European Bank Capital Quarterly

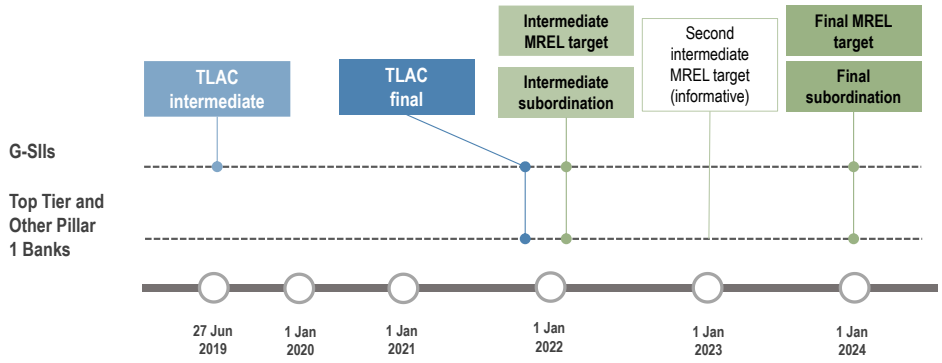
Ensuring the resilience of banks to support the economy

This quarterly focuses on two aspects of bank solvency: MREL and macroprudential buffers. First, we examine whether major European banks have built up sufficient equity and liabilities to absorb losses in a resolution scenario. Second, proposed changes to the EU's macroprudential framework will likely result in higher capital requirements for banks. While there is broad consensus that capital buffers work to ensure banks are sufficiently capitalised against systemic risks, there are concerns about the effectiveness of the buffers in smoothing financial cycles.

By 1 January 2024, EU banks under the remit of the Single Resolution Board (SRB) must meet their full external and internal MREL targets, including subordination. Intermediate binding targets have been in place since the beginning of this year. European G-SIBs have also had to meet final TLAC requirements since the start of the year.

Given the deadlines, we had expected banks to provide more clarity on where they stand against these requirements. Yet disclosures vary greatly and it is not always easy to reconcile the figures provided. This is due to the varying time periods used for the calibration as well as the adjustments that can be made to the default calibration formula.

Figure 1: MREL/TLAC timeline (EU banks)



Source: SRB, Scope Ratings.

From their disclosures, it appears that major European banks meet their MREL and TLAC requirements, if applicable. However, the disclosures are not complete and are particularly patchy when it relates to non-risk-based MREL and subordination requirements. In our selected universe of 25 large European banks, less than half make disclosures regarding non-risk-based MREL and less than a third on non-risk based subordination MREL.

This is likely due to MREL/TLAC-RWA requirements being higher and therefore, the binding constraint. However, as the situation can change, we believe that more complete disclosures would be helpful for market participants. We also find that the more final the requirements, the better the disclosures.

Resolution authorities in Sweden and the UK recently published resolvability assessments on their banks. The Swedish resolution authority provides detailed information on banks' compliance with MREL targets on a quarterly basis, including an indication of how much issuance each institution will need to comply with future requirements.

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Meanwhile, the Bank of England has provided a first assessment of the resolution preparations of the eight major UK banks. This is a broader assessment that includes adequate financial resources, ensuring continuity of services, and communications. This review will be performed every two years.

How banks are positioned against requirements

UK and Swiss banks are subject to the highest requirements

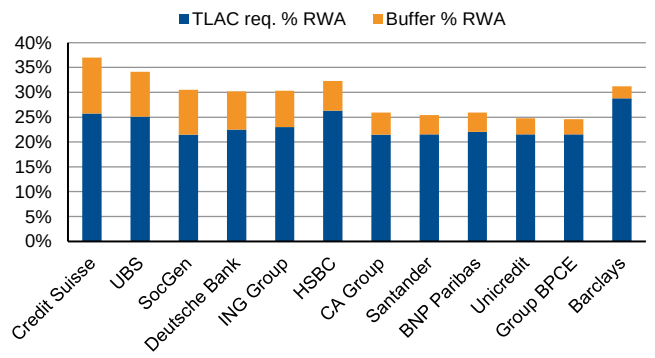
TLAC-RWA requirements for European banks classified as G-SIBs range from 21.5% to 28.8% while TLAC Leverage Ratio Exposure (TLAC-LRE) requirements range from 6.75% to 9%, with UK and Swiss banks being subject to the highest requirements. The variation in TLAC-RWA requirements is driven by differences in systemic buffers while the variation in TLAC-LRE requirements is due to the different approaches adopted by the various resolution authorities.

Barclays and HSBC, the UK G-SIBs, do not have separate TLAC requirements. Acknowledging the similarities between the two frameworks, the Bank of England chose to set MREL for UK G-SIBs as necessary to implement the FSB's TLAC standard, and to set similar requirements for other banks with a bail-in resolution strategy. Consequently, final MREL targets have been binding for these banks since the start of this year, along with full subordination.

As Switzerland is not part of the EU, the Swiss G-SIBs are subject to TLAC requirements but not MREL. Final TLAC requirements for Credit Suisse and UBS have been binding since 1 January 2020, with full subordination required. As the two groups take action to improve their resolvability, the Swiss regulator can reduce gone-concern loss-absorbing capacity requirements up to a certain limit. These assessments are performed annually, with the two groups continuing to receive rebates.

