SCOPE | Ratings

European Bank Capital Quarterly

Solvency positions remain a strength in uncertain times

The robust solvency of European banks provides an important buffer against any credit deterioration at a time when unpredictable US trade policy could impact Europe's growth and interest-rate outlook. Reassuring solvency buffers come on top of capacity to absorb credit losses through ordinary profitability. The average Maximum Distributable Amount buffer stood at 3.7% as of YE 2024 for our sample of 24 large EU banks.

In this Bank Capital Quarterly, we look at the impact of final Basel 3 implementation in the EU, the role of the Danish Compromise in supporting diversified business models and consolidation in European financial services, and changes to the ECB's methodology for setting Pillar 2 requirements.

1. Implementation of final Basel 3 framework manageable for EU banks

We believe European banks will be able to absorb the increase in capital requirements resulting from the implementation of the final Basel 3 standards. Banks have taken mitigating actions and the transition period is long, especially for the output floor, which is the biggest driver of the increase in requirements. The more immediate impact has been the move to standardised models for operational risk rather than credit risk and the output floor.

Most major European banks have provided some indication of the expected impact, ranging from an estimated positive 90bp to a negative 80bp (Figure 2). However, because some banks have given day-one impacts, some have given full year 2025 impacts, and others have given estimates for fully phased-in impacts to 2033, the figures are not fully comparable.

One area of uncertainty is when the Fundamental Review of the Trading Book (FRTB) will be implemented. The European Commission recently completed a consultation on the application of the market risk regulatory framework. Given the possibility of further delays in other major jurisdictions, the Commission is considering whether to postpone application by another year to 1 January 2027 and to introduce temporary amendments to the market risk framework for up to three years. Switzerland implemented the FRTB in January 2025.

The output floor will be phased in from 2025 to 2030, starting with 50% applied to standardised RWAs in the first year and increasing each year to reach the steady-state level of 72.5%. However, there are additional transitional arrangements, meaning that the full impact will not be seen until 2033. These include transitional arrangements for unrated corporates, residential real estate exposures and securitisations.

Figure 1: Cumulative impact on Tier 1 capital requirements from output floor (%)

	2025 (50%)	2026 (55%)	2027 (60%)	2028 (65%)	2029 (70%)	2030 (72.5%) Transitional	2033 (72.5%) Fully phased-in
All banks	0.0	0.1	0.1	0.3	0.8	1.4	5.7
Group I	0.0	0.0	0.0	0.2	0.8	1.4	6.4
G-SIIs	0.0	0.0	0.0	0.0	0.5	1.2	8.6
Group 2	0.2	0.4	0.6	0.9	1.3	1.5	2.0

Note: Group 1 banks have Tier 1 capital of more than EUR 3bn and are internationally active. All other banks are Group 2 banks.
Source: EBA Basel III Monitoring Exercise results based on data as of 31 December 2023, Scope Ratings

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Table of contents

Figure 2: Selected disclosures on impact of final Basel 3 implementation

	Comments
BBVA	No impact expected in 2025
Banco Santander	No impact on day one
BNP Paribas	Day-one impact of negative 50bp, excluding FRTB. Negative c.30bp for FRTB with timing uncertain
CaixaBank	Positive c.15bp. No material difference between day one and fully loaded based on preliminary estimates
Commerzbank	Impact covered by current RWA buffers
Rabobank	>5% decline in RWA on 1 January 2025. YE 2024 RWA of EUR 261bn
Danske Bank	No significant impact as front-loaded January 2025 impact with an additional DKK 20bn increase in REA in Q2 2024
Deutsche Bank	Net negative 15bp impact. Expect positive 5bp on day one then negative c.20bp in Q1 2025 from operational risk
DNB Bank	Negative c.20bp
ING Group	Negligible impact fromimplementation of final Basel III; other model updates expected in Q1 2025
Intesa Sanpaolo	Negative c.60bp impact, of which c.40bp in 2025 and c.20bp in 2026-2033, including c.10bp for FRTB
KBC	Day-one impact of EUR 1bn increase in RWAs. By 2033, another EUR 7.5bn increase in RWAs, without mitigating impacts. YE 2024 RWAs of EUR 120bn
Nordea	Negative 0.1% impact on CET1 ratio in Q1 2025 due to annual operational risk update and final Basel III
Societe Generale	CET1 ratio above 13% after Basel III finalisation throughout 2025
Handelsbanken	Estimated day-one impact of SEK 3bn decline in RWA. YE 2024 RWAs of SEK 825bn
Swedbank	Limited negative impact expected in Q1 2025
UBS	Day-one impact of net USD 1bn increase in RWAs, including an increase of USD 9bn for FRTB and a decline of USD 1bn for credit risk. Negligible impact on CET1 ratio
UniCredit	Negative c.80bp impact in Q1 2025 but negative 60bp for full year 2025, mostly from standardisation of operational risk models

Note: FRTB = Fundamental Review of the Trading Book
Source: Banks, Scope Ratings

2. Danish Compromise supports diversified business models

Increasing business diversification is supportive under current market conditions

With the Danish Compromise a permanent regulatory provision under CRR3 since January 2025, this should encourage more consolidation in European financial services. Instead of deducting the full value of stakes in insurance companies from CET1 capital, banks can risk-weight these participations, while the applicable risk-weight has been reduced to 250% from 370%.

