Scope Ratings

European Bank Capital Quarterly: the TBTF dilemma

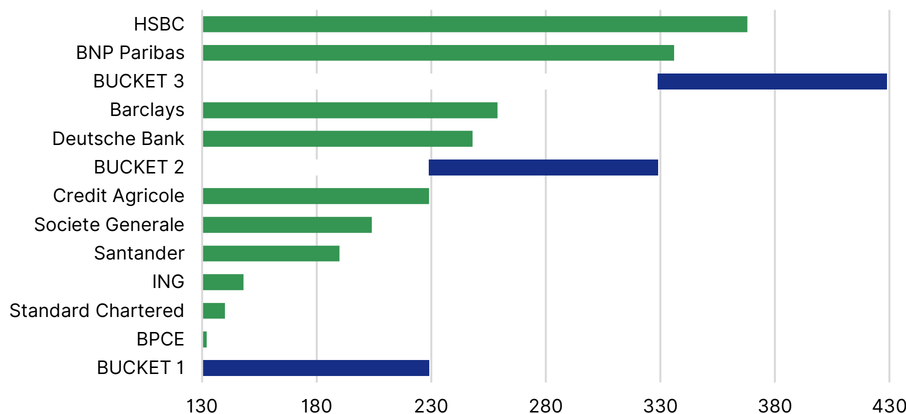
Since the 2007-2008 financial crisis, significant efforts have been made to enhance the supervision of systemically important banks and to tackle the dilemma of "too-big-to-fail" (TBTF). This is particularly relevant following UBS's takeover of Credit Suisse. In this quarterly report, we examine the efficacy of these measures in making banks more resilient and resolvable. A related matter is the effectiveness of AT1 securities in facilitating the recovery of systemically important banks. On both fronts, there remains room for improvement.

Window-dressing distorts significance of G-SIBs

The global systemically important bank (G-SIB) framework has been in place for more than 10 years now, as a way to address the TBTF issue. Data suggests that banks have broadly adjusted their balance sheets in line with the objectives set by supervisory authorities. In a recent review, the Basel Committee on Banking Supervision (BCBS) found a decline in the average G-SIB score since 2013, primarily due to reduced complexity and interconnectedness. Moreover, the average G-SIB score has diminished relative to the development of the broader economy and financial system, suggesting the reduced role of G-SIBs over time.

There is a caveat, however, as G-SIB indicators exhibit material seasonality at year-end, reflecting window-dressing practices. Consequently, the BCBS is consulting on amendments to the G-SIB assessment framework with a view to requiring banks to report G-SIB indicators based on average values over the year, rather than year-end values. Averaging frequencies based on daily, month-end and quarter-end values over the year are under consideration. To give banks sufficient time to develop their reporting capabilities, the proposed implementation date is 1 January 2027 (i.e. the end-2026 G-SIB assessment exercise), with a transitional period starting from 1 January 2026.

Figure 1: Overall European G-SIB scores (end-2022)



Source: BIS, Scope Ratings

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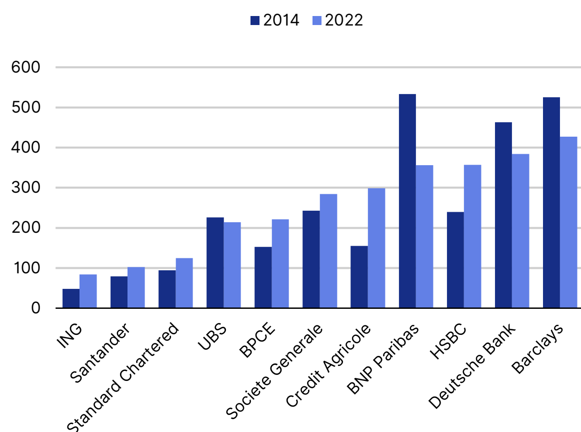
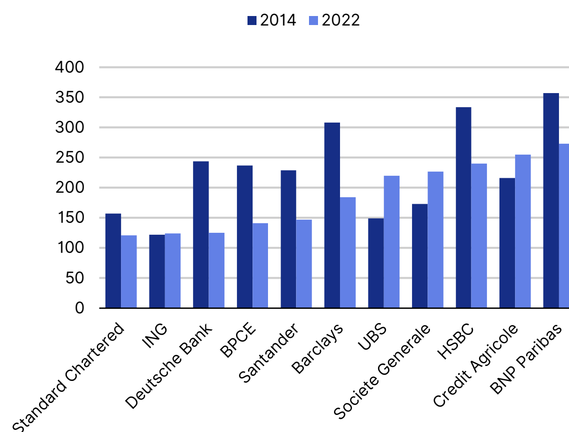
Figure 2: Change in complexity score (2014 vs 2022)



Source: BIS, Scope Ratings

Figure 3: Change in interconnectedness score (2014 vs 2022)



Source: BIS, Scope Ratings

Banks that are close to the bucket thresholds determining G-SIB capital requirements have greater incentives to reduce their year-end activity to fall below these thresholds. In the BCBS study referenced above, notional OTC derivates activity was found to have contracted by EUR 30trn at the end of 2023. This is equivalent to approximately 5% of global notional OTC derivatives activity and explained around half of the contractions observed at year end. The magnitude of the distortion is material given this indicator only carries a weight of 6.67% when calculating the G-SIB score.

Window dressing is not new phenomenon

Temporary reductions in market activity and balance-sheet items ahead of period-end reporting dates to appear more sound or less systemically important have been noted since 2017[1]. The issue of window dressing is not limited to the G-SIB framework; it has also been documented in regard to the leverage ratio. One study found that repo volumes across EU banks fell by around 12.5% in the days before quarter end[2] while another found that non-US banks removed on average USD 170bn in US repo positions at quarter end, equivalent to 10% of the entire global repo market[3].

Determining systemic importance

The G-SIB methodology relies on five factors to determine the systemic importance of a bank: size, cross-jurisdictional activity, interconnectedness, substitutability/financial institution infrastructure, and complexity. Each factor carries an equal weight, contributing to an overall score for each bank (see Figure 5).

Banks can shift between buckets due absolute or relative changes

Banks scoring above the minimum threshold of 130bp are considered G-SIBs. Based on their systemic importance scores, G-SIBs are allocated into one of five equally sized buckets, with varying levels of higher loss absorbency requirements applied to each bucket (ranging from 1% to 3.5%). The buckets corresponding to the different higher loss-absorbency requirements each have a range of 100bp. A bank's score can shift between buckets due to absolute or relative changes in its degree of systemic importance compared to other banks in the sample.