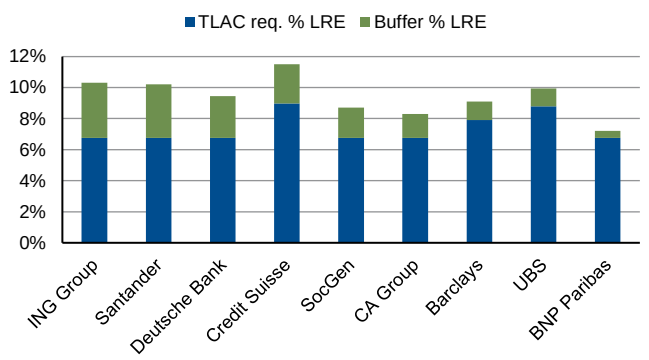
Resolution authorities outside of the Euro Area and outside of the EU, such as Denmark, Norway and the UK, have implemented MREL with their own specifications. For example, the MREL calibration for both Danske Bank and DNB Bank includes the Combined Buffer Requirement (CBR) twice. In addition to the differences mentioned above, the loss-absorbing capacity of the UK banks includes the CBR with no deduction for the countercyclical buffer (CCyB).

Figure 2: Positioning against TLAC-RWA requirements (%)



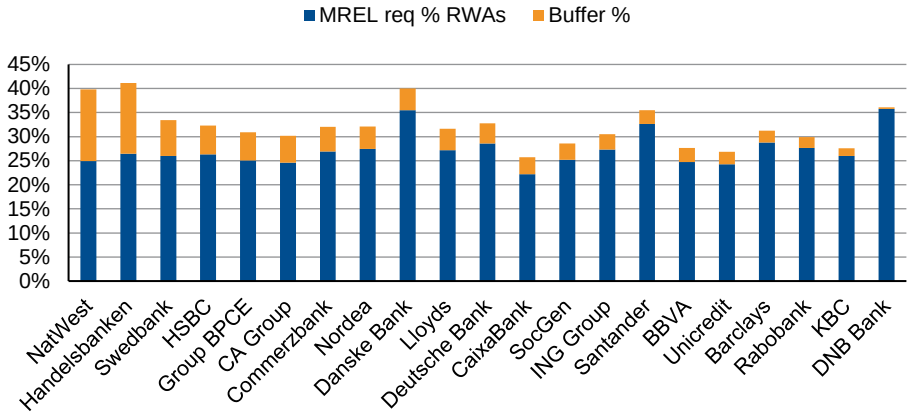
Notes: Data as of Q1 2022 except for HSBC which is as of YE 2021. HSBC's requirement is an estimate and is based on a "sum of the parts" approach. Santander's requirement is based on the resolution group rather than the entire group.
Source: Banks, Scope Ratings.

Figure 3: Positioning against TLAC-LRE requirements (%)



Notes: Data as of Q1 2022. Not all G-SIBs have disclosed TLAC-LRE data. Santander's requirement is based on the resolution group rather than the entire group.
Source: Banks, Scope Ratings.

Figure 4: Positioning against MREL-RWA requirements (%)



Notes: Data as of Q1 2022 except for HSBC which is as of YE 2021.
No data available for BNP Paribas and Intesa.
Santander's requirement is based on the resolution group rather than the entire group.
Source: Banks, Scope Ratings.

M-MDA does not appear to be an issue currently

As EU banks have had binding MREL targets since the beginning of the year, the Maximum Distributable Amount related to MREL (M-MDA) has also been in effect. The Bank of England did not transpose the M-MDA into UK law so UK banks are not subject to it.

Smaller banks face challenges in issuing MREL liabilities

Given the greater flexibility of the M-MDA regime and the recent market volatility, it is not surprising that there has been limited investor interest in this aspect of MREL. However, as more banks become subject to end-state targets, this could become a more relevant issue. In a review of the UK MREL framework, the Bank of England acknowledged the challenges faced by medium-sized banks and building societies in issuing liabilities to meet their interim MRELs.

Greater proportion of smaller banks have MREL shortfalls

In the EBA's latest quantitative MREL report, 110 resolution groups had an external MREL combined shortfall of EUR 68bn against end-state MREL targets as of end-2020. The shortfall was driven primarily by O-SIIs (EUR 47bn) and other banks (EUR 17bn). About 25% of O-SIIs with assets of more than EUR 50bn and 70% of smaller banks with less than EUR 50bn in assets had shortfalls.

Like restrictions on AT1 coupons when banks breach the CBR, M-MDA restrictions can be imposed on banks that breach the CBR considered in addition to MREL and TLAC requirements, as applicable. The M-MDA regime also applies to MREL subordination requirements.

Use of M-MDA power entails greater discretion

Payment restrictions, however, are not automatic. The SRB follows a two-stage assessment process. The first stage starts when the bank has notified the national resolution authority and the SRB about the breach and can last for nine months.

The second stage starts nine months after the notification of the breach. The SRB will then exercise the M-MDA unless at least two conditions have been met. These are primarily related to market disruptions that prevent issuance. As well, the SRB will consider whether exercising the M-MDA power would have negative spill-over effects for parts of the banking sector, potentially undermining financial stability.