This favourable capital treatment makes bancassurance models yet more attractive. Expanding into insurance allows banks to increase fee income in less supportive rate environments. It also provides banks with opportunities to increase cross-sell, providing consistent strategies for addressing the savings and investment needs of customers.

The ECB grants supervisory permission for the application of the Danish Compromise on a case-by-case basis. It confirmed that the Danish Compromise is meant to apply to the insurance sector and "not to, for example, asset management undertakings"[1].

This interpretation is less favourable but is not expected to derail two pending transactions: Banco BPM's acquisition of Anima Holding and BNP Paribas' acquisition of AXA Investment Managers. BPM's acquisition is consistent with the group's strategy to diversify revenues and grow fee income by strengthening its life insurance and asset management businesses. BNP Paribas' transaction significantly increases assets under management and creates a leading European asset manager.

Both transactions have been structured so that insurance subsidiaries would acquire the asset managers. This follows from the EBA's clarification 2023 that goodwill booked at the level of an insurance undertaking would not have to be deducted from a bank's equity. This opinion is particularly relevant for the acquisition of asset management companies, as a significant amount of goodwill usually arises from the valuation of the customer base.

Even though capital treatment may not be as supportive

BNP Paribas has stated that if the ECB's interpretation on the prudential treatment for the acquisition of asset management companies is implemented, the anticipated negative impact on the group's CET1 ratio would be approximately 35bp, rather than the 25bp communicated previously. In the case of Banco BPM, the negative impact on its CET1 ratio is expected to be around 268bp, rather than an estimated 30bp if the Danish Compromise had been applied and assuming 100% ownership.

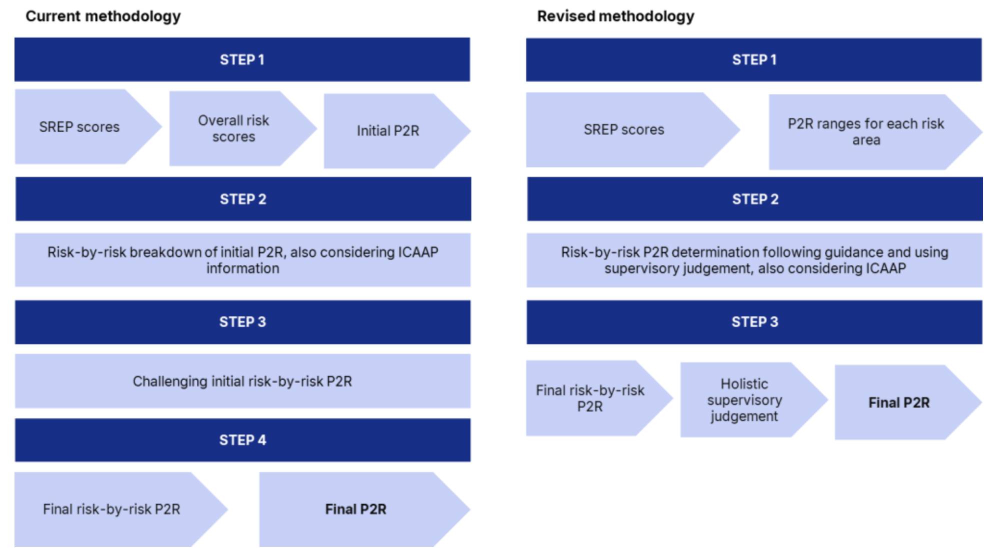
[1]https://www.bankingsupervision.europa.eu/press/interviews/date/2025/html/ssm.in250411~27b8f0adf7.en.html

3. Refinements to Pillar 2 methodology to increase effectiveness and efficiency

Aligned to other supervisors' efforts to simplify and increase effectiveness

As part of a broader review of the Supervisory Review and Evaluation Process (SREP) to make European banking supervision more efficient and effective, the ECB is revising its methodology for setting Pillar 2 requirements (P2R). The revised methodology is intended to ensure that P2R focus on risks that are not covered or not sufficiently covered under Pillar 1 but also that risks are not double counted. In addition, the process will be simplified and have fewer procedural steps.

Figure 3: Overview of current and revised methodologies for setting Pillar 2 requirements



Source: ECB, Scope Ratings

Under the new methodology, supervisors will be able to exercise greater judgement in their assessment of risks and a bank's overall risk profile. However, qualitative and quantitative benchmarking will continue to be used to ensure that supervisory judgment is applied consistently.

New Pillar 2 requirements to be effective from January 2027

After being tested internally this year, the methodology will be applied from the 2026 SREP cycle. As the revised methodology will remain closely linked to SREP assessments, the ECB does not expect the introduction of the methodology to lead to abrupt changes in capital requirements. P2R based on the new methodology will take effect from 1 January 2027.

Meanwhile, the EBA's opinion on the interaction between the output floor and P2R highlights the possibility of double counting in the setting of P2R when risks are covered by the effects of a binding output floor. Further, nominal P2R should not increase due to an institution becoming bound by the output floor.

4. Market commentary

Regaining some poise though sentiment fragile

Primary issuance in the global bond market slowed to a trickle in the aftermath of the US tariff announcement. Between 2 April and 25 April, global new-issue flow across all borrower types suffered a 45% decline relative to the same period of 2024, although a period of relative stability in the last week of April had cut the gap to just -15% by the 1 May.

