital ratios would not reflect the parent's actual economic loss-absorption capacity. Considering that in the case of Credit Suisse, the value of foreign participations fell by more than half during the course of one year, the reverse stressed impacts shown in Figures 3 and 4 are not necessarily comfortable. From a policy point of view, it could therefore be argued that full deduction of participations is needed to eliminate this issue.

As the role of capital buffers and risk-weighting of subsidiaries illustrated in Figures 2 and 3 also suggests, however, there could be other, less costly options available for addressing the risk posed by double leverage. Combined with the high risk-weights on foreign participations already adopted, the risk could be managed via Pillar 2, including Pillar 2 Guidance, ensuring the capital held for other risks is not easily compromised. Although, unlike the Swiss Federal Council's proposal, this would not eliminate the risk entirely, it could minimise it for scenarios more severe than the Credit Suisse crisis.

European rules less severe

The Swiss proposal is severe compared with the capital treatment of financial subsidiaries for banks in the European Union, where the CRR – which regulates deductions of financial-sector entities from capital – does not distinguish between foreign and domestic subsidiaries. But it does include provisions related to consolidated supervision and resolution planning by competent authorities that could influence CET1 deductions. Risk weights of assets that are not deducted are 100% if within the scope of consolidated supervision, and 250% otherwise.

It follows from CRR rules that it is mainly prudentially unconsolidated investments in financial-sector entities that must in part be deducted from CET1. In practice, this means that subsidiaries tend not to be deducted. Moreover, the requirement for regulatory reporting on an individual basis is often waived altogether.

Major European banking groups with global subsidiaries tend to report either scope of consolidation for prudential purposes identical to the scope of consolidation for accounting purposes or with only minor differences. Where differences in consolidation do occur, these are often related to investments in non-financial firms, which are risk-weighted. When they do apply, risk-weights are lower than those required even under the current Swiss rules.

The proposed rules for full capital backing, therefore, would put UBS on a yet more unequal footing.

What it means for UBS

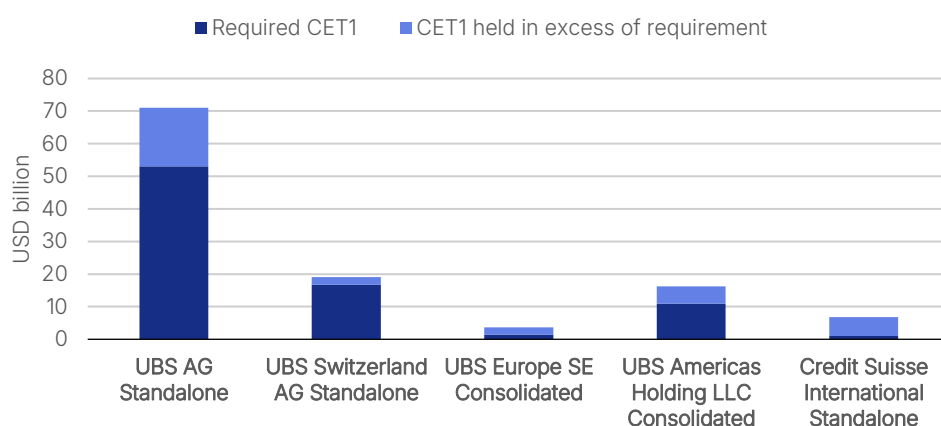
For UBS, the measures will technically insulate its regulatory capital position from troubles abroad. On paper, this will represent a significant credit strength relative to other G-SIBs. In the near to medium term, however, there could be negative implications from a possible weakening of the group's competitive position arising from a greater cost of capital in nominal terms and more constrained growth opportunities.

This will depend on what transitional arrangements are ultimately adopted. Some of the required capital build-up can be achieved through capital repatriation, because the group's foreign subsidiaries are capitalised at substantially higher rates than the Swiss entities and with higher buffers relative to their respective requirements.

Large cross-border European banking groups report capital on different levels of consolidation rather than for the parent on a stand-alone basis

Full capital backing of foreign participations will represent a credit strength for UBS, but capital measures could also have implications for its business model.

Figure 4: Required CET1 capital and CET1 capital held in excess for requirement, Q1 2025



Note: Amounts shown are before USD 5bn of announced capital repatriations. Source: Bank reports, Scope Ratings

As mentioned above, UBS has already subtracted USD 5bn of future repatriations in its estimate for the USD 24bn in required capital build-up. The potential for yet more repatriations will be constrained by the amounts of capital held by subsidiaries (Figure 4). To achieve the USD 24bn capital build-up, lower distributions are possible in coming years. In the longer term, this raises significant uncertainty as to the strategic direction of UBS as it changes the relative economic profitability of holding foreign subsidiaries given the current group structure.

4. Basel III policy developments

Outside Switzerland, policy developments continue to favour easing or delays of capital regulation. In the EU and the UK, the stated rationale for proposed delays to the Basel III Fundamental Review of the Trading Book (FRTB) standards has been uncertainty about implementation elsewhere and concern for an internationally level playing field.

EU and UK policy makers are concerned about the competitive landscape when it comes to FRTB implementation

In the US, regulators have yet to adopt a version of the Basel III Endgame. It was originally proposed that phase-in would begin on 1 July 2025. Certain developments point to possibly greater US alignment with the Basel framework. For example, US bank regulators have proposed a rule to align leverage ratio G-SIB buffers with international standards. As for the Basel III Endgame proposal, opposition largely centres on departures from the Basel standards that impose greater capital requirements on US banks.

Further delays to FRTB implementation in the EU and the UK

The European Commission adopted a delegated regulation on 12 June that postpones the application date of the FRTB by one additional year, from 1 January 2026 to 1 January 2027. The act is subject to review by the European Parliament and Council for an initial period of three months. The FRTB was previously delayed in the EU from 2025 to 2026.

On 15 July, the UK Prudential Regulation Authority released a consultation for a further delay to the final Basel III FRTB Internal Model Approach (IMA) to the beginning of 2028, over continued uncertainty over the timing of implementation in other jurisdictions and highlighted IMA as the most relevant part of FRTB for cross-border co-ordination, given the cost and complexity of running different models. Other elements of FRTB, including the alternative and simplified standardised approaches, would still be implemented on 1 January 2027 alongside other parts of final Basel III.

Proposed easing of US G-SIB leverage ratio buffer requirement

On 10 July, US federal bank regulators put forward a [proposal](#) to lower the enhanced Supplementary Leverage Ratio (eSLR) buffer requirement for US G-SIBs and their subsidiaries. Today, US G-SIBs are required to hold a Tier 1 capital eSLR buffer of 2% in addition to the base requirement of 3%, against leverage ratio exposure.

Under the proposal, US G-SIBs would hold 50% of the risk-based G-SIB surcharge. The policy rationale is to have the eSLR as a backstop capital floor as originally intended, rather than a binding constraint on a bank's capital allocation and decision making. There is a concern that when the eSLR becomes a binding constraint in situations in which the bank has enough risk-based capital, it can discourage holding and intermediating low-risk assets, including US Treasuries. The proposal to replace the eSLR will serve to align the ratio requirements for US G-SIBs with BCBS standards and the requirements of EU peers.

Broader perspectives on the US policy agenda

Michelle Bowman, President Donald Trump's nominee for the top regulatory post at the Fed – Vice Chair for Supervision – was confirmed on 4 June. She had served on the Fed's board as governor since 2018 and is a former community banker. As Fed governor, Bowman voted against the draft proposal for adopting final Basel III standards in 2023,¹ citing departure from tailored risk-based regulation, deviations from the global standards, lack of proportionality for smaller banks, and the costs to banks, businesses, and consumers from yet greater capital requirements.

Final Basel III adoption in the US is still on the table, although capital requirements will be lower than originally proposed

On the initiative of Vice Chair Bowman, the Fed hosted a capital conference on 22 July to consider a broader range of perspectives when considering the future of reforms to the US capital framework, including those of industry practitioners.

¹ Federal Reserve Board - Statement by Governor Michelle W. Bowman

In a speech on the eve of the conference, Treasury Secretary Scott Bessent echoed² some of the sentiments expressed by Bowman in the past, including concern that the dual-requirement structure that was part of the proposal in 2023 did not derive from principled methodology but was reverse-engineered for higher aggregate capital levels.

He warned that excessive capitalisation hinders growth and distorts market structure in ways that increase risk by driving lending out of the regulated banking system to non-bank intermediaries. The Treasury would convene inter-agency consultations to define a strategic policy direction and encourage regulators to consider how proposed rules will impact growth.

Part of that would be to reject international standard-setting that does not advance America's interest. Yet, there was no outright rejection of final Basel III, but there was a call to modernise and simplify regulation to ensure financial stability and resilient growth.

It should be noted that the dual requirement structure³ which was part of the original US. Basel III Endgame proposal, and which has been criticised by both Bowman and Bessent, represents a deviation from Basel III standards. Fed Chair Jerome Powell, too, expressed a broader view in his opening remarks stating that large banks need to be well capitalised but should be free to compete with non-bank financial firms and banks in other jurisdictions as well as provide capital to support economic growth.⁴

It appears likely that the Basel III Endgame proposal will be significantly revised and at least made capital-neutral in impact rather than raise CET1 capital requirements by 16%-19% as was anticipated with the original proposal. While Basel III finalisation may not be adopted in the US, it should not be taken as a foregone conclusion at this point.

As mentioned, it appears quite possible that the final version of the Basel III Endgame will be more aligned with the Basel standards, especially insofar as that does not involve more complexity and greater capital requirements. While US federal banking regulators will formally approve the Basel III Endgame, potential for delays through indirect influence by the Executive and Congress remains.

² [Treasury Secretary Scott Bessent Remarks at the Federal Reserve Capital Conference | U.S. Department of the Treasury](#)

³ The dual requirement structure would require banking groups with more than USD 100bn in total assets and their depository subsidiaries to estimate regulatory capital using both a US "expanded risk-based approach" and the existing standardised approach. Banks would need to adhere to the more stringent outcome, i.e. the outcome resulting in the lower capital ratios between the two approaches. In economic terms, aggregate capital levels would need to increase by more than the Basel Committee's finalised Basel III output floor would imply.

⁴ [Opening remarks by Chair Powell at the Integrated Review of the Capital Framework for Large Banks Conference - Federal Reserve Board](#)

5. Market commentary

The previous edition of the Bank Capital Quarterly on 6 May came at a time of an almost deserted capital securities primary market. Thanks to the sharp market volatility brought about by Liberation Day confusion, the European primary AT1 market was shut between Deutsche Bank's heavily oversubscribed EUR 1.5bn 7.125% PNC6 Undated Non-cumulative Fixed to Reset Rate AT1 on 24 March and Erste Group Bank's EUR 1bn 6.375% PNC7.4 on 13 May, which emerged on the same day as Banco de Sabadell's EUR 1bn in 6.5% PNC6 Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities, thereby ending a seven-week hiatus. Both Erste and Sabadell received a solid investor response.

But while the primary market ticked over and saw reasonable supply during the second half of May and through June, the European market closed again following Santander's 5.3x covered EUR 1bn PNC6 6% Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Securities on 24 June and until the writing of this report on 29 July (although seven non-European issuers did gain access to the AT1 and US preferred stock markets over the same period).

When European issues were in the market, however, the strength of investor interest was noteworthy, attracted by some reasonable new-issue premiums. Between mid-May and the end of July, 12 European AT1 issuers tapping the euro market for EUR 8.29bn generated orders of EUR 43.6bn, for a 5.25x coverage multiple. Three issuers in sterling raising GBP 1.7bn found GBP 14.26bn in demand (8x coverage).

A stand-out in this regard was Nationwide Building Society's GBP700m 7.875% Reset Perpetual Contingent Convertible Additional Tier 1 Capital Securities (deferred shares for the purposes of Section 119 of the UK Building Societies Act), which ended up 12.29x covered. Net proceeds were on-lent to Virgin Money (which Nationwide acquired in 2024) to part-fund the purchase of some or all of Virgin's outstanding £350m 8.25% and £350m 11% AT1s via cash tender offers; or went to general business purposes.

Also worthy of note from a demand perspective was Commerzbank's EUR 750m 6.625% AT1 (10.1x covered) and HSBC's USD 2bn 7.05% Perpetual Subordinated Contingent Convertible Securities, which received peak orders of USD 12.55bn before slimming to final orders of USD 10.1bn.

In the past three months or so, the European AT1 market saw a variety of national champions and second-tier issuers from multiple jurisdictions in the euro area core and periphery as well as non-euro area and non-EU. Greek banks were notable issuers in both AT1 (Attica Bank, Eurobank, Piraeus Bank) and Tier 2 (Alpha Bank, Attica Bank, Optima Bank) formats, while several banks tapped both formats (Attica Bank, Banco BPM, Bankinter, BNP Paribas, Commerzbank, HSBC, Nationwide).

Also active were banks involved in the European bank M&A frenzy: UniCredit and BPM (although the former's bid for the latter collapsed on 22 July), Santander (takeover of TSB), Banca Monte dei Paschi di Siena (Mediobanca bid live) and Banco de Sabadell (subject to a hostile bid from BBVA). From a structuring perspective, AT1s came principally in the standard 5.5 to 6.5-year range, although BNPP's Perpetual Fixed Rate Resettable Additional Tier 1 Contingent Convertible Notes pushed out to a 10-year non-call, while Intesa Sanpaolo's issue has an eight-year non-call period.

Figure 5: Selected recent European bank AT1 issuance

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call
Sekerbank*	16-Jul-25	USD	200	10.875	23-Oct-30
Santander	24-Jun-25	EUR	1,500	6.000	02-Jul-31
BNP Paribas	23-Jun-25	USD	1,500	7.450	27-Jun-35
Piraeus Bank	23-Jun-25	EUR	400	6.750	30-Dec-30
Turkiye Halk Bankasi	20-Jun-25	USD	700	9.300	26-Jun-30
Quintet Private Bank	18-Jun-25	EUR	140	7.000	27-Jun-30
Bankinter	18-Jun-25	EUR	500	6.000	30-Jun-30
Attica Bank	05-Jun-25	EUR	100	9.375	21-Jan-31
Nationwide Building Society	03-Jun-25	GBP	700	7.875	20-Dec-31
HSBC	29-May-25	USD	2,000	7.050	05-Jun-30
Eurobank	28-May-25	EUR	500	6.625	04-Jun-31
Commerzbank	27-May-25	EUR	750	6.625	09-Oct-32
Banco BPM	20-May-25	EUR	400	6.250	18-May-30
KBC	20-May-25	EUR	1,000	6.000	27-Nov-30
Intesa Sanpaolo	19-May-25	EUR	1,000	6.375	23-May-33
Barclays	15-May-25	GBP	1,000	8.375	15-Sep-31
Banco de Sabadell	13-May-25	EUR	1,000	6.500	20-May-31
Erste Group Bank	13-May-25	EUR	1,000	6.375	15-Oct-32
Zopa Group	13-May-25	GBP	80	12.875	20-Nov-30

*Due 26 Nov 2085.

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
Alpha Bank	16-Jul-25	EUR	500	4.308	22-Jul-31	23-Jul-36
Deutsche Pfandbriefbank	25-Jun-25	EUR	300	7.125	4-Oct-30	4-Oct-35
Banca Monte dei Paschi di Siena	25-Jun-25	EUR	500	4.375	2-Jul-30	2-Oct-35
Banco BPM	24-Jun-25	EUR	500	4.000		1-Jan-36
Turkiye Garanti Bankasi	24-Jun-25	USD	500	8.125	8-Jan-31	8-Jan-36
Commerzbank	23-Jun-25	EUR	750	4.125	30-Jun-32	30-Jun-37
Optima Bank	18-Jun-25	EUR	150	5.500	30-Sep-30	25-Sep-35
UniCredit	17-Jun-25	EUR	1,000	4.175	24-Jun-32	24-Jun-37
mBank	17-Jun-25	EUR	400	4.778	25 Sep 2030	25-Sep-35
Kommunalbanken Austria	16-Jun-25	EUR	150	5.500	24-Jun-30	24-Sep-35
BNP Paribas	12-Jun-25	EUR	1,000	3.780	19-Jan-31	19-Jan-36
Lloyds Bank	10-Jun-25	USD	1,250	6.068	13-Jun-35	13-Jun-36
Attica Bank	5-Jun-25	EUR	150	7.375	13-Jun-30	13-Jun-35
BPCE	3-Jun-25	AUD	500	6.562	12-Jun-35	12-Jun-40
Credit Agricole	30-May-25	JPY	27,000	2.359	5-Jun-30	5-Jun-35
Credit Agricole	19-May-25	CHF	250	1.695	4-Jun-30	4-Jun-35
Credit Agricole	15-May-25	GBP	750	6.000	22-Oct-30	22-Oct-35
Credito Emiliano	14-May-25	EUR	200	4.612	21-May-32	21-May-37
ING	13-May-25	EUR	1,250	4.125	20-May-31	19-May-36
HSBC	12-May-25	EUR	1,250	4.191	19-May-31	19-May-36
Lloyds Bank	6-May-25	EUR	1,000	4.000	9-May-30	9-May-35
Bankinter	30-Apr-25	EUR	300	4.125	8-Aug-30	9-Aug-35
MBH Bank	29-Apr-25	EUR	200	6.875	8-Nov-30	8-Nov-35
Nationwide Building Society	23-Apr-25	EUR	650	4.000	30-Jul-30	30-Jul-35
DNB	25-Mar-25	EUR	400	3.750	2-Apr-30	2-Jul-35

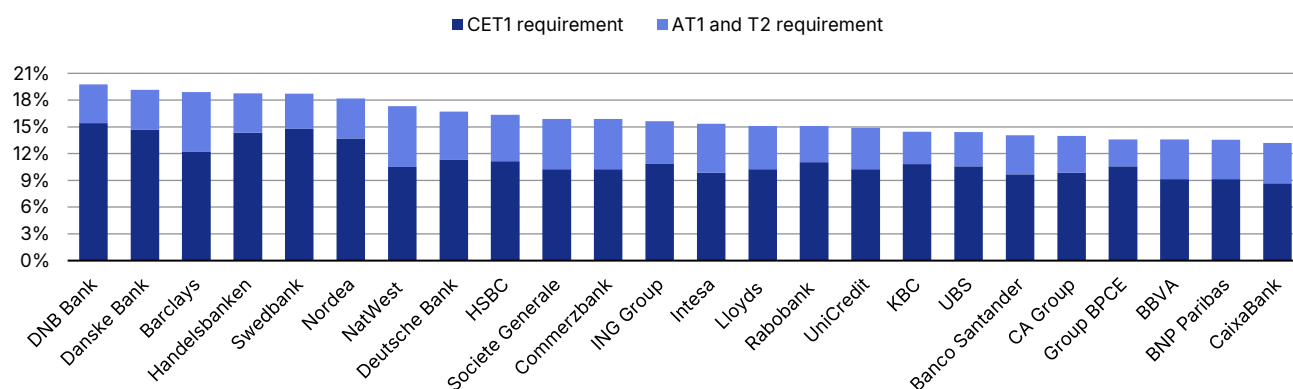
Source: Bond Radar, banks, media reports

Appendix 1. Capital requirements

Total capital requirements as of Q1 2025 (%)

	Pillar 1	Pillar 2R	Buffer requirements					Total req.	Of which CET1 req.
			Capital conservation	G-SII	O-SII	Systemic	Counter-cyclical		
BBVA	8.0%	1.68%	2.5%		1.0%		0.11%	13.2%	9.1%
Banco Santander	8.0%	1.75%	2.5%	1.0%	1.3%	0.0%	0.39%	13.9%	9.7%
Barclays	8.0%	4.80%	2.5%	1.5%			1.00%	17.8%	12.2%
BNP Paribas	8.0%		2.5%	1.5%			0.65%	10.7%	9.2%
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%	0.63%	14.7%	10.2%
Rabobank	8.0%	1.90%	2.5%		1.8%		1.22%	15.4%	11.0%
CA Group	8.0%	1.75%	2.5%	1.5%			0.77%	14.1%	9.9%
Danske Bank	8.0%	3.14%	2.5%		3.0%	0.7%	2.10%	19.4%	14.7%
Deutsche Bank	8.0%	2.90%	2.5%	1.5%	2.0%	0.2%	0.48%	16.1%	11.3%
DNB Bank	8.0%	1.70%	2.5%		2.0%	3.3%	2.20%	19.7%	15.4%
Group BPCE	8.0%	2.25%	2.5%	1.0%			0.90%	14.7%	10.6%
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%		0.95%	15.1%	10.9%
Intesa	8.0%	1.50%	2.5%		1.3%	0.5%	0.30%	14.0%	9.8%
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%	2.42%	2.5%	1.0%			0.80%	14.7%	10.2%
Handelsbanken	8.0%	2.19%	2.5%		1.0%	3.2%	2.01%	18.6%	14.4%
Swedbank	8.0%	2.80%	2.5%		1.0%	3.1%	1.80%	19.2%	14.8%
UBS		0.97%					0.44%	14.9%	10.6%
UniCredit	8.0%	2.00%	2.5%		1.5%	0.2%	0.44%	14.6%	10.3%

Total capital requirements as of Q1 2025 (%)



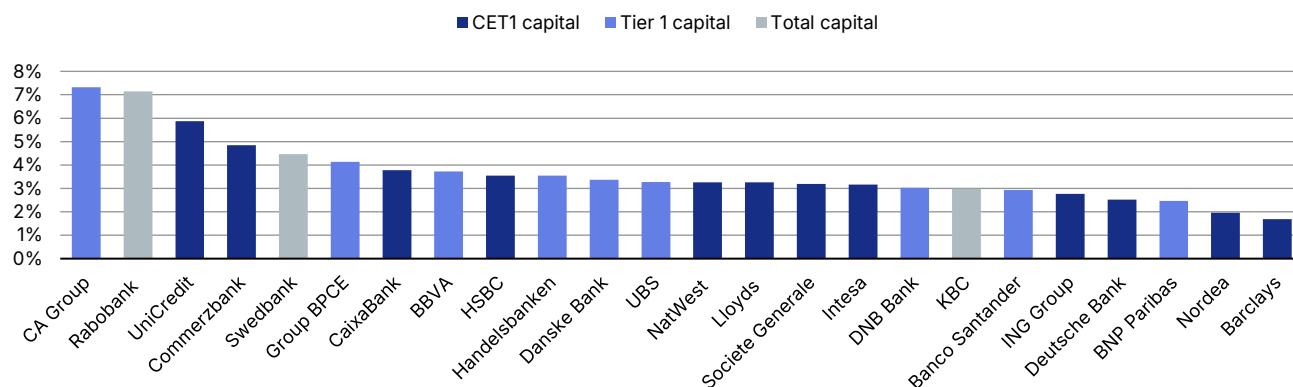
Source: Banks, Scope Ratings

Appendix 2. Positioning against requirements

Buffers to capital requirements as of Q1 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%	13.1%	4.0%	10.8%	14.5%	3.7%	13.2%	17.6%	4.4%	EUR	17
Banco Santander	9.7%	12.9%	3.2%	11.5%	14.4%	2.9%	13.9%	17.2%	3.3%	EUR	21
Barclays	12.2%	13.9%	1.7%	14.6%	17.7%	3.1%	17.8%	20.6%	2.8%	GBP	10
BNP Paribas	9.2%	12.5%	3.4%	12.1%	14.5%	2.5%	10.7%	16.9%	6.3%	EUR	49
CaixaBank	8.7%	12.5%	3.8%	10.5%	14.3%	3.8%	12.9%	17.0%	4.1%	EUR	10
Commerzbank	10.2%	15.1%	4.9%	12.2%	17.4%	5.2%	14.7%	20.7%	6.0%	EUR	10
Rabobank	11.0%	18.5%	7.4%	12.9%	20.5%	7.6%	15.4%	22.5%	7.2%	EUR	17
CA Group	9.9%	17.6%	7.8%	11.7%	19.0%	7.3%	14.1%	21.8%	7.6%	EUR	49
Danske Bank	14.7%	18.4%	3.7%	16.7%	20.1%	3.4%	19.4%	22.9%	3.4%	DKK	28
Deutsche Bank	11.3%	13.8%	2.5%	13.3%	17.1%	3.8%	16.1%	19.2%	3.2%	EUR	11
DNB Bank	15.4%	18.5%	3.0%	17.2%	20.3%	3.0%	19.7%	22.8%	3.1%	NOK	36
Group BPCE	10.6%	16.2%	5.6%	12.1%	16.2%	4.1%	14.7%	19.2%	4.6%	EUR	21
HSBC	11.2%	14.7%	3.5%	13.2%	16.9%	3.8%	15.8%	19.9%	4.1%	USD	35
ING Group	10.9%	13.6%	2.8%	12.7%	15.7%	3.0%	15.1%	18.4%	3.3%	EUR	11
Intesa	9.8%	13.0%	3.2%	11.6%	15.5%	3.9%	14.0%	18.5%	4.5%	EUR	14
KBC	10.8%	14.5%	3.6%	12.7%	16.0%	3.3%	15.1%	18.1%	3.0%	EUR	4
Lloyds	10.3%	13.5%	3.3%	12.3%	16.2%	3.9%	14.9%	18.4%	3.5%	GBP	8
NatWest	10.5%	13.8%	3.3%	12.6%	17.0%	4.4%	15.4%	20.6%	5.2%	GBP	10
Nordea	13.7%	15.7%	2.0%	15.5%	17.6%	2.1%	17.9%	20.2%	2.3%	EUR	4
Societe Generale	10.2%	13.4%	3.2%	12.2%	16.1%	4.0%	14.7%	19.1%	4.4%	EUR	17
Handelsbanken	14.4%	18.3%	4.0%	16.1%	19.6%	3.5%	18.6%	22.7%	4.2%	SEK	34
Swedbank	14.8%	19.7%	4.9%	16.6%	21.5%	5.0%	19.2%	23.6%	4.5%	SEK	39
UBS	10.6%	14.3%	3.8%	14.9%	18.2%	3.3%	14.9%	18.2%	3.3%	USD	16
UniCredit	10.3%	16.1%	5.9%	12.1%	18.2%	6.0%	14.6%	20.7%	6.1%	EUR	17

Lowest buffer to capital requirements as of Q1 2025 (%)



Source: Banks, Scope Ratings

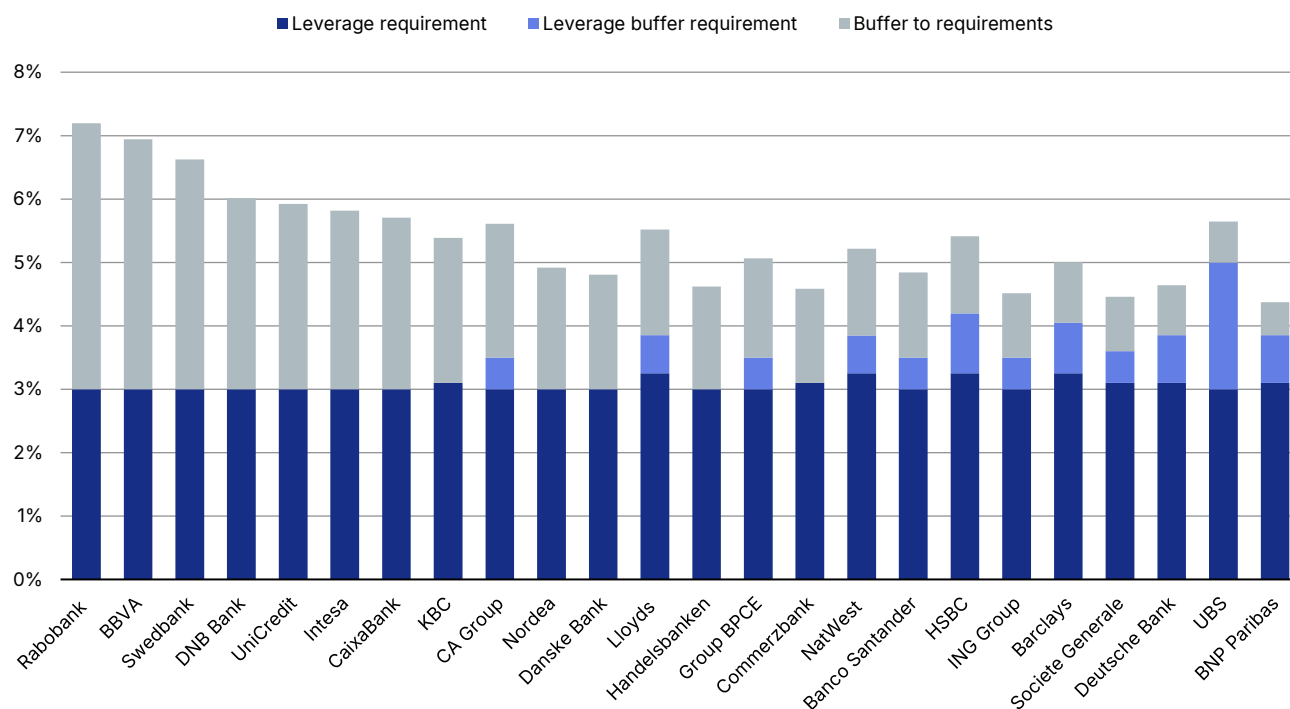
Appendix 3. Leverage requirements and positioning against requirements

EU banks have a minimum Tier 1 leverage ratio requirement of 3%. In addition, a bank may be subject to a specific Pillar 2 leverage ratio requirement. In the sample below, BNP Paribas, Commerzbank, Deutsche Bank, KBC, and Societe Generale have been given a Pillar 2 add-on for leverage of 10bp.

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

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

Buffer to leverage requirement based on Q1 2025 figures (%)



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

Source: Banks, Scope Ratings

Appendix 4. TLAC requirements and positioning against requirements

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

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

Positioning against TLAC requirements as of Q1 2024

	TLAC req. % RWA	TLAC % RWA	Buffer % RWA	TLAC req. % LE	TLAC % LE	Buffer % LE	Binding req.	Currency	Buffer to binding req. (bn)
Banco Santander	22.2%	29.9%	7.7%	6.8%	9.5%	2.7%	RWA	EUR	24
Barclays	30.7%	36.2%	5.5%	8.2%	10.1%	1.9%	RWA	GBP	19
BNP Paribas	22.8%	27.1%	4.3%	6.8%	8.2%	1.5%	RWA	EUR	34
CA Group	22.3%	28.5%	6.2%	6.8%	8.4%	1.7%	LRE	EUR	36
Deutsche Bank	23.2%	33.4%	10.2%	6.8%	9.0%	2.3%	LRE	EUR	30
Group BPCE	22.4%	28.0%	5.6%	6.8%	8.7%	1.9%	RWA	EUR	25
HSBC	27.3%	32.1%	4.8%	8.5%	10.5%	2.1%	RWA	USD	41
ING Group	23.3%	32.7%	9.4%	6.8%	9.4%	2.7%	LRE	EUR	31
Societe Generale	22.3%	29.7%	7.4%	6.8%	8.2%	1.5%	LRE	EUR	21
UBS	25.7%	38.7%	13.1%	8.8%	12.0%	3.2%	LRE	USD	50

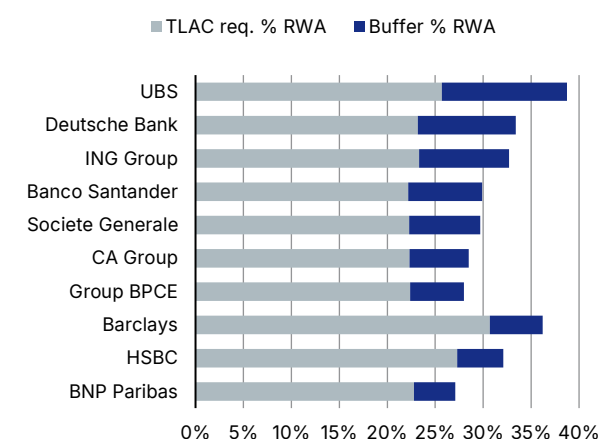
Notes:

(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.

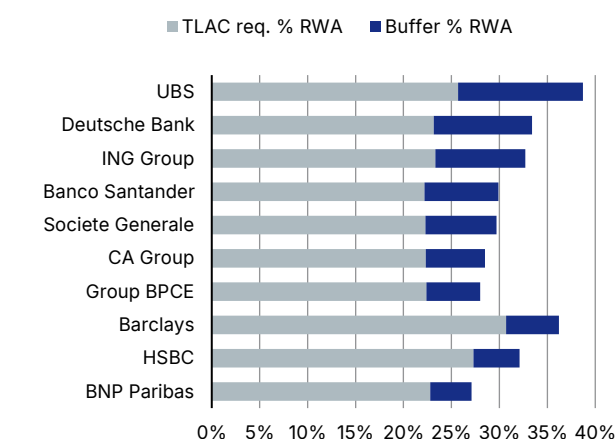
Source: Banks, Scope Ratings

TLAC-RWA requirements and positioning as of Q1 2025



Source: Banks, Scope Ratings

TLAC-leverage requirements and positioning as of Q1 2025



Source: Banks, Scope Ratings

Appendix 5. MREL requirements and positioning against requirements

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

Across the European Banking Union, the average MREL requirement including the combined buffer requirement (CBR) was 28%, with the MREL subordination requirement including the CBR at 21.5%.⁵

Positioning against MREL-RWA requirements as of Q1 2025 (%)

	MREL req. % RWAs	MREL % RWAs	Buffer %	MREL sub req. % RWAs	MREL sub % RWAs	Buffer %
BBVA	26.4%	33.2%	6.8%	17.2%	27.7%	10.6%
Banco Santander	32.4%	41.0%	8.6%	11.3%	34.1%	22.8%
Barclays	30.7%	36.2%	5.5%	30.7%	36.2%	5.5%
BNP Paribas	27.4%	29.8%	2.4%	19.3%	27.1%	7.8%
CaixaBank	24.2%	27.9%	3.6%	16.7%	24.9%	8.2%
Commerzbank	28.0%	34.7%	6.7%	22.6%	30.8%	8.2%
Rabobank	28.9%	33.5%	4.6%	21.4%	30.1%	8.7%
CA Group	26.3%	34.0%	7.7%	22.6%	28.5%	5.9%
Danske Bank	35.1%	40.8%	5.7%	28.2%	33.4%	5.2%
Deutsche Bank	30.9%	37.2%	6.2%	24.6%	33.4%	8.8%
DNB Bank	37.1%	41.6%	4.5%	29.4%	32.5%	3.1%
Group BPCE	27.3%	34.7%	7.4%	22.4%	28.0%	5.6%
HSBC	27.3%	32.10%	4.8%	27.3%	32.1%	4.8%
ING Group	29.1%	32.7%	3.6%	23.8%	32.7%	9.0%
Intesa	26.2%	36.7%	10.5%	18.5%	22.1%	3.6%
KBC	28.5%	31.4%	2.9%	24.1%	31.4%	7.3%
Lloyds	27.3%	30.4%	3.1%	27.3%	30.4%	3.1%
NatWest	27.7%	32.7%	5.0%	27.7%	32.7%	5.0%
Nordea	31.9%	34.9%	3.0%	27.0%	29.2%	2.2%
Societe Generale	27.6%	33.0%	5.4%	23.9%	29.7%	5.8%
Handelsbanken	36.0%	48.8%	12.8%	28.0%	31.6%	3.6%
Swedbank	37.0%	48.7%	11.7%	29.9%	38.3%	8.4%
UniCredit	27.0%	32.1%	5.1%	19.3%	24.0%	4.7%

Notes:

(1) For Banco Santander, figures are for the resolution group and not the entire group.

(2) For HSBC and Rabobank, data is as of Q4 2024.

Source: Banks, Scope Ratings

⁵ SRB MREL dashboard, Q4 2024

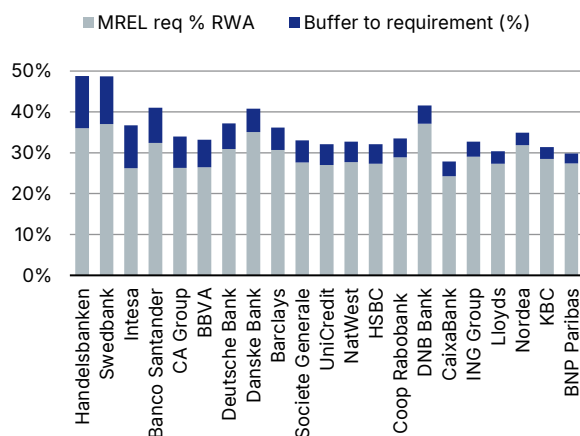
Positioning against MREL-leverage requirements as of Q1 2025 (%)

	MREL req. % LE	MREL % LE	Buffer %	MREL sub req. % LE	MREL sub % LE	Buffer %
BBVA	8.5%	12.5%	4.0%	5.8%	10.4%	4.7%
Banco Santander	12.2%	16.1%	3.9%	6.2%	13.5%	7.3%
Barclays	8.2%	10.1%	1.9%	8.2%	10.1%	1.9%
BNP Paribas	5.9%	9.0%	3.1%	5.9%	8.2%	2.3%
CaixaBank	6.2%	11.0%	4.9%			n/a
Commerzbank	6.8%	9.0%	2.2%	6.8%	7.9%	1.1%
Rabobank			n/a			n/a
CA Group	6.3%	10.0%	3.8%	6.3%	8.4%	2.2%
Danske Bank	6.0%	10.5%	4.5%			n/a
Deutsche Bank	7.0%	10.1%	3.1%	7.0%	9.0%	2.1%
DNB Bank	6.0%	12.4%	6.4%		9.7%	n/a
Group BPCE			n/a			n/a
HSBC			n/a			n/a
ING Group	7.3%	9.4%	2.1%	7.3%	9.4%	2.1%
Intesa			n/a			n/a
KBC	7.4%	10.4%	3.0%	7.4%	10.4%	3.0%
Lloyds	7.1%	10.3%	3.2%	7.1%	10.3%	3.2%
NatWest			n/a			n/a
Nordea	7.0%	9.6%	2.6%	7.0%	8.1%	1.1%
Societe Generale	6.2%	9.2%	3.0%			n/a
Handelsbanken	6.0%	11.4%	5.4%	6.0%	7.4%	1.4%
Swedbank	6.0%	15.0%	9.0%	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.

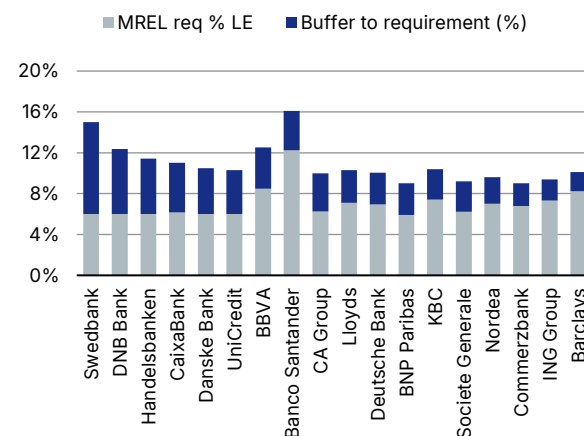
Source: Banks, Scope Ratings

MREL-RWA requirement and positioning as of Q1 2025



Source: Banks, Scope Ratings

MREL-leverage requirement and positioning as of Q1 2024



Source: Banks, Scope Ratings

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