Overview of the SRB's MREL policy

MREL target based on current P2R but last year's balance sheet

For EU banks, the resolution planning cycle runs from April to March. The SRB uses the final SREP decisions and Pillar 2 requirements applicable in a given year and the balance sheet data from the previous year.

MREL applies along both risk and leverage-based dimensions and the two requirements must be met in parallel: a percentage of the Total Risk Exposure Amount (TREA) and a percentage of the Leverage Ratio Exposure measure. Further, each may need to be met in part or in full with subordinated resources as determined by the SRB.

CET1 capital used to meet the MREL-TREA cannot be used to meet the CBR. Therefore, the CBR is additive to MREL-TREA requirements. This restriction, however, is not relevant for the MREL-LRE. The same distinction applies to subordination requirements.

The default formula for MREL comprises both a loss absorption amount and a recapitalisation amount:

Figure 5: Default loss absorption and recapitalisation calibration

Loss absorption amount	Recapitalisation amount
TREA * (Pillar 1 + Pillar 2 requirements)	TREA * (Pillar 1 + Pillar 2 requirements)
LRE * leverage ratio requirement	LRE * leverage ratio requirement

Source: SRB, Scope Ratings.

Market confidence charge is an adjustment to default calibration

Adjustments can be made to either to the loss absorption or recapitalisation amount; the most notable being the Market Confidence Charge (MCC). The SRB is phasing in a change to the new MCC, which is equivalent to the CBR minus the CCyB, from the previous formula of CBR minus 125bp. The transition will be completed with the 2023 resolution planning cycle (Figure 6). In addition, the SRB may increase MREL-LRE up to 8% of Total Liabilities and Own Funds (TLOF) if needed to meet resolution objectives.

Figure 6: Phasing in of new market confidence charge

Resolution planning cycle (April – March)	Market confidence charge calculation
2020	CBR – greater of the CCyB and 93.75bp
2021	CBR – greater of the CCyB and 62.5bp
2022	CBR – greater of the CCyB and 31.25bp
2023	CBR – CCyB

Source: SRB, Scope Ratings.

MREL requirement can be higher than TLAC for EU G-SIIs

The resolution entities of EU G-SIIs are subject to specific MREL targets. In addition to TLAC requirements, they may be subject to an additional requirement when the minimum TLAC requirement is lower than the general MREL calibration (loss absorption amount plus recapitalisation amount). The additional requirement would be equal to the difference between the two. Consequently, MREL requirements may be higher than TLAC requirements for EU G-SIIs.

As a reminder, minimum TLAC requirements are 18% of RWAs and 6.75% of LRE. Further, the CBR sits on top of the minimum TLAC-TREA.

Overview of the SRB's subordinated MREL policy

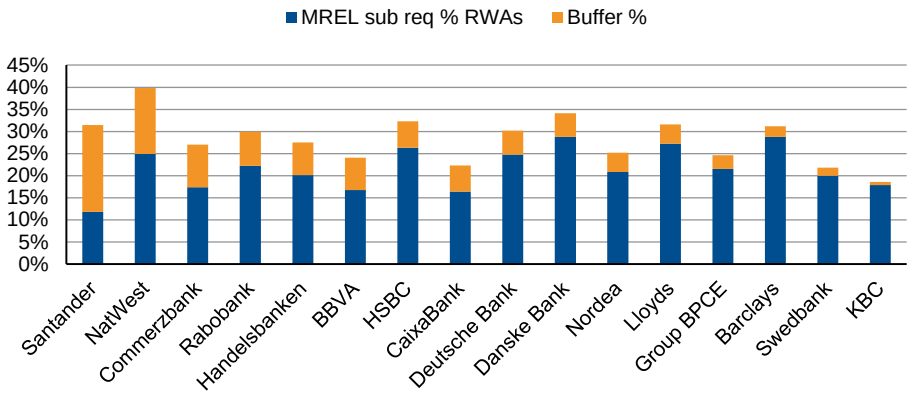
The amount an EU resolution entity needs to hold in own funds and subordinated liabilities depends on its regulatory classification and whether the SRB has identified any No Creditor Worse Off (NCWO) risks.

The minimum subordination requirement for G-SIIs, Top-Tier Banks (total assets above EUR 100bn), and Other Pillar 1 Banks is as follows:

- 18% TREA plus CBR/6.75% LRE for G-SIIs
- 13.5% TREA plus CBR/5% LRE for Top Tier Banks and Other Pillar 1 Banks
- Any additional subordination set by the resolution authority to ensure 8% TLOF. The 8% TLOF target level for Top Tier Banks is capped at 27% of TREA.

The adjustment to ensure 8% TLOF does not appear common among the large banks, with KBC being an exception.

Figure 7: MREL-RWA subordination requirements and buffers (%)



Notes: Data as of Q1 2022 except for HSBC and NatWest which are as of YE 2021.
No data available for BNP Paribas, Credit Agricole, ING, Intesa, SocGen and UniCredit.
Santander's requirement is based on the resolution group rather than the entire group.
Source: Banks, Scope Ratings.