The Financial Stability Board, in consultation with the BCBS and national authorities, updates the list of G-SIBs annually, normally in November. G-SIBs have to meet the additional buffer requirement

[1] Committee on the Global Financial System (2017): "Repo market functioning", CGFS Papers, no 59, April.
[2] Bassi C, M Behn, M Grill and M Waibel (2023): "Window dressing of regulatory metrics: evidence from repo markets", European Central Bank, Working Paper Series, no 2771, February.
[3] Munyan B (2017): "Regulatory arbitrage in repo markets", Office of Financial Research, Working Paper, no 15-22, October.

entirely with CET1 capital and are given two years to do so. Based on the list published in November 2023, the higher loss absorbency requirements are effective from 1 January 2025.

Figure 4: G-SIB methodology buckets and capital surcharges

Capital surcharge bucket	Score range (basis points)	G-SIB buffer rate (% of risk-weighted assets)
Bucket 5	530 – 629	3.5%
Bucket 4	430 – 529	2.5%
Bucket 3	330 – 429	2.0%
Bucket 2	230 – 329	1.5%
Bucket 1	130 - 229	1.0%

Source: Basel Committee on Banking Supervision

Figure 5: G-SIB methodology factors used to determine systemic importance

Category and weight	Indicator	Indicator weighting
Size (20%)	Total exposure as defined under Basel III leverage ratio	20%
Cross-jurisdictional activity (20%)	Cross-jurisdictional claims	10%
	Cross-jurisdictional liabilities	10%
Interconnectedness (20%)	Intra-financial system assets	6.67%
	Intra-financial system liabilities	6.67%
	Securities outstanding	6.67%
Substitutability/financial institution infrastructure (20%)	Assets under custody	6.67%
	Payments activity	6.67%
	Underwritten transactions in debt and equity markets	3.33%
	Trading volume	3.33%
Complexity (20%)	Notional amount of OTC derivatives	6.67%
	Level 3 assets	6.67%
	Trading and available-for-sale securities	6.67%

Source: Basel Committee on Banking Supervision

Proposals to strengthen Switzerland's TBTF regime

Size of Swiss banking sector is large in comparison to GDP

Switzerland has had a TBTF framework since 2012, given the size and international connectedness of its banking sector. Total banking sector assets stood at CHF 3.6trn at end-2022, around 470% of Swiss GDP. By comparison, the US and UK banking sectors were equivalent to 380% and 110% of GDP, respectively. At the end of 2023, UBS had total assets equivalent to nearly twice Swiss GDP.

Measures are wide ranging and address more than capital requirements

In April, the Swiss Federal Council announced a package of measures to strengthen the TBTF regime. The three areas of focus are: (i) prevention, reducing the likelihood of a systemically important bank getting into a critical situation; (ii) ensuring liquidity in a crisis, at bank level as well as via the central bank and a public liquidity backstop; and (iii) expanding the crisis tool kit with expanded resolution plans and better crisis coordination among authorities.

Of the package of measures, 22 are planned for direct implementation while another seven are to be examined further. At the end of this year, the Parliamentary Investigation Committee's review of the emergency Credit Suisse merger is expected to be published. Its findings will also need to be considered in potential amendments to the TBTF regime.

Some changes would require parliamentary approval

Federal Council can make changes at ordinance level

The Swiss Federal Council can make changes to capital requirements directly at ordinance level. Other measures regarding liquidity, corporate governance and resolution planning would require legislative amendments and approval by Parliament. The Swiss Federal Council intends to present two packages for implementation in the first half of 2025: those at ordinance level and another for those requiring legislative amendments.

While the measures are wide-ranging, we highlight those related to capital: the proposed measures address two weaknesses of the TBTF regime: capital requirements are not forward-looking in nature and the insufficient capitalisation of parent banks in international financial groups.

More clearly defined rules for imposing Pillar 2 capital add-ons

One measure would introduce forward-looking elements into determining institution-specific Pillar 2 capital add-ons, based on stress tests and ongoing supervision. Factors such as business model, corporate governance, profitability, current and future risk profile as well as market indicators (e.g. market capitalisation, credit ratings and CDS levels) would be considered. This measure would align supervisory practices in Switzerland with those in the EU and UK. Further, the Swiss Federal Council intends to examine if and how the results of stress tests may be disclosed.

Increasing capital requirements for foreign participations

Another measure proposes to increase the required capital for foreign participations held by parent banks within a financial group. This could be achieved by raising the risk weights for these participations or by deducting them from regulatory capital. Under current regulations, parent banks must hold capital backing 60% of participations in foreign subsidiaries.

Parent banks can have large foreign subsidiaries

The Swiss G-SIBs were/are organised through a group holding company structure with substantially all operations carried out by an operating bank (parent bank). The parent bank conducts banking business directly and also holds participations in various subsidiaries in Switzerland and abroad. Compared to international peers, foreign subsidiaries at the parent bank were/are large in relation to the group as a whole. Both the group holding company and the parent bank are considered Swiss SIBs and are subject to the TBTF regime.

Basel framework does not directly address parent banks

The Basel framework applies on a consolidated basis to internationally active banks. While the framework recognises the need for adequate capitalisation on a stand-alone basis, there are no defined minimum standards for solo capital requirements, e.g. the parent banks of international banking groups. These are determined by individual supervisory authorities.

However, there are minimum standards for significant investments in unconsolidated participations. Investments in capital instruments (CET1, AT1 or bail-in capital) other than common shares are to be deducted from the parent's corresponding capital component. Investments in common shares may be risk-weighted at 250%, up to a threshold of 10% of the parent's CET1 capital.

Use of regulatory filters to reduce capital requirements

Until 2018, banks were required to fully deduct the book value of their holdings in subsidiaries from CET1 capital. This stringent rule was problematic for Credit Suisse and UBS as they had very large participations. Consequently, FINMA granted exemptions so that the capital requirements at consolidated level did not exceed combined standalone requirements. Specifically, an individually determined proportion of holdings were risk-weighted at 200% instead of being fully deducted.

In 2018, a pure risk-weight approach was introduced for participations, with a phase-in until 1 January 2028. The risk weights steadily increase to 250% from 200% for domestic participations and to 400% from 200% for international participations. Combined with the requirements for SIBs, a parent bank would effectively hold capital against 60% of their participations at the end of the transition period.

Proposals reflect lessons learned from the Credit Suisse crisis

The Swiss Federal Council has concluded that in the case of Credit Suisse, the complex group structure and the regulatory concessions meant that the parent bank was structurally weakly capitalised. The parent bank was not required to fully back its participations in foreign subsidiaries with capital.

