Finance for Europe

Prudential Data Report Q2: 2015

2015 Q2

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Quarterly Prudential Report, Q2: 2015

Highlights and Regulatory update

Highlights

This report provides an update on the progress achieved by EU GSIBs against the rules set out in the CRDIV legislation. The report also illustrates the recent performance of the debt and contingent convertibles (CoCo) markets for banks in Europe.

Most prudential data publications and statistical sources compile information that is not comparable or is published with a substantial delay. This report addresses the existing data gap by publishing comparable and consistent prudential statistics of EU GSIBs on a timely basis.

For the preparation of this report, a dataset with comparable prudential ratios was compiled from public sources, illustrating the continued progress against the CRDIV capital and leverage requirements by the 14 EU GSIBs[1]. These banks together accounted for €18.3tn in assets in 2014 (€18.4 in June 2015), or approximately 55% of total assets held by banks in the EU. For some data points, notably CoCos, this report provides data on all European banks rather than just EU GSIBs.

Main findings

Capital and Leverage Ratios

The CRDIV prudential rules on capital and leverage entered into force on 1 January 2014, with transition periods before the requirements apply in full. The report distinguishes between two reporting approaches: phased-in and end-point, where the former are disclosed by EU GSIBs on the basis of the transitional rules[2] (e.g. deductions and grandfathering rules); and the latter are disclosed under the assumption that that the rules due to apply at the