Potential changes to the EU macroprudential framework

Positively for investors, regulators increasingly acknowledge the complexity of the regulatory solvency framework. Due to the overlaps between different prudential and resolution requirements, there are complexities to monitoring the various requirements. In its call for advice on the review of the EU macroprudential framework, the European Commission asked whether there was a need to redesign it considering the interaction with other solvency requirements such as leverage and MREL.

Regulatory authorities also have data gaps

In its response, the ECB noted that authorities should be able to assess the overlap of the leverage ratio and MREL requirements with the CBR. However, the ECB concluded that there were data gaps at national level. Notably, competent authorities do not necessarily have access to MREL requirements while macroprudential authorities and central banks do not necessarily have data on MREL resources and targets. Further, disclosure templates may not make it possible to identify the relative bindingness of the various capital requirements. The information limitations facing supervisors naturally apply to other market participants.

Increasing use of positive CCyB rate in a normal risk state

Other comments from the ECB focus on addressing the issue of buffer usability – the extent to which banks are willing to use their capital buffers to maintain lending in an economic downturn. Of the various proposals, the one most likely to be implemented is maintaining a positive CCyB rate in a standard risk environment. An increasing number of regulators have adopted this stance, including the UK, the Netherlands and Sweden. The neutral level is a 2% CCyB rate. Other ECB recommendations include allowing for a shorter transitional period when increasing the CCyB rate and permitting multiple CCyB rate decisions in a quarter.

Systemic risk buffer could cover climate risks

The ECB also considers the merits of a fully or partially releasable capital conservation buffer as well as a core rate for the releasable systemic risk buffer. While current use of the systemic risk buffer is limited within the SSM (Austria, Bulgaria, Croatia and Slovakia), it could in the future be used to cover additional risks such as those related to climate and financial innovation. The ECB sees a systemic dimension to climate risks as they are likely to impact similar banks simultaneously.

However, the proposals that have garnered most investor attention relate to AT1. Various regulators have noted that during the Covid-19 pandemic, banks appeared reluctant to use their buffers because of concerns about restrictions on AT1 coupon payments and potential negative market reactions.

Proposals to improve the going-concern capacity of AT1s

Consequently, the ECB has proposed changes to strengthen the ability of AT1 securities to act as going-concern capital. One is to review the definition of “distributable items” to ensure that only profitable banks or banks with positive retained earnings are able to pay AT1 coupons.

The head of ECB supervision recently stated that they were asking individual banks to incorporate sufficiently conservative and updated adverse macroeconomic scenarios, including recessionary assumptions in their capital planning. While not a blanket restriction as imposed during the Covid-19 pandemic, banks could again start to retain more capital by postponing or implementing part of their distribution plans. Distributions remain subject to supervisory review.

Other proposals would increase the loss absorption of and the permanence of AT1 securities, such as removing “obsolete” triggers and limiting the possibility of calls unless replaced with a CET1 instrument or a cheaper AT1 security. It remains to be seen how feasible these changes would be given the regulatory process and the way the AT1 market currently functions.

Capital securities market fragile with issuers giving concessions

The weak market tone that rendered European bank capital issuance sporadic and window-driven in the first quarter continued into the second quarter. Sentiment has been fragile and volatile as the rate and inflation story and war in Ukraine have kept issuers and investors uncertain around price discovery, value and timing.

Dramatic widening in spreads in H1

AT1 levels have moved dramatically wider since the start of the year. Investors have pushed back on pricing, demanding better compensation for the heightened risk. Issuers are approaching the market with a degree of pragmatism and have paid away reasonable concessions to get trades done.

Supply across AT1 and Tier 2 from European banks was roughly USD 12.5bn equivalent between the beginning of April and first two trading days of July, with supply emerging in euros, US dollars, Swiss francs, sterling, Singapore dollars and yen; 55/45 in favour of Tier 2.

April had been lacklustre even for Tier 2, with only Zürcher Kantonalbank (EUR 500m) and Credit Agricole (SGD 250m) showing their hands. Swedish banks were instrumental in laying markers in both Tier 2 and AT1 at the end of May and beginning of June after weeks of primary inaction.

Handelsbanken solidified Tier 2 sentiment on 24 May with a blowout EUR 500m 11-year Tier 2 with a call at six years that saw final pricing tighten 20bp from initial thoughts to 180bp over mid-swaps for a 3.25% coupon. The trade offered a reasonable but not overly large concession; EUR 1.25bn of final demand was good at the reoffer.

Testament to the tough market, though, on the same day as Handelsbanken was in the market, Deutsche Pfandbriefbank found the going tough and opted not to finance the call of its EUR 300m 2.875% Tier 2 with a new issue. The coupon of the outstanding bond reset to 275bp over five-year mid-swaps, fixed until final maturity on 28 June 2027.

Legacy Tier 2 and Discos to be under the spotlight

New support for the capital securities market may be forthcoming following the EBA's latest review and opinion on legacy instruments. A new subset of instruments, primarily Tier 2 and discount perpetual securities (Discos), have become subject to CRR2 grandfathering rules. The potential infection risk associated with legacy instruments under CRR1 has been primarily resolved through calls, redemptions and repurchases.