While the solvency ratios of Credit Suisse Group always remained above regulatory requirements during the crisis, the parent bank's more limited capital position restricted strategic options. The sale of foreign participations would have been problematic as they would have materially weakened the parent bank's capital position. Further, in a crisis, the recoverability of foreign participations is highly uncertain, given the likelihood of ring-fencing or wind-down by local supervisory authorities.

The value of participations in subsidiaries is reviewed for potential impairments at least annually and at any other time events or circumstances indicate that impairments may have occurred. In 2022, the parent bank of Credit Suisse recorded a net impairment on participations for regulatory purposes of CHF 7.4bn.

Final details and implementation remain to be seen

Financial stability and competitiveness are factors

The Swiss Federal Council's proposals concerning capital requirements have not been finalised, making it difficult to determine the full impact on the remaining Swiss G-SIB: UBS. Nevertheless, the Swiss Federal Council states that requirements should continue to be based on international rules and practice. The final implementation is likely to be balanced, with Swiss authorities weighing the costs and benefits to financial stability and international competitiveness.

The current TBTF regime already includes a progressive component, i.e. percentage capital requirements increase based on size and domestic market share. Following the takeover of Credit Suisse, the size and market share surcharges applicable to UBS have doubled. UBS estimates that this will add around USD 10bn to its Tier 1 capital requirement when fully phased in. The group has been granted a transition period to meet the requirement, which will be phased-in from end-2025 to the beginning of 2030.

Existing rules will increase UBS' requirements significantly

In addition, effective from the merger of the two parent banks (UBS AG and Credit Suisse AG), there will be another approximate USD 9bn increase in the group's capital requirements. This will stem from the discontinuation of regulatory filters that had been granted to Credit Suisse. As well, the participations of Credit Suisse AG standalone will be risk-weighted on a fully applied basis, i.e. 255% for Swiss participations and 400% for foreign participations. UBS had already applied fully phased-in risk weights on its subsidiaries when the rules were introduced. As of March 2024, the group's going concern Tier 1 capital requirement amounted to about USD 80bn.

Further questions about the effectiveness of AT1 securities

As part of its review of the TBTF regime, the Swiss Federal Council has also presented possible measures to increase the going-concern risk-absorbing function of AT1 instruments. According to the proposals, calling AT1 instruments should generally be allowed only in exceptional circumstances, making it easier to avoid signalling a weakness when not called.

The conditions under which the securities are eligible as AT1 capital could also be further defined and tightened in regulatory requirements. For example, coupon payments and buy-backs could be prohibited after sustained losses (e.g. two quarters in succession) or by raising the CET1 trigger to

at least 10%. At the same time, the Swiss Federal Council acknowledges that any changes should be agreed at international level to avoid deviating fundamentally from global standards.

The effectiveness of AT1 instruments is a recurring theme. However, there is no international consensus on what changes, if any, should be made. European regulators have shown little appetite to change the AT1 framework in the near future. The implementation of final Basel 3 standards is a more pressing issue, given the planned start date of 1 January 2025 in the EU.

Market commentary

Publication of Scope's previous Bank Capital Quarterly on 6 February had come in the wake of patchy European bank AT1 issuance in January 2024, predominantly from smaller banks and less frequent issuers in EUR and GBP (BCP, BPER, BPM, Caixabank, Close Bros, Van Lanschot Kempen, Virgin Money). A number of larger institutions – Barclays, Santander, Societe Generale, UBS – had already taken advantage of a receptive US dollar market prior to the 2023 year-end to raise USD 9bn, reducing the need for a January dash.

The AT1 market for European banks so far in 2024 has been stop-start: a so-so January, a busy February, a very quiet March and April, leading to a crescendo of activity towards the end of April into May. By 13 May, 21 European banks had raised over USD 19bn from 22 AT1 trades, according to Bond Radar (UBS has tapped the market twice YTD with USD and SGD transactions).

February ended up being a successful AT1 issuing month for European banks, anxious to take advantage of a strong market window even amid ongoing rate-cut uncertainties and tough geopolitics, ABN AMRO, BNP Paribas, ING, Investec, Jyske Bank, Standard Chartered, Swedbank and UBS were all active, raising roughly USD 7.5bn between them across EUR, USD, GBP and SGD (Figure 6).

The returns of European banks have markedly improved as higher rates have boosted net interest margins and hence valuations. Even if profitability is not expected to maintain the same pace this year as it did in 2023, the primary AT1 flow was well received as investors actively bid for paper. All February new issues were reasonably to heavily oversubscribed, allowing issuers to tighten pricing in a range of 37.5bp to 62.5bp from the start of marketing to final prints across all issuing currencies.

In contrast to a busy February, March saw only Societe Generale and Finecobank access the international bond market with hybrid capital trades. **Societe Generale** priced a USD 1bn AT1 with a long 10.5-year non-call at 8.50% from a 9%-area starting point. Other than that, only Italian online bank **Finecobank** accessed the market, printing a capped EUR 500m PNC5.5 non-cumulative temporary write-down deeply subordinated fixed-rate resettable AT1 at 7.50% on 4 March, in from 8%-area initial price thoughts (IPTs). Fineco said it will use net proceeds for general corporate purposes and to improve its regulatory capital structure.

Societe Generale's 18 March print was followed by over a month without a single European bank AT1. The silence was only broken on 23 April by Irish banking group **AIB Group**'s EUR 625m PNC6 perpetual contingent temporary write-down AT1, which attracted demand of EUR 2.6bn, enabling leads to set the coupon at 7.125% from 7.625%-area IPTs. At their peak in marketing, orders had reached EUR 3.25bn. Net proceeds will be allocated to general corporate purposes and to optimise the group's capital base, including funding the concurrent tender offer for the bank's EUR 500m 5.25% AT1 of October 2019 which hits its first call on 9 April 2025.

Things turned busy again in May as Barclays, Erste Group Bank, Intesa Sanpaolo, NatWest Group and Santander all tapped the AT1 market between 7 and 13 May. **Intesa Sanpaolo** generated peak demand of over EUR 3.75bn for its EUR 1bn PNC8 AT1 on 13 May. Going out with initial price thoughts of 7.5%, the coupon was set at 7% and the final book stood at EUR 2.75bn.

Barclays had priced its GBP 1.25bn perpetual subordinated contingent convertible with a quarterly coupon of 8.5% on 8 May. The notes are callable from 15 June 2030 with the first reset date on 15 December 2030. The final book was GBP 3.8bn, although at its peak, demand had gone above GBP 6.2bn. The depth of demand enabled underwriters to pull the coupon in from IPTs of 9.125% area. Use of proceeds is to strengthen the capital base of the issuer and/or its subsidiaries.