The decline in European bank issuance was more dramatic, falling 57% to just USD 23bn-equivalent up and down the capital structure over the same period, and more than half the new supply came in the final three days of April. Unsurprisingly, 68%of what emerged was in safe covered bond or senior preferred formats.

Yield and credit spread volatility across currencies alongside general market uncertainty have rendered the primary bond market difficult to navigate in recent weeks. Even though the market regained some poise in the final week of April, sentiment remains fragile and market windows are subject to shutting fast in the face of destabilising news.

As of 1 May, the European AT1 market has been shut since Deutsche Bank's EUR 1.5bn perpetual non-call six Non-cumulative Fixed to Reset Rate AT1 on 24 March. But Bank of America printed a hybrid reopening trade (a USD 3bn perpetual non-call five) on 24 April with a coupon of 6.625%, or 268.4bp over US Treasuries, in from 7% initial thoughts.

That will have stabilised sentiment around deeply subordinated securities and bodes well for a resumption of issuance by European bank issuers, absent new destabilising headlines. Banque Saudi Fransi priced a non-call six AT1 on 30 April at 6.375% against initial price thoughts of 6.875%, filling another price-discovery gap.

Prior to Deutsche Bank's issue, the European AT1 market had been reasonably active, with 15 issuers, predominantly national champions, tapping the market across USD, EUR, GBP and SGD since the previous edition of the Bank Capital Quarterly on 23 January. Most of the issues attracted little drama and most order books were relatively robust.

Figure 4: Selected recent European bank AT1 issuance

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call
Deutsche Bank	24-Mar-25	EUR	1,500	7.125	30-Oct-30
Metro Bank	19-Mar-25	GBP	250	13.875	26-Mar-30
HSBC	18-Mar-25	SGD	800	5.000	24-Mar-30
Bank of Ireland	10-Mar-25	EUR	600	6.125	18-Mar-32
NatWest	26-Feb-25	GBP	750	7.500	28-Feb-32
BIL	26-Feb-25	EUR	300	7.250	7-Sep-30
HSBC	24-Feb-25	USD	1,500	6.950	27-Feb-32
Lloyds Bank	24-Feb-25	GBP	750	7.500	27-Jun-30
ABN AMRO	19-Feb-25	EUR	750	5.750	22-Sep-33
Barclays	19-Feb-25	USD	1,500	7.625	15-Mar-35
UniCredit	18-Feb-25	EUR	1,000	5.625	3-Jun-33
Credit Agricole	13-Feb-25	EUR	1,500	5.875	23-Mar-35
Danske Bank	12-Feb-25	USD	500	7.000	19-Feb-30
Julius Baer Group	11-Feb-25	USD	400	7.500	19-Aug-30
Landsbankinn HF	5-Feb-25	USD	100	8.125	18-Feb-30
Luminor Bank Estonia	5-Feb-25	EUR	150	7.375	12-Feb-31
UBS	5-Feb-25	USD	1,500	7.125	10-Aug-34
UBS	5-Feb-25	USD	1,500	7.000	10-Feb-30

Note: For period from February 2025 to 1 May 2025.
Source: Bond Radar, banks, media reports

Deutsche Bank did cause some market ripples ahead of its new issue, announcing that it would call its USD 1.25bn 7.5% AT1 (originally issued in November 2014) on its 30 April 2025 call date but would continue to extend its USD 1.25bn 4.789% AT1 of May 2014 and whose first call was 30 April 2020. "These decisions are consistent with the bank's approach of taking a case-by-case approach to such call decisions and balancing the interests of all stakeholders," Deutsche Bank noted in a release on 21 March.

The extended deal originally came with 6.25% coupon, reset to 4.789% at the first non-call but reset again to a new coupon of 8.46% (five-year US dollar swaps plus initial credit spread of 4.358%) and a new call of 30 April 2030.

Calling both AT1 issues would have forced DB to crystallise a material FX loss – estimated at EUR 400m by one AT1 investor – given the move in the USD/EUR exchange rate between the original issuance dates in 2014 and March 2025 (USD 1=EUR 0.73 in May 2014; EUR 0.93 in March 2025). The decision to call one and extend another AT1 was ostensibly based on curtailing FX losses, even if the deal-by-deal approach may not have suited all of its AT1 investors.

The new notes are callable daily between 30 October 2030 and 30 April 2031 and after that every five years. From 30 April 2031, the coupon resets to 460bp over the five-year euro swap rate. The deal ended up heavily oversubscribed, drawing orders of EUR 10bn that led to a coupon of 7.125% versus initial thoughts of 7.75%.

Raiffeisen Bank International announced on 22 April that following the November 2024 tender offer, it will call the EUR 174.2m still outstanding of its 8.659% Fixed to Reset Rate AT1 notes on 15 June 2025. The notes were originally issued in June 2017 (EUR 650m with a 6.125% coupon) and were extended at their first reset date of 15 December 2022. But RBI will not call its 4.5% EUR 500m 2018 AT1s at their first call date, also 15 June.

"Call decisions related to subordinated instruments take into consideration the economic and regulatory merits of the outstanding instruments, the underlying market conditions, as well as the bank's own capital planning," RBI's notice said. UniCredit confirmed on 23 April that it will call its 5.375% EUR 1bn AT1 of 2017 on 3 June. A reset would have pushed the coupon to 7% or beyond.