In AT1s, meanwhile, German residential and commercial property lender Münchener Hypothekenbank paid what was said to have been reasonably generous concessions in mid-May on a sub-benchmark Swiss-only CHF 75m AT1 with a five-year call, paying 5.75%. But it was SEB that was the AT1 market reopener on 31 May, drawing USD 5.4bn in demand for a USD 500m non-call trade, benefiting from the scarcity of supply albeit playing to the new pricing paradigm.

Stronger names able to attract demand in tough market

With strong investor reception, SEB's leads pulled pricing in from initial thoughts of 7.375% area to 6.875%, still offering a reasonable concession. Julius Bär followed SEB into dollar AT1s a day later with another blowout. The USD 400m non-call 5.5-year trade pulled in orders of USD 3.5bn and followed the exact same pricing route as SEB: starting out at 7.375% for USD 300m and ending at 6.875% for a larger print.

de Volksbank reopened the debate on green capital with a EUR 300m non-call five green AT1 in early June, only the second green offering in hybrid capital format since BBVA's trade in 2020. Demand was a little subdued at EUR 440m and the issuer could not pull pricing in from 7% initial price thoughts so ended up paying decent concessions. But this was put down as much if not more to the deal's sub-benchmark size, the bank's small size and smaller investor following as well as the difficult market backdrop than any reticence about the green aspect. As a bank focused on social impact, market participants said the issuer was well suited to the format.

In the sterling market, UK lender Virgin Money raised paid 8.25% (reset rate of 6.357% over Gilts) on a GBP 350m non-call five AT1 to finance a tender to holders of its GBP 450m 8% AT1s, generating demand of GBP 750m.

Expensive AT1 calls for Barclays and Credit Suisse

Demonstrating how issuers are developing differentiated call strategies, Credit Suisse in US dollars and Barclays in sterling both paid up to call outstanding AT1 lines rather than extend. Credit Suisse surprised investors by opting to pay 9.75% on a new USD 1.65bn AT1 with a five-year call to finance the call of its USD 1.5bn AT1 from 2017. The new line was a little unconvincing; less than 2x covered and pricing at initial price thoughts. The call date of the AT1 to be called – its last with equity conversion – comes up on July 29. It pays 7.125% and the reset spread is mid-swaps plus 510.5bp. The new issue priced at 638.3bp over US Treasuries.

Barclays achieved the same outcome but with a somewhat different process. The bank enticed investors with 9.25% initial price thoughts on a GBP 1.25bn trade and attracted strong demand that culminated in GBP 4.25bn of orders as pricing tightened to 8.875%. The call on Barclays' 7.875% AT1 from 2015 falls due on 15 September with a reset rate of 609.9bp over mid-swaps. The new issue priced at a spread of 695.5bp over Gilts.

The above refinancing deals support the view that both banks and supervisors take a broad perspective when deciding whether to call or not. *Stricto sensu*, both deals were uneconomical on a purely comparative issue-to-issue level, with final pricing above reset spreads.

Figure 8: Recent AT1 issuance by European banks

Issuer	Issue date	Currency	Volume (m)	Coupon	First Call
Barclays	30-Jun-22	SGD	450	8.300	15-Sep-27
Barclays	23-Jun-22	GBP	1,250	8.875	15-Sep-27
Credit Suisse	16-Jun-22	USD	1,650	9.750	23-Jun-27
De Volksbank	8-Jun-22	EUR	300	7.000	15-Jun-27
Virgin Money	7-Jun-22	GBP	350	8.250	8-Dec-27
Julius Bär	1-Jun-22	USD	400	6.875	9-Jun-27
SEB	31-May-22	USD	500	6.875	30-Jun-27
Münchener Hypothekenbank	19-May-22	CHF	75	5.750	2-Jun-27
Banco BPM	5-Apr-22	EUR	300	7.000	12-Apr-27