On 7 May, three banks were in action. Austrian lender **Erste Group Bank** sold a EUR 750m PNC7.4 AT1 with a 7% coupon, in from IPTs of 7.625% area and the tight end of 7.125% +/- 0.125%. guidance. Demand hit EUR 3.25bn before settling above EUR 3bn.

Banco Santander, meanwhile, came to market with a EUR 1.5bn offering of 7% PNC6 non-step-up non-cumulative contingent convertible preferred Tier 1 securities, building final demand of EUR 3.6bn (EUR 4bn+ at the peak). IPTs were 7.375% area. Santander said it intends to use net proceeds for general corporate purposes, including, without limitation, managing the potential refinancing of existing capital securities. The reset margin is MS+441bp.

The new offering came alongside a tender offer for Santander's outstanding EUR 1.5bn 4.75% AT1s originally issued in March 2018 which hit their call date on 19 March 2025. A funding official at the borrower pointed to demand from a mix of asset managers and high-quality investors, including more than six triple-digit orders and a granular book of over 260 accounts. By geography, the bank said demand came mainly from UK accounts followed by France and DACH.

NatWest Group plc's USD 1bn reset perpetual subordinated contingent convertible AT1, also landing on 7 May, came with a 10-year call and an 8.125% coupon (T+445.7bp). Leads had gone out with 8.75%-area IPTs, revised to 8.625% area. Notes were documented under New York law and Scottish law (for subordination, solvency condition and waiver of the right to set-off).

One noteworthy feature of the capital securities market in 2024 has been the presence of Turkish banks in US dollars. Since the beginning of 2024, they have raised a combined USD 3.4bn in capital (USD 1.35bn in AT1 format, USD 2.05bn in Tier 2). In AT1, **Turkiye Sinai Kalkinma Bankasi** priced a USD 300m PNC5 fixed-rate resettable AT1 at 9.75% on 14 March, having built a peak order book of USD 960m. IPTs were low 10s, tightened to final guidance of 9.75%-9.875%.

Yapi ve Kredi Bankasi followed on 26 March with a PNC5.25 resettable AT1 that also got over the line at 9.75% with demand of USD 1.1bn. IPTs were 10% area. The bank had already tested the capital securities market in January with a USD 650m Tier 2 offering. **Vakifbank** accessed the market on 17 April, paying 10.125% for a USD 550m fixed-rate resettable AT1 that drew orders of over USD 1.3bn from a start of 10.50% area. Turk Ekonomi Bankasi, Garanti Bankasi and Ziraat Bank have also raised Tier 2 USD funds this year.

A final note on AT1s: two Georgian banks – a rare sight in the international bond market – successfully raised hybrid capital in April. **TBC Bank** went into the market on 23 April to price a USD 300m PNC5.5 AT1 at 10.25%, having gone into the market with IPTs of low/mid 10s. TBC had followed London-listed **Bank of Georgia**'s 9 April PNC5.5 print, also of USD 300m but at 9.50%, against IPTs of low 10s and demand of USD 780m. The stated use of proceeds in both cases is general corporate purposes, including to refinance/replace existing debt, including AT1 capital instruments/existing capital instruments. Bank of Georgia completed its USD 304m acquisition of Armenia's Ameriabank in April.

Figure 6: European bank AT1 issuance (Feb to 13 May 2024)

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call
Intesa Sanpaolo	13 May 2024	EUR	1,000	7.000	20 May 32
Barclays	08-May-24	GBP	1,250	8.500	15-Jun-30
Erste Group Bank	07-May-24	EUR	750	7.000	15-Apr-31
NatWest Group plc	07-May-24	USD	1,000	8.125	10-Nov-33
Banco Santander	07-May-24	EUR	1,500	7.000	20-Nov-29
AIB Group	23-Apr-24	EUR	625	7.125	30-Oct-29
Societe Generale	18-Mar-24	USD	1,000	8.500	25-Apr-34
Finecobank	04-Mar-24	EUR	500	7.500	11-Sep-29
Standard Chartered	28-Feb-24	USD	1,000	7.875	08-Mar-30
ABN AMRO	26-Feb-24	EUR	750	6.875	22-Sep-31
Investec	22-Feb-24	GBP	350	10.500	28-Aug-29
UBS	15-Feb-24	SGD	650	5.750	21-Aug-29
BNP Paribas	14-Feb-24	USD	1,500	8.000	22-Aug-31
UBS	07-Feb-24	USD	1,000	7.750	12-Apr-31
Jyske Bank	06-Feb-24	EUR	300	7.000	13-Aug-30
Swedbank	06-Feb-24	USD	650	7.750	17-Mar-30
ING	05-Feb-24	USD	1,250	8.000	16-Nov-30

Source: Bond Radar, banks, media reports

Very active Tier 2 market

The Tier 2 market saw a robust flow of 31 European banks, following the 15 that priced trades in January. Between the start of February and 13 May, European bank issuers raised almost USD 20bn equivalent in Tier 2 capital, predominantly (72%) in EUR. Issuers were a mixture of national champions, second-line banks and infrequent issuers from a variety of jurisdictions.

Reflecting the range of issuers and call structures, euro yields ranged from 4.375% for Nationwide Building Society (10NC5), Credit Agricole (12NC7) and ING (10.25NC5.25), to 9.5% for the sub-benchmark EUR 100m 10.25NC5.25 green Tier 2 from the German subsidiary of ProCredit Bank, the Eastern and South-Eastern European-focused banking group.

Just focusing on the transactions that priced in recent days, **AIB Group** priced a capped EUR 650m green 11NC6 Tier 2 on 13 May at a spread of MS+190bp on a final book of EUR 3.3bn. IPTs were MS+225bp area. AIB came after compatriot **Bank of Ireland** had priced a EUR 500m 10.25NC5.25 Tier 2 on 2 May at MS+185bp (4.75% coupon) on a final book of EUR 3.4bn (MS+220bp area IPTs).

ING priced a EUR 1.25bn deal on 7 May at a spread of MS+165bp, in from IPTs of MS+200bp area thanks to peak demand of over EUR 4bn, which settled down to final demand of EUR 3.2bn. Most of the bonds went to asset managers (50%), official institutions/central banks (19%), insurers and pension funds (17%) and banks (10%) mainly across Europe with 14% allocated to Asian accounts.

On the last day of April, **Crédit Mutuel Arkéa** closed a EUR 500m 4x-covered sale of 11NC6 capped Tier 2 notes at 4.81%, equivalent to a spread of MS+190p (MS+220bp area IPTs). Final demand was above EUR 2bn.