European Tier 2 market reopens

The Tier 2 market had been suffering a similar fate as its hybrid counterpart, but Nationwide Building Society reopened the European bank Tier 2 market on 25 April, exactly a month since the previous offering by DNB on 25 March. The UK lender issued a capped EUR 650m 4% 10.25-year transaction with a 5.25-year call.

The stabilising market backdrop enabled Nationwide to build a geographically diverse order book of EUR 5.3bn, with asset managers dominant. Marketing for the deal had started out at 225bp over mid-swaps but the depth of demand enabled the spread to tighten by 40bp to MS+185bp at final pricing.

On 30 April, Bankinter priced a 2.67x-covered EUR 300m no-grow 4.125% 10.25NC5.25 Tier 2 at 197bp over mid-swaps. Initial price thoughts were 230bp area over. The deal has a one-time only reset on 8 August 2030.

Like in the AT1 market and prior to April 2, European bank Tier 2 issuance had been lively since the previous Bank Capital Quarterly, with a constant flow from national champions and second-tier issuers alike.

Figure 5: Selected recent European bank Tier 2 issuance

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call	Maturity
MBH Bank	29-Apr-25	EUR	200	6.875	8-Nov-30	8-Nov-2035
Nationwide Building Society	25-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
Barclays	19-Mar-25	EUR	1,250	4.616	26-Mar-32	26-Mar-37
BCP	13-Mar-25	EUR	500	4.750	20-Dec-31	20-Mar-37
Credit Agricole	13-Mar-25	EUR	750	4.125	18- Mar-30	18-Mar-35
Mediobanca	11-Mar-25	EUR	300	4.250	18-Mar-29	18-Sep-35
Banca Sella	11-Mar-25	EUR	50	5.125	18-Mar-30	18-Mar-35
RCI Banque	10-Mar-25	EUR	500	4.750	24-Dec-31	24-Mar-37
HSBC	5-Mar-25	AUD	950	BBSW+187	11-Mar-30	11-Mar-35
CaixaBank	27-Feb-25	EUR	1,000	4.000	5-Sep-31	5-Mar-37
Santander	27-Feb-25	AUD	350	BBSW+192	6-Mar-30	6-Mar-35
Santander	27-Feb-25	AUD	250	5.800	6-Mar-30	6-Mar-35
Akbank	25-Feb-25	USD	500	7.875	4-Jun-30	4-Sep-35
Anadolubank	19-Feb-25	USD	150	9.125	26-Feb-30	26-Feb-35
CCF Holding	19-Feb-25	EUR	250	5.000	27-Feb-30	27-May-35
NatWest	18-Feb-25	EUR	1,000	3.723	25-Feb-30	25-Feb-35
BBVA	17-Feb-25	EUR	1,000	4.000	25-Feb-32	25-Feb-37
Ibercaja	11-Feb-25	EUR	500	4.125	18-May-31	25-Feb-37
BNP Paribas	17-Feb-25	EUR	1,500	3.945	18-Feb-32	18-Feb-37
Societe Generale	10-Feb-25	EUR	1,000	3.750	17-May-30	17 M ay 2035
BAWAG	31-Jan-25	EUR	250	4.125	7-Feb-30	7-May-35
Aareal Bank	31-Jan-25	EUR	100	5.750	30-May-30	7-May-35
OTP Bank	22-Jan-25	USD	750	7.300	30-Jan-30	30-Jul-35

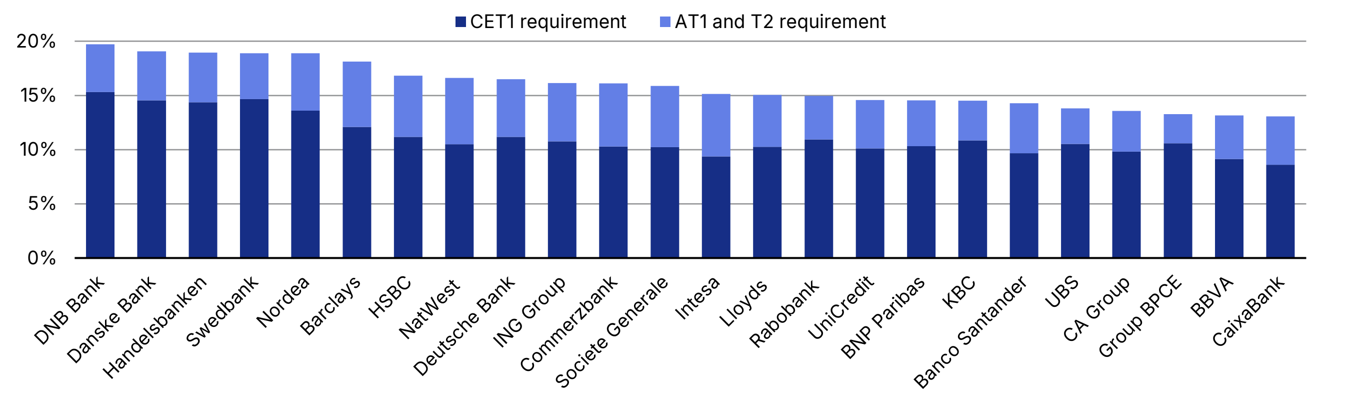
Note: For period from 22 January 2025 to 29 April 2025.
Source: Bond Radar, banks, media reports

Appendix 1. Capital requirements

Total capital requirements as of Q4 2024 (%)