Source: Bond Radar, banks, media reports

Figure 9: Recent Tier 2 issuance by European banks

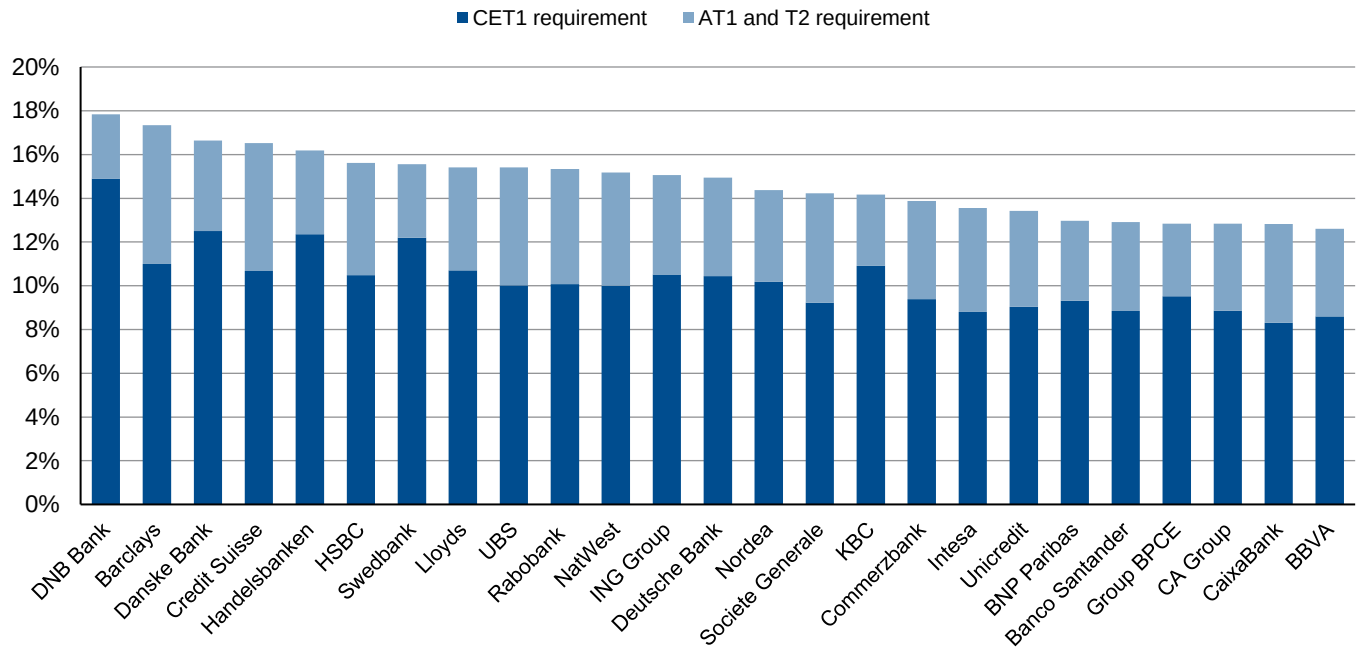
Issuer	Issue date	Currency	Volume (m)	Coupon (%)	Maturity	First call
BNP Paribas	04-Jul-22	SGD	300	5.250	12-Jul-32	12-Jul-27
BPCE	1-Jul-22	JPY	26,600	2.400	7-Jul-32	7-Jul-27
Credito Emiliano	28-Jun-22	EUR	200	7.625	5-Oct-32	5-Jul-27
ABN AMRO	28-Jun-22	SGD	750	5.500	5-Oct-32	5-Jul-27
HSBC	20-Jun-22	SGD	900	5.250	27-Jun-32	27-Jun-27
Societe Generale	8-Jun-22	USD	1,250	6.221	15-Jun-33	15-Jun-32
Helaba	8-Jun-22	EUR	550	4.500	15-Sep-32	15-Jun-27
BFCM	7-Jun-22	EUR	1,250	3.875	16-Jun-32	16-Jun-27
Erste Bank	30-May-22	EUR	500	4.000	7-Jun-33	7-Mar-28
Svenska Handelsbanken	24-May-22	EUR	500	3.250	1-Jun-33	1-Jun-28
Credit Agricole	13-Apr-22	SGD	250	3.950	22-Jul-27	22-Jul-32
Zuercher Kantonalbank	6-Apr-22	EUR	500	2.020	13-Apr-28	13-Apr-27

Source: Bond Radar, banks, media reports

Appendix I: Capital requirements (Q1 2022)

			Buffers						
	Pillar 1	Pillar 2R	Capital conservation	G-SII	O-SII	Systemic	Counter-cyclical	Total req	Of which CET1 req
BBVA	8.0%	1.5%	2.5%		0.8%		0.01%	**12.8%**	8.6%
Banco Santander	8.0%	1.5%	2.5%	1.0%			0.01%	**13.0%**	8.9%
Barclays	8.0%	4.4%	2.5%	1.5%				**16.4%**	11.0%
BNP Paribas	8.0%	1.4%	2.5%	1.5%			0.03%	**13.4%**	9.3%
CaixaBank	8.0%	1.7%	2.5%		0.4%		0.01%	**12.5%**	8.3%
Commerzbank	8.0%	2.0%	2.5%		1.3%		0.02%	**13.8%**	9.4%
Rabobank	8.0%	1.9%	2.5%			2.0%	0.01%	**14.4%**	10.1%
CA Group	8.0%	1.5%	2.5%	1.0%			0.02%	**13.0%**	8.9%
Credit Suisse								**15.0%**	10.7%
Danske Bank	8.0%	3.4%	2.5%		3.0%		0.10%	**17.0%**	12.5%
Deutsche Bank	8.0%	2.5%	2.5%		2.0%		0.03%	**15.0%**	10.4%
DNB Bank	8.0%	1.9%	2.5%		2.0%	3.2%	0.80%	**18.4%**	14.9%
Group BPCE	8.0%	2.4%	2.5%	1.0%			0.02%	**13.9%**	9.5%
HSBC	8.0%	2.6%	2.5%	2.0%			0.02%	**15.1%**	10.5%
ING Group	8.0%	1.8%	2.5%	1.0%		2.5%	0.03%	**14.8%**	10.5%
Intesa	8.0%	1.8%	2.5%		0.8%		0.05%	**13.1%**	8.8%
KBC	8.0%	1.9%	2.5%		1.5%		0.55%	**14.4%**	10.9%
Lloyds	8.0%	3.5%	2.5%		1.7%			**15.7%**	10.7%
NatWest	8.0%	3.2%	2.5%		1.2%			**13.7%**	8.8%
Nordea	8.0%	1.8%	2.5%		2.0%		0.20%	**14.5%**	10.2%
Societe Generale	8.0%	2.1%	2.5%	1.0%			0.04%	**13.7%**	9.2%
Handelsbanken	8.0%	1.9%	2.5%		1.0%	3.0%	0.12%	**16.6%**	12.4%
Swedbank	8.0%	1.7%	2.5%		1.0%	3.0%		**16.2%**	12.2%
UBS							0.02%	**14.3%**	10.0%
UniCredit	8.0%	1.8%	2.5%	1.0%			0.05%	**13.3%**	9.0%