Figure 7: European bank Tier 2 issuance (Feb to 13 May 2024)

Issuer	Issue date	Currency	Volume (m)	Coupon (%)	First call	Maturity
AIB Group	13 May 2024	EUR	650	4.625	20-May-30	20-May-35
ING	7-May-24	EUR	1 250	4.375	15-Aug-29	15-Aug-34
Bank of Ireland	2-May-24	EUR	500	4.750	10-Aug-29	10-Aug-34
Crédit Mutuel Arkéa	30-Apr-24	EUR	500	4.810	15-May-30	15-May-35
Achmea	24-Apr-24	EUR	750	5.625	2-May-34	2-Nov-44
Saxo Bank	24-Apr-24	EUR	100	6.750	2-Aug-29	2-Aug-34
BFCM	23-Apr-24	EUR	500	5.000	30-Oct-34	30-Oct-44
Crelan	23-Apr-24	EUR	300	5.375	30-Jan-30	30-Apr-35
ProCredit Holding AG	18-Apr-24	EUR	100	9.500	25-Apr-29	25-Jul-34
Schroders	11-Apr-24	GBP	250	6.346	18-Apr-29	18-Jul-34
Nationwide Building Society	9-Apr-24	EUR	500	4.375	16-Apr-29	16-Apr-34
Unicaja Banco	8-Apr-24	EUR	1 000	4.375	15-Apr-31	15-Apr-36
Commerzbank	8-Apr-24	EUR	750	4.875	16-Apr-29	16-Apr-34
National Bank of Greece	20-Mar-24	EUR	500	5.875	28-Mar-30	28-Jun-35
Bankinter SA	19-Mar-24	EUR	200	5.000	25-Mar-29	25-Jun-34
HSBC	18-Mar-24	EUR	1 000	4.599	22-Mar-30	22-Mar-35
Banco de Sabadell	18-Mar-24	EUR	500	5.125	27-Jun-29	27-Jun-34
Unicaja Banco	15-Mar-24	EUR	300	5.500	22-Mar-29	22-Jun-34
HSBC	14-Mar-24	AUD	850	6.211	21-Mar-29	21-Mar-34
HSBC	14-Mar-24	AUD	650	BBSW+230	21-Mar-29	21-Mar-34
Volksbank	14-Mar-24	EUR	500	5.750	21-Jun-29	21-Jun-34
Banca Sella Holding SpA	12-Mar-24	EUR	50	5.920	19-Mar-29	19-Mar-34
Banco BPM	11-Mar-24	EUR	500	5.000	18-Mar-29	18-Jun-34
KBC	11-Mar-24	GBP	500	6.151	15-Mar-29	15-Mar-34
Banco Santander	11-Mar-24	USD	1 250	6.350		14-Mar-34
Banca Popolare di Sondrio	5-Mar-24	EUR	300	5.505	13-Mar-29	13-Mar-34
Caixa Montepio Geral	5-Mar-24	EUR	250	8.500	12-Mar-29	12-Jun-34
HSBC	5-Mar-24	SGD	750	4.750	12-Sep-29	12-Sep-34
Belfius Bank	4-Mar-24	EUR	500	4.875	11-Jun-30	11-Jun-35
NatWest	28-Feb-24	USD	1 000	6.475	1-Mar-29	1-Jun-34
BPCE	27-Feb-24	SGD	400	5.000	8-Mar-29	8-Mar-34
Skandinaviska Enskilda Banken AB	20-Feb-24	EUR	500	4.500	27-Nov-29	27-Nov-34
BPCE	15-Feb-24	EUR	500	4.875	26-Feb-31	26-Feb-36
BNP Paribas	7-Feb-24	SGD	550	4.750	15-Feb-29	15-Feb-34
Danske Bank	5-Feb-24	EUR	750	4.625	14-May-29	14-May-34

Source: Bond Radar, banks, media reports

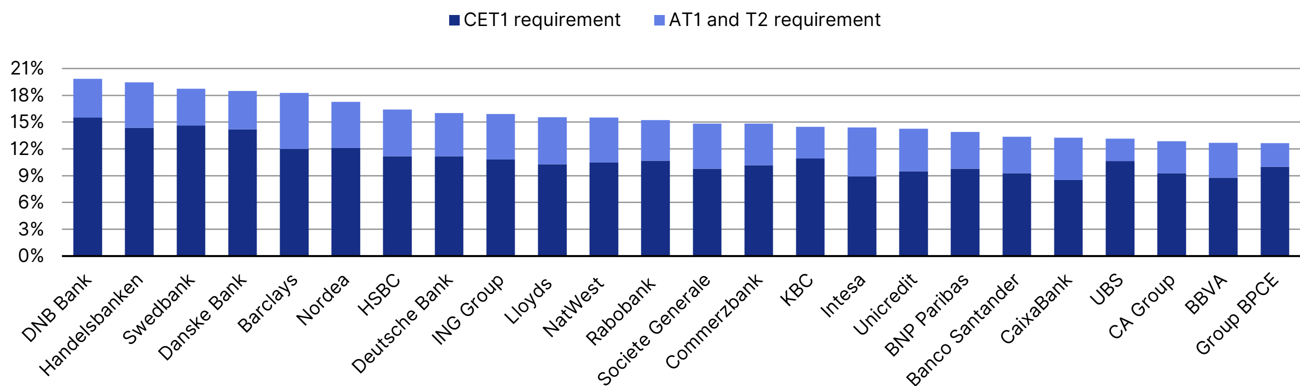
Appendix I: Capital requirements

Total capital requirements as of Q4 2023 (%)