	Pillar 1	Pillar 2R	Buffer requirements: Capital conservation	Buffer requirements: G-SII	Buffer requirements: O-SII	Buffer requirements: Systemic	Buffer requirements: 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%	1.74%	2.5%	1.0%	1.3%	0.0%	0.39%	**13.9%**	9.7%
Barclays	8.0%	4.60%	2.5%	1.5%			1.00%	**17.6%**	12.1%
BNP Paribas	8.0%	1.78%	2.5%	1.5%			0.70%	**14.4%**	10.3%
CaixaBank	8.0%	1.75%	2.5%		0.5%	0.1%	0.13%	**10.9%**	8.6%
Commerzbank	8.0%	2.25%	2.5%		1.3%	0.1%	0.66%	**14.8%**	10.3%
Rabobank	8.0%	1.90%	2.5%		1.8%	0.0%	1.12%	**15.3%**	10.9%
CA Group	8.0%	1.75%	2.5%	1.5%			0.77%	**14.1%**	9.8%
Danske Bank	8.0%	3.24%	2.5%		3.0%	0.6%	2.03%	**19.4%**	14.5%
Deutsche Bank	8.0%	2.65%	2.5%	1.5%	2.0%	0.2%	0.49%	**15.8%**	11.2%
DNB Bank	8.0%	1.70%	2.5%		2.0%	3.2%	2.18%	**19.6%**	15.3%
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%		0.83%	**15.0%**	10.8%
Intesa	8.0%	1.50%	2.5%		1.3%		0.28%	**13.5%**	9.4%
KBC	8.0%	1.86%	2.5%		1.5%	0.1%	1.15%	**15.2%**	10.8%
Lloyds	8.0%	2.60%	2.5%				1.80%	**14.9%**	10.3%
NatWest	8.0%	3.20%	2.5%				1.70%	**15.4%**	10.5%
Nordea	8.0%	1.60%	2.5%		2.5%	1.5%	1.70%	**17.8%**	13.6%
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%	1.98%	**18.6%**	14.4%
Swedbank	8.0%	2.77%	2.5%		1.0%	3.1%	1.70%	**19.1%**	14.7%
UBS							0.52%	**14.8%**	10.5%
UniCredit	8.0%	2.00%	2.5%		1.5%	0.0%	0.46%	**14.5%**	10.1%

Total capital requirements as of Q4 2024 (%)



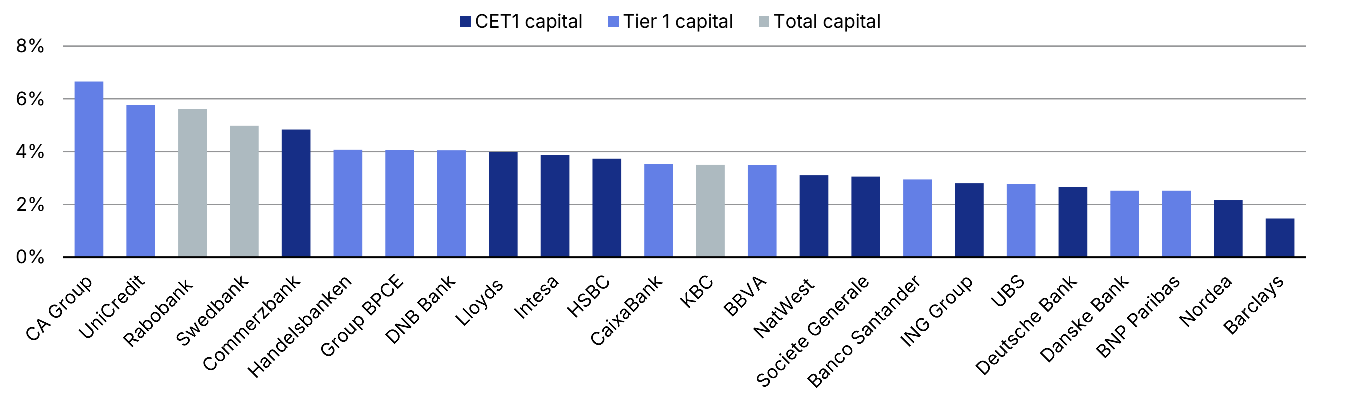
Source: Banks, Scope Ratings

Appendix 2. Positioning against requirements

Buffers to capital requirements as of Q4 2024 (%)

	CET1 req.	CET1	CET1 buffer	Tier 1 req.	Tier 1	Tier 1 buffer	Total capital req.	Total capital	Total capital buffer	Currency	Total capital buffer (bn)
BBVA	9.1%	12.9%	3.7%	10.9%	14.4%	3.5%	13.3%	16.9%	3.6%	EUR	14
Banco Santander	9.7%	12.8%	3.1%	11.5%	14.4%	2.9%	13.9%	17.4%	3.5%	EUR	22
Barclays	12.1%	13.6%	1.5%	14.5%	16.9%	2.5%	17.6%	19.6%	2.0%	GBP	7
BNP Paribas	10.3%	12.9%	2.6%	12.4%	14.9%	2.5%	14.4%	17.1%	2.7%	EUR	21
CaixaBank	8.6%	12.2%	3.6%	10.4%	14.0%	3.5%	10.9%	16.6%	5.8%	EUR	14
Commerzbank	10.3%	15.1%	4.8%	12.2%	17.6%	5.5%	14.8%	20.9%	6.2%	EUR	11
Rabobank	10.9%	16.9%	5.9%	12.8%	18.8%	6.0%	15.3%	20.9%	5.6%	EUR	15
CA Group	9.8%	17.2%	7.4%	11.6%	18.3%	6.7%	14.1%	21.0%	6.9%	EUR	45
Danske Bank	14.5%	17.8%	3.3%	16.6%	19.1%	2.5%	19.4%	22.4%	3.0%	DKK	24
Deutsche Bank	11.2%	13.8%	2.7%	13.2%	17.0%	3.9%	15.8%	19.2%	3.3%	EUR	12
DNB Bank	15.3%	19.4%	4.1%	17.1%	21.2%	4.1%	19.6%	23.8%	4.2%	NOK	47
Group BPCE	10.6%	16.1%	5.6%	12.1%	16.1%	4.1%	14.7%	18.8%	4.2%	EUR	19
HSBC	11.2%	14.9%	3.7%	13.2%	17.2%	4.0%	15.8%	20.6%	4.8%	USD	40
ING Group	10.8%	13.6%	2.8%	12.6%	16.0%	3.4%	15.0%	18.9%	4.0%	EUR	13
Intesa	9.4%	13.3%	3.9%	11.2%	15.8%	4.7%	13.5%	19.0%	5.5%	EUR	16
KBC	10.8%	15.0%	4.1%	12.7%	16.5%	3.8%	15.2%	18.7%	3.5%	EUR	4
Lloyds	10.3%	14.2%	4.0%	12.3%	16.6%	4.4%	14.9%	19.0%	4.1%	GBP	9
NatWest	10.5%	13.6%	3.1%	12.6%	16.5%	3.9%	15.4%	19.7%	4.3%	GBP	8
Nordea	13.6%	15.8%	2.2%	15.4%	18.4%	3.0%	17.8%	21.0%	3.2%	EUR	5
Societe Generale	10.2%	13.3%	3.1%	12.2%	16.1%	3.9%	14.7%	18.9%	4.2%	EUR	16
Handelsbanken	14.4%	18.8%	4.4%	16.1%	20.1%	4.1%	18.6%	23.4%	4.8%	SEK	40
Swedbank	14.7%	19.8%	5.1%	16.5%	21.8%	5.3%	19.1%	24.0%	5.0%	SEK	43
UBS	10.5%	14.3%	3.8%	14.8%	17.6%	2.8%	14.8%	17.6%	2.8%	USD	14
UniCredit	10.1%	16.0%	5.8%	12.0%	17.7%	5.8%	14.5%	20.4%	5.9%	EUR	16

Lowest buffer to capital requirements as of Q4 2024 (%)



Source: Banks, Scope Ratings

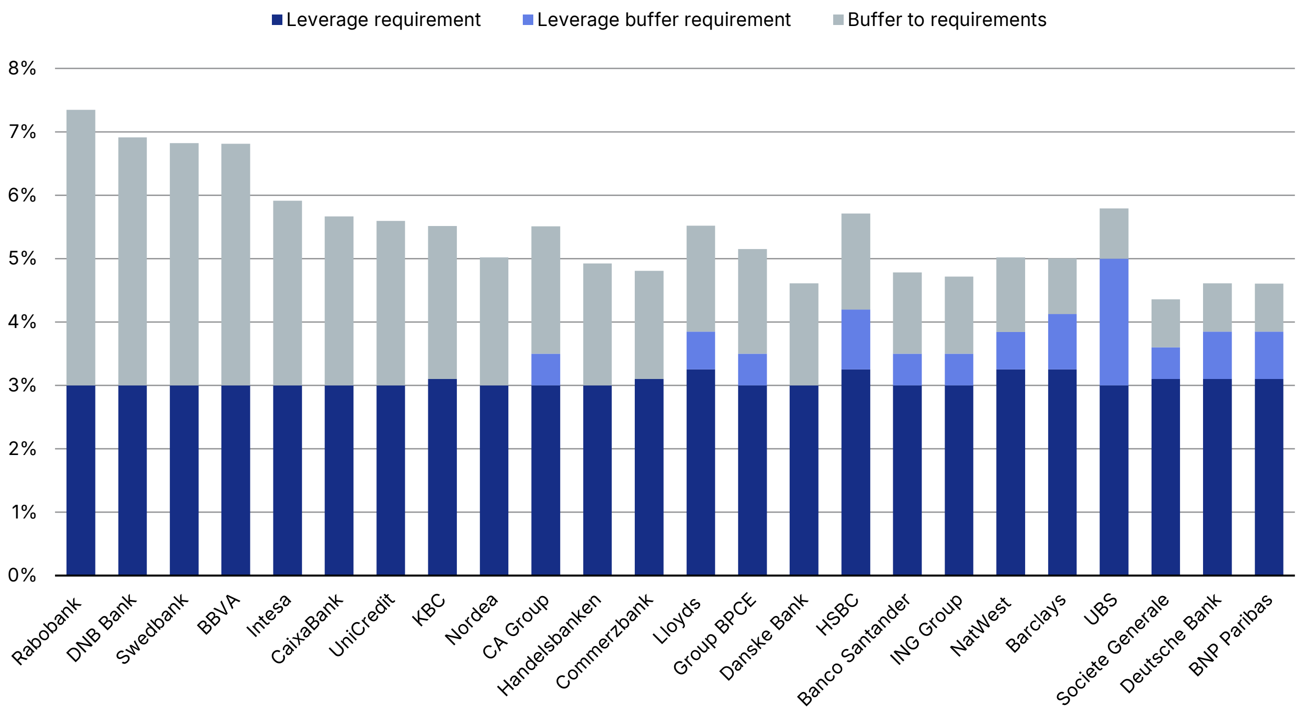
Appendix 3. Leverage requirements and positioning against requirements

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

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

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

Buffer to leverage requirement based on Q4 2024 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:

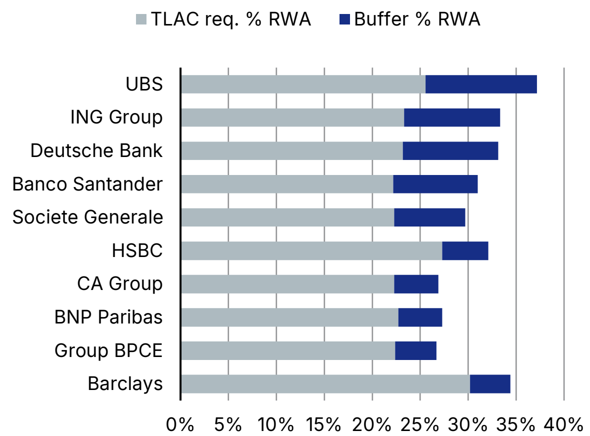
- 18% of the total risk exposure amount plus the combined buffer requirement,
- 6.75% of the leverage exposure measure.

Positioning against TLAC requirements as of Q4 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%	31.0%	8.8%	6.8%	9.7%	2.9%	RWA	EUR	27
Barclays	30.2%	34.4%	4.2%	8.2%	10.2%	2.0%	RWA	GBP	15
BNP Paribas	22.7%	27.3%	4.6%	6.8%	8.4%	1.7%	RWA	EUR	35
CA Group	22.3%	26.9%	4.6%	6.8%	8.0%	1.3%	LRE	EUR	27
Deutsche Bank	23.2%	33.2%	10.0%	6.8%	9.0%	2.3%	LRE	EUR	30
Group BPCE	22.4%	26.7%	4.3%	6.8%	8.5%	1.8%	RWA	EUR	20
HSBC	27.3%	32.1%	4.8%	8.5%	10.5%	2.1%	RWA	USD	40
ING Group	23.3%	33.3%	10.0%	6.8%	9.9%	3.1%	RWA	EUR	33
Societe Generale	22.3%	29.7%	7.4%	6.8%	8.0%	1.3%	LRE	EUR	18
UBS	25.6%	37.2%	11.6%	8.8%	12.2%	3.5%	LRE	USD	52

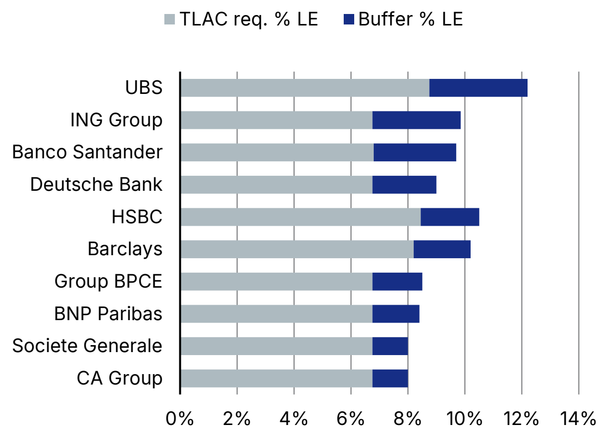
Notes:
(1) HSBC's binding requirement is based on "sum-of-the-parts" under a multiple point of entry resolution approach.
(2) For Banco Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

TLAC-RWA requirements and positioning as of Q4 2024



Source: Banks, Scope Ratings

TLAC-leverage requirements and positioning as of Q4 2024



Source: Banks, Scope Ratings

Appendix 5. MREL requirements and positioning against requirements

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

Across the European Banking Union, the average MREL requirement including the combined buffer requirement (CBR) was 28%, with the MREL subordination requirement including the CBR at 21.3%.[2]

Positioning against MREL-RWA requirements as of Q4 2024 (%)

	MREL req. % RWAs	MREL % RWAs	Buffer %	MREL sub req. % RWAs	MREL sub % RWAs	Buffer %
BBVA	26.4%	27.9%	1.5%	17.2%	23.1%	6.0%
Banco Santander	33.9%	42.1%	8.2%	14.4%	33.8%	19.4%
Barclays	30.2%	34.4%	4.2%	30.2%	34.4%	4.2%
BNP Paribas	27.4%	30.4%	3.0%	19.2%	27.4%	8.1%
CaixaBank	24.4%	28.1%	3.7%	16.7%	24.5%	7.8%
Commerzbank	28.1%	35.4%	7.4%	22.7%	31.1%	8.4%
Rabobank	28.9%	33.5%	4.6%	21.4%	30.1%	8.7%
CA Group	26.3%	32.4%	6.1%	22.6%	26.9%	4.3%
Danske Bank	35.5%	41.4%	5.9%	28.5%	35.3%	6.8%
Deutsche Bank	31.0%	37.5%	6.5%	24.6%	33.2%	8.6%
DNB Bank	36.9%	42.9%	5.9%	29.3%	34.4%	5.2%
Group BPCE	27.3%	34.6%	7.3%	22.4%	26.7%	4.3%
HSBC	27.3%	32.1%	4.8%	27.3%	32.1%	4.8%
ING Group	29.1%	33.3%	4.3%	23.7%	33.3%	9.6%
Intesa	26.2%	40.0%	13.8%	18.6%	23.1%	4.5%
KBC	28.5%	30.7%	2.2%	24.1%	30.7%	6.6%
Lloyds	27.3%	32.1%	4.8%	27.3%	32.1%	4.8%
NatWest	26.5%	33.0%	6.5%	26.5%	33.0%	6.5%
Nordea	31.4%	35.5%	4.1%	27.0%	30.2%	3.2%
Societe Generale	27.6%	34.2%	6.6%	23.9%	n/a	n/a
Handelsbanken	36.0%	50.0%	14.0%	28.0%	33.0%	5.0%
Swedbank	36.7%	49.2%	12.5%	28.4%	40.9%	12.5%
UniCredit	27.5%	32.7%	5.2%	19.7%	24.0%	4.3%

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

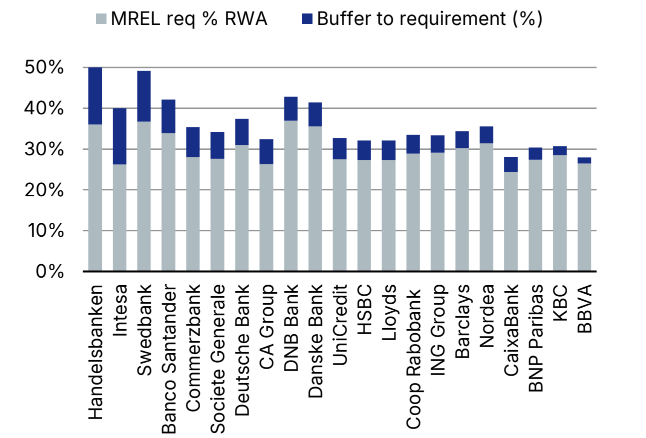
[2] SRB MREL dashboard, Q3 2024

Positioning against MREL-leverage requirements as of Q4 2024 (%)

	MREL req. % LE	MREL % LE	Buffer %	MREL sub req. % LE	MREL sub % LE	Buffer %
BBVA	8.5%	12.1%	3.6%	5.8%	10.0%	4.3%
Banco Santander	11.5%	16.5%	5.0%	6.1%	11.5%	5.4%
Barclays	8.2%	10.2%	2.0%	8.2%	10.2%	2.0%
BNP Paribas	5.9%	9.4%	3.5%	5.9%	8.4%	2.5%
CaixaBank	6.2%	11.4%	5.2%	6.2%	9.9%	3.8%
Commerzbank	6.8%	9.6%	2.8%	6.8%	8.4%	1.6%
Rabobank	7.5%	13.1%	5.6%	7.5%	11.8%	4.2%
CA Group	6.3%	9.7%	3.5%	6.3%	8.0%	1.8%
Danske Bank	6.0%	10.9%	4.9%	n/a	9.3%	n/a
Deutsche Bank	7.0%	10.2%	3.2%	7.0%	9.0%	2.1%
DNB Bank	6.0%	13.8%	7.8%	n/a	11.1%	n/a
Group BPCE	n/a	n/a	n/a	n/a	n/a	n/a
HSBC	8.5%	10.5%	2.1%	8.5%	10.5%	2.1%
ING Group	7.3%	9.9%	2.5%	7.3%	9.9%	2.5%
Intesa	6.0%	14.4%	8.4%	6.0%	8.3%	2.3%
KBC	7.4%	10.2%	2.8%	7.4%	10.2%	2.8%
Lloyds	7.1%	10.7%	3.6%	7.1%	10.7%	3.6%
NatWest	6.7%	9.9%	3.2%	6.7%	9.9%	3.2%
Nordea	7.1%	9.7%	2.6%	7.1%	8.3%	1.2%
Societe Generale	6.2%	9.2%	3.0%	n/a	n/a	n/a
Handelsbanken	6.0%	12.1%	6.1%	6.0%	8.0%	2.0%
Swedbank	6.0%	15.4%	9.4%	6.0%	11.9%	5.9%
UniCredit	6.1%	10.3%	4.2%	6.1%	7.6%	1.5%

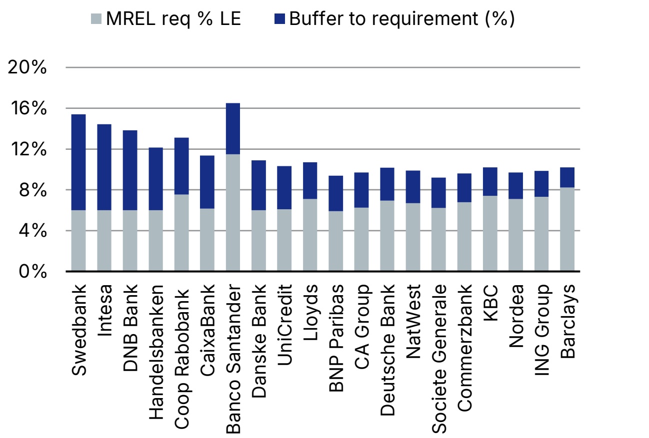
Note: For Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

MREL-RWA requirement and positioning as of Q4 2024



Source: Banks, Scope Ratings

MREL-leverage requirement and positioning as of Q4 2024



Source: Banks, Scope Ratings

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