Total capital requirements (%)

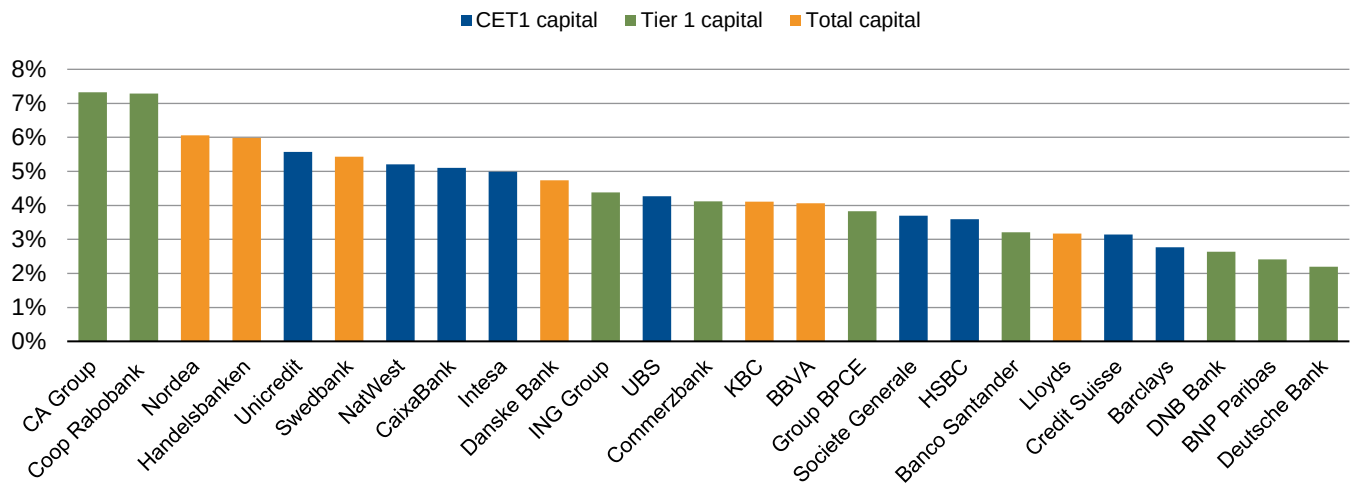


Source: Banks, Scope Ratings.

Appendix II: Positioning against capital requirements (Q1 2022)

	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	8.6%	12.8%	4.2%	10.4%	14.7%	4.3%	12.8%	16.8%	4.1%	EUR	13
Banco Santander	8.9%	12.3%	3.5%	10.6%	13.8%	3.2%	13.0%	16.4%	3.4%	EUR	20
Barclays	11.0%	13.8%	2.8%	13.3%	17.1%	3.8%	16.4%	20.1%	3.7%	GBP	12
BNP Paribas	9.3%	12.4%	3.0%	11.1%	13.5%	2.4%	13.4%	16.0%	2.6%	EUR	19
CaixaBank	8.3%	13.4%	5.1%	10.1%	15.7%	5.6%	12.5%	17.9%	5.4%	EUR	12
Commerzbank	9.4%	13.5%	4.1%	11.3%	15.4%	4.1%	13.8%	18.0%	4.3%	EUR	7
Coop. Rabobank	10.1%	17.4%	7.3%	11.9%	19.2%	7.3%	14.4%	22.6%	8.2%	EUR	17
CA Group	8.9%	17.0%	8.1%	10.6%	18.0%	7.3%	13.0%	20.9%	7.9%	EUR	47
Credit Suisse	10.7%	13.8%	3.1%	15.0%	19.5%	4.5%	15.0%	19.7%	4.7%	CHF	13
Danske Bank	12.5%	17.6%	5.1%	14.4%	19.3%	4.9%	17.0%	21.7%	4.7%	DKK	41
Deutsche Bank	10.4%	12.8%	2.4%	12.4%	14.6%	2.2%	15.0%	17.3%	2.3%	EUR	8
DNB Bank	14.9%	18.1%	3.2%	16.4%	19.0%	2.6%	18.4%	21.0%	2.6%	NOK	27
Group BPCE	9.5%	15.2%	5.7%	11.4%	15.2%	3.8%	13.9%	18.5%	4.7%	EUR	21
HSBC	10.5%	14.1%	3.6%	12.5%	16.7%	4.2%	15.1%	19.2%	4.1%	USD	35
ING Group	10.5%	14.9%	4.4%	12.3%	16.7%	4.4%	14.8%	19.5%	4.7%	EUR	16
Intesa	8.8%	13.8%	5.0%	10.6%	16.0%	5.4%	13.1%	18.5%	5.5%	EUR	18
KBC	10.9%	15.3%	4.3%	12.4%	16.7%	4.2%	14.4%	18.5%	4.1%	EUR	4
Lloyds	10.7%	14.2%	3.5%	12.9%	16.3%	3.4%	15.7%	18.9%	3.2%	GBP	7
NatWest	10.0%	15.2%	5.2%	12.1%	17.4%	5.3%	14.9%	20.4%	5.5%	GBP	10
Nordea	10.2%	16.3%	6.1%	12.0%	18.4%	6.4%	14.5%	20.5%	6.1%	EUR	9
Societe Generale	9.2%	12.9%	3.7%	11.1%	15.1%	4.0%	13.7%	17.9%	4.3%	EUR	16
Handelsbanken	12.4%	18.7%	6.3%	14.2%	20.4%	6.3%	16.6%	22.5%	6.0%	SEK	49
Swedbank	12.2%	18.3%	6.1%	13.8%	19.5%	5.7%	16.2%	21.7%	5.4%	SEK	39
UBS	10.0%	14.3%	4.3%	14.3%	19.2%	4.9%	14.3%	19.7%	5.4%	CHF	17
UniCredit	9.0%	14.6%	5.6%	10.9%	16.5%	5.6%	13.3%	19.0%	5.7%	EUR	19