			Buffer requirements						
	Pillar 1	Pillar 2R	Capital conservation	G-SII	O-SII	Systemic	Counter-cyclical	Total req	Of which CET1 req
BBVA	8.0%	1.71%	2.5%		0.8%		0.07%	**13.0%**	8.8%
Banco Santander	8.0%	1.59%	2.5%	1.0%			0.37%	**13.5%**	9.3%
Barclays	8.0%	4.60%	2.5%	1.5%			0.90%	**17.5%**	12.0%
BNP Paribas	8.0%	1.57%	2.5%	1.5%			0.41%	**14.0%**	9.8%
CaixaBank	8.0%	1.65%	2.5%		0.5%		0.10%	**12.8%**	8.5%
Commerzbank	8.0%	2.00%	2.5%		1.3%	0.1%	0.64%	**14.5%**	10.2%
Rabobank	8.0%	1.90%	2.5%			2.0%	0.60%	**15.0%**	10.7%
CA Group	8.0%	1.50%	2.5%	1.0%			0.42%	**13.4%**	9.3%
Danske Bank	8.0%	3.02%	2.5%		3.0%	0.5%	2.00%	**19.0%**	14.2%
Deutsche Bank	8.0%	2.70%	2.5%		2.0%		0.64%	**15.8%**	11.2%
DNB Bank	8.0%	2.00%	2.5%		2.0%	3.2%	2.20%	**19.9%**	15.5%
Group BPCE	8.0%	2.00%	2.5%	1.0%			0.48%	**14.0%**	10.0%
HSBC	8.0%	2.60%	2.5%	2.0%			0.70%	**15.8%**	11.2%
ING Group	8.0%	1.75%	2.5%	1.0%		2.0%	0.85%	**15.1%**	10.8%
Intesa	8.0%	1.72%	2.5%		0.8%		0.21%	**13.2%**	8.9%
KBC	8.0%	1.86%	2.5%		1.5%	0.1%	1.24%	**15.2%**	10.9%
Lloyds	8.0%	2.60%	2.5%		1.7%		1.83%	**14.9%**	10.3%
NatWest	8.0%	3.20%	2.5%		1.2%		1.70%	**15.4%**	10.5%
Nordea	8.0%	1.60%	2.5%		2.5%		1.70%	**16.3%**	12.1%
Societe Generale	8.0%	2.14%	2.5%	1.0%			0.56%	**14.2%**	9.8%
Handelsbanken	8.0%	1.97%	2.5%		1.0%	3.2%	1.90%	**18.6%**	14.4%
Swedbank	8.0%	2.70%	2.5%		1.0%	3.1%	1.70%	**19.3%**	14.6%
UBS							0.47%	**14.9%**	10.6%
Unicredit	8.0%	2.00%	2.5%	1.0%			0.37%	**13.9%**	9.5%

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

Total capital requirements as of Q4 2023 (%)



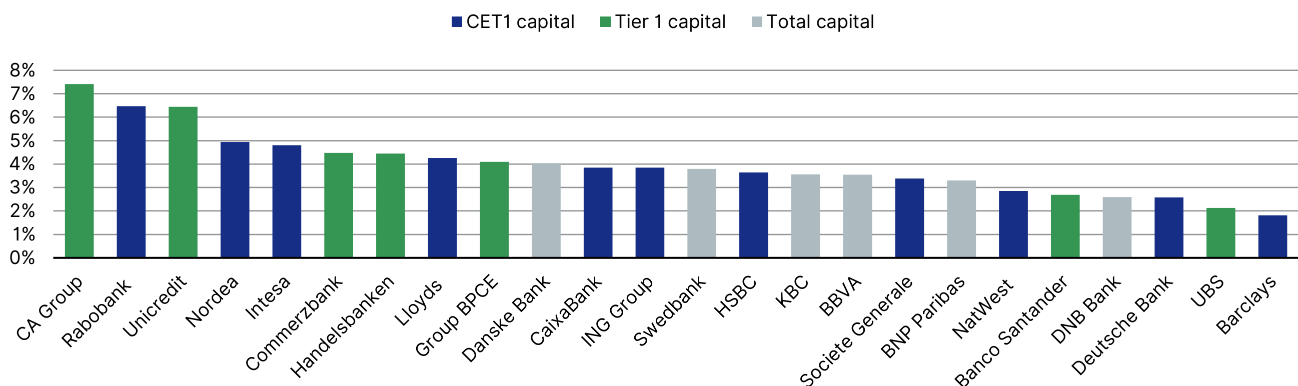
Source: Banks, Scope Ratings

Appendix II: Positioning against capital requirements

Buffers to capital requirements as of Q4 2023 (%)

	CET1 req.	CET1	CET1 buffer	Tier 1 req.	Tier 1	Tier 1 buffer	Total capital req.	Total capital	Total capital buffer	Currency	Total capital buffer (bn)
BBVA	8.8%	12.7%	3.9%	10.6%	14.3%	3.7%	13.0%	16.6%	3.5%	EUR	13
Banco Santander	9.3%	12.3%	3.0%	11.1%	13.7%	2.7%	13.5%	16.4%	2.9%	EUR	18
Barclays	12.0%	13.8%	1.8%	14.4%	17.7%	3.3%	17.5%	20.1%	2.6%	GBP	9
BNP Paribas	9.8%	13.2%	3.4%	11.6%	15.3%	3.7%	14.0%	17.3%	3.3%	EUR	23
CaixaBank	8.5%	12.4%	3.8%	10.3%	14.3%	4.0%	12.8%	17.1%	4.4%	EUR	10
Commerzbank	10.2%	14.7%	4.5%	12.0%	16.5%	4.5%	14.5%	19.4%	4.8%	EUR	8
Rabobank	10.7%	17.1%	6.5%	12.5%	19.2%	6.6%	15.0%	21.7%	6.7%	EUR	16
CA Group	9.3%	17.5%	8.3%	11.0%	18.5%	7.4%	13.4%	21.1%	7.7%	EUR	47
Danske Bank	14.2%	18.8%	4.6%	16.3%	20.5%	4.3%	19.0%	23.1%	4.0%	DKK	33
Deutsche Bank	11.2%	13.7%	2.6%	13.2%	16.1%	3.0%	15.8%	18.6%	2.7%	EUR	10
DNB Bank	15.5%	18.2%	2.7%	17.4%	20.0%	2.6%	19.9%	22.5%	2.6%	NOK	29
Group BPCE	10.0%	15.6%	5.6%	11.5%	15.6%	4.1%	14.0%	18.2%	4.3%	EUR	20
HSBC	11.2%	14.8%	3.6%	13.2%	16.9%	3.7%	15.8%	20.0%	4.2%	USD	36
ING Group	10.8%	14.7%	3.8%	12.7%	16.9%	4.2%	15.1%	19.8%	4.7%	EUR	15
Intesa	8.9%	13.7%	4.8%	10.8%	16.3%	5.5%	13.2%	19.2%	6.0%	EUR	18
KBC	10.9%	15.2%	4.3%	12.8%	16.8%	4.0%	15.2%	18.8%	3.6%	EUR	4
Lloyds	10.3%	14.6%	4.3%	12.3%	17.2%	4.9%	14.9%	19.8%	4.9%	GBP	11
NatWest	10.5%	13.4%	2.9%	12.6%	15.5%	2.9%	15.4%	18.4%	3.0%	GBP	5
Nordea	12.1%	17.0%	4.9%	13.9%	19.4%	5.5%	16.3%	22.2%	5.9%	EUR	8
Societe Generale	9.8%	13.1%	3.4%	11.7%	15.6%	3.9%	14.2%	18.2%	4.0%	EUR	16
Handelsbanken	14.4%	18.8%	4.5%	16.2%	20.6%	4.5%	18.6%	23.9%	5.3%	SEK	45
Swedbank	14.6%	19.0%	4.4%	16.7%	20.6%	3.9%	19.3%	23.1%	3.8%	SEK	32
UBS	10.6%	14.5%	3.9%	14.9%	17.0%	2.1%	14.9%	17.0%	2.1%	USD	12
Unicredit	9.5%	16.1%	6.6%	11.4%	17.8%	6.4%	13.9%	20.9%	7.0%	EUR	NA

Lowest buffer to capital requirements as of Q4 2023 (%)



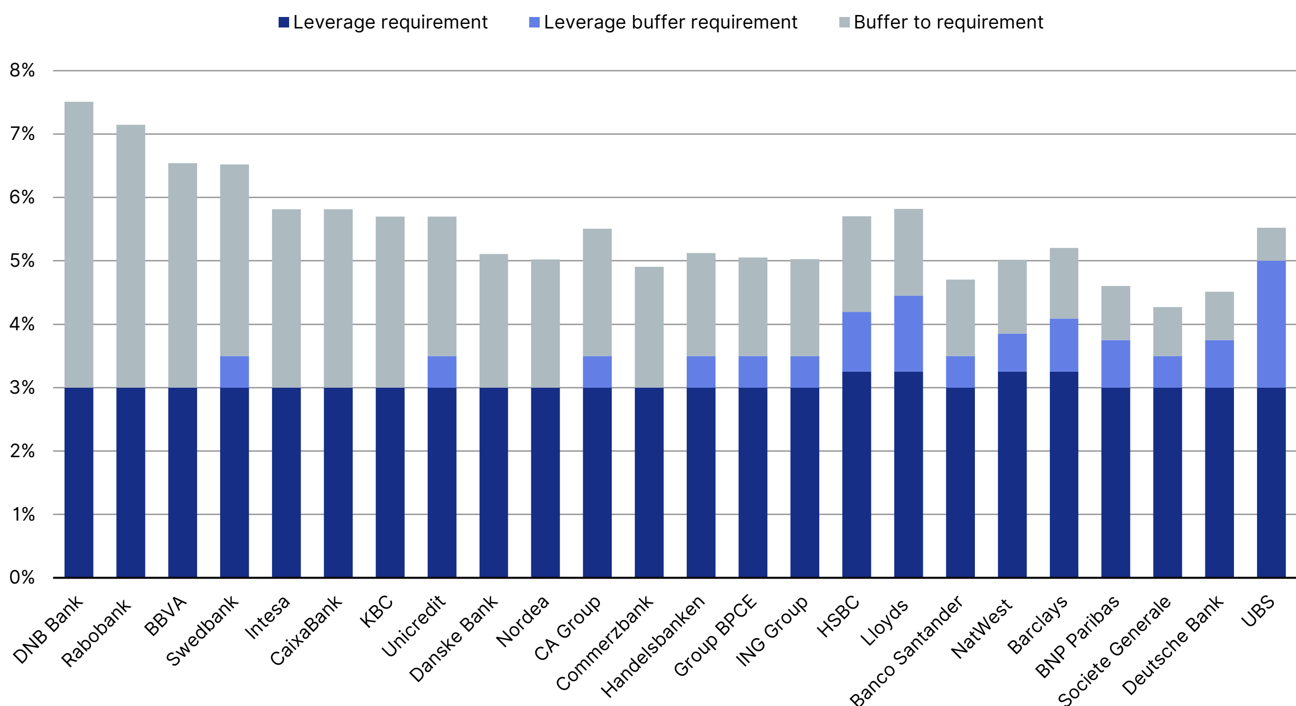
Source: Banks, Scope Ratings

Appendix III: Leverage requirements and positioning against requirements

EU banks have a minimum Tier 1 leverage ratio requirement of 3%. In addition, a bank may be subject to a specific Pillar 2 leverage ratio requirement. Since 1 January 2023, EU G-SIIs have also been subject to a leverage ratio capital add-on equal to 50% of their G-SII buffer, which must be met with Tier 1 capital. In the table below, we include the add-on for banks where this is applicable.

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

Buffer to leverage requirements based on Q4 2023 figures (%)



Notes:
(1) For UK banks, the buffer to requirements is based on the UK leverage ratio.
(2) The ring-fenced sub-group of Lloyds is subject to an additional leverage ratio buffer of 0.7% which equates to 0.6% at group level.
(3) The ring-fenced bank holding company of NatWest is subject to an additional leverage ratio buffer which equates to 0.4% at group level.
(4) For Handelsbanken and Swedbank, the leverage buffer is a Pillar 2 add-on.
Source: Banks, Scope Ratings

Appendix IV: TLAC requirements and positioning against requirements

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

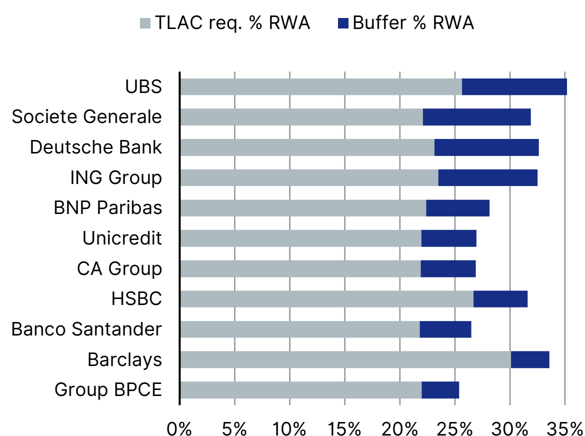
- 18% of the total risk exposure amount plus the combined buffer requirement
- 6.75% of the leverage exposure measure.

Positioning against TLAC requirements as of Q4 2023

	TLAC req. % RWA	TLAC % RWA	Buffer % RWA	TLAC req. % LE	TLAC % LE	Buffer % LE	Binding req.	Currency	Buffer to binding req. (bn)
Banco Santander	21.9%	26.5%	4.6%	6.8%	9.2%	2.4%	RWA	EUR	14
Barclays	30.1%	33.6%	3.5%	8.1%	9.9%	1.8%	RWA	GBP	12
BNP Paribas	22.4%	28.2%	5.8%	6.8%	8.4%	1.7%	LE	EUR	40
CA Group	21.9%	26.9%	5.0%	6.8%	8.0%	1.3%	LE	EUR	26
Deutsche Bank	23.1%	32.6%	9.5%	6.8%	9.2%	2.5%	LE	EUR	30
Group BPCE	22.0%	25.4%	3.4%	6.8%	8.2%	1.5%	RWA	EUR	16
HSBC	26.7%	31.6%	4.9%	8.5%	10.5%	2.1%	RWA	USD	42
ING Group	23.5%	32.5%	9.0%	6.8%	9.6%	2.9%	RWA	EUR	29
Societe Generale	22.1%	31.9%	9.8%	6.8%	8.7%	2.0%	LE	EUR	28
UBS	25.6%	36.6%	11.0%	8.8%	11.8%	3.0%	LE	USD	51
Unicredit	22.0%	27.0%	5.0%	6.8%	8.8%	2.0%	RWA	EUR	14

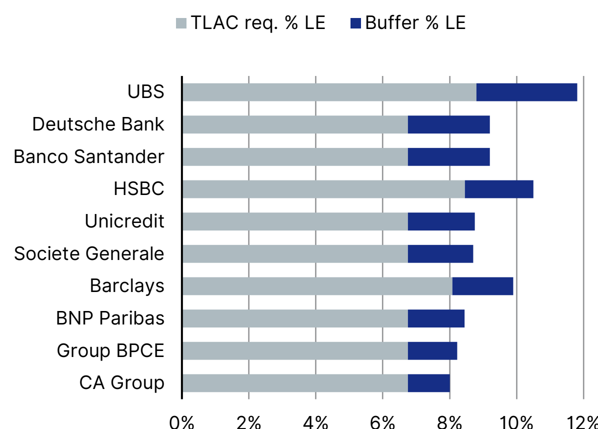
Notes:
(1) HSBC's binding requirement is based on "sum-of-the-parts" under a multiple point of entry resolution approach.
(2) For Banco Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

TLAC-RWA requirements and positioning as of Q4 2023



Source: Banks, Scope Ratings

TLAC-leverage requirements and positioning as of Q4 2023



Source: Banks, Scope Ratings

Appendix V: MREL requirements and positioning against requirements

On the whole, end-state MREL requirements have been binding since 1 January 2024 although some banks have extended deadlines.

Positioning against MREL-RWA requirements as of Q4 2023 (%)

	MREL req. % RWAs	MREL % RWAs	Buffer %	MREL sub req. % RWAs	MREL sub % RWAs	Buffer %
BBVA	24.8%	26.4%	1.6%	16.9%	21.8%	5.0%
Banco Santander	33.6%	37.8%	4.2%	21.8%	32.2%	10.4%
Barclays	30.1%	33.6%	3.5%	30.1%	33.6%	3.5%
BNP Paribas	26.6%	30.9%	4.4%	20.5%	28.2%	7.7%
CaixaBank	22.4%	26.8%	4.4%	16.6%	23.3%	6.7%
Commerzbank	27.5%	31.5%	4.0%	18.0%	27.9%	9.9%
Coop Rabobank	28.3%	35.7%	7.4%	22.9%	30.1%	7.2%
CA Group	25.0%	32.1%	7.1%	21.9%	26.9%	5.0%
Danske Bank	34.7%	41.8%	7.1%	27.5%	34.6%	7.1%
Deutsche Bank	30.4%	35.2%	4.9%	24.7%	32.6%	8.0%
DNB Bank	37.7%	41.6%	3.9%	30.0%	31.2%	1.2%
Group BPCE	25.5%	33.4%	7.9%	22.0%	25.4%	3.4%
HSBC	26.7%	31.6%	4.9%	26.7%	31.6%	4.9%
ING Group	29.0%	32.5%	3.5%	23.5%	32.5%	9.0%
Intesa	25.9%	39.8%	13.9%	17.6%	22.7%	5.1%
KBC	26.5%	30.7%	4.2%	18.4%	30.7%	12.3%
Lloyds	27.3%	31.9%	4.6%	27.3%	31.9%	4.6%
NatWest	27.9%	30.5%	2.6%	27.9%	30.5%	2.6%
Nordea	29.4%	38.6%	9.2%	22.7%	31.2%	8.5%
Societe Generale	25.7%	33.7%	8.0%	21.1%	28.4%	7.3%
Handelsbanken	32.4%	48.2%	15.9%	25.4%	30.6%	5.2%
Swedbank	32.1%	47.0%	14.9%	25.3%	34.5%	9.2%
Unicredit	24.7%	31.3%	6.6%	n/a	n/a	n/a

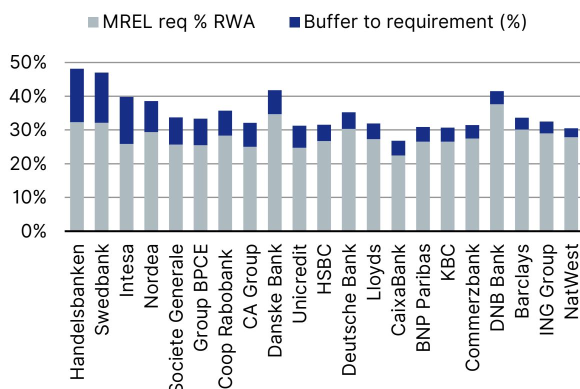
Notes:
(1) For Banco Santander, figures are for the resolution group and not the entire group.
(2) For BNP Paribas, requirements are applicable from 1 January 2024. Previously, the bank was not subject to a MREL requirement.
(3) For CA Group, the subordinated MREL requirement is below the TLAC requirement.
Source: Banks, Scope Ratings

Positioning against MREL-leverage requirements as of Q4 2023 (%)

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

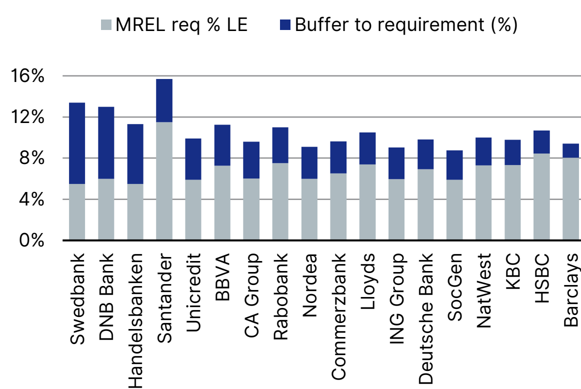
Note: For Santander, figures are for the resolution group and not the entire group.
Source: Banks, Scope Ratings

MREL-RWA requirement and positioning as of Q4 2023



Source: Banks, Scope Ratings

MREL-leverage requirement and positioning as of Q4 2023



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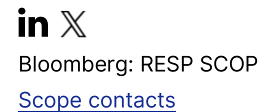

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