Lowest buffer to capital requirements (%)



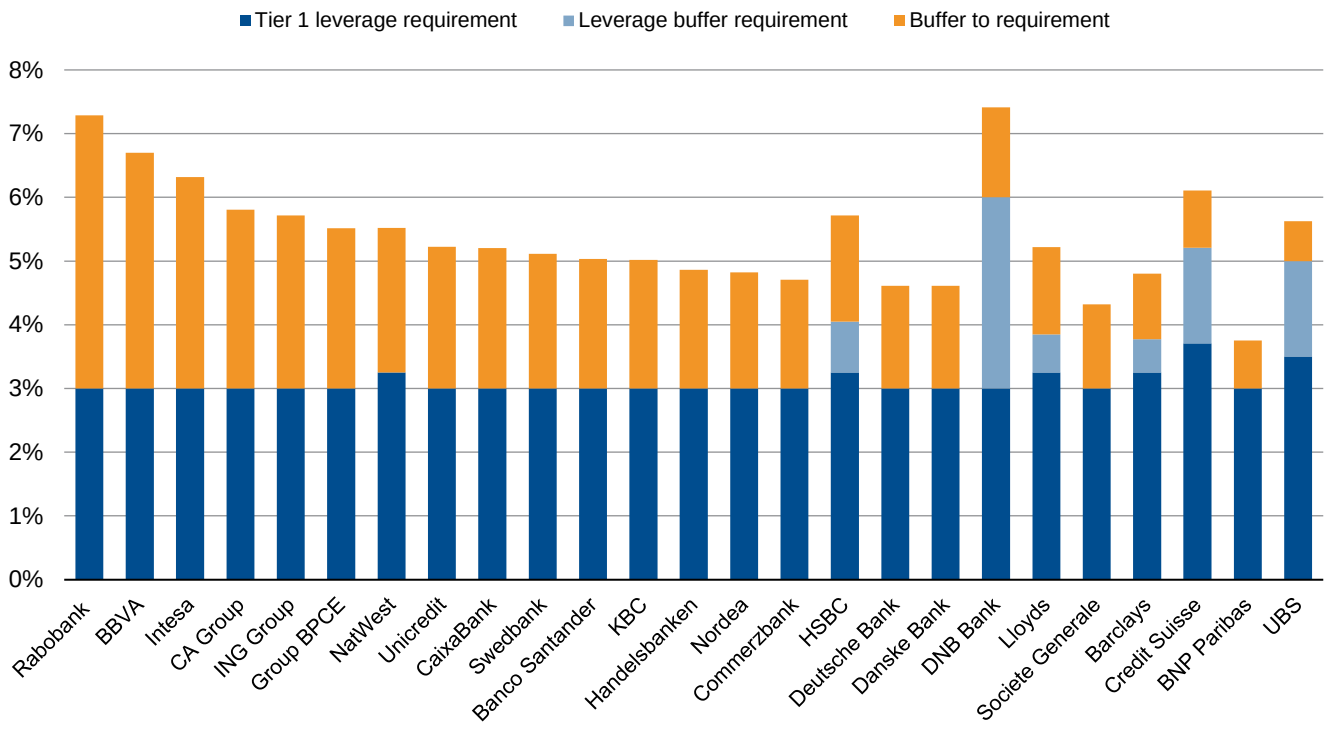
Source: Banks, Scope Ratings.

Appendix III: Leverage requirements and positioning against requirements (Q1 2022)

EU banks currently have a minimum Tier 1 leverage requirement of 3%. From next year, those that are also G-SIIs will be subject to a leverage ratio capital add-on equal to 50% of their G-SII buffer. Considering where current leverage positions stand, most banks should comfortably meet the additional requirement.

Meanwhile, banks in Norway, the UK and Switzerland are already subject to leverage ratio buffers which must be met with CET1 capital. For UK banks, these are equal to 35% of any systemic and countercyclical capital buffers. Unlike in the EU, the base requirement for UK banks is set at 3.25%. This is an offset to the way the UK leverage exposure measure is calculated, which continues to exclude 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 (%)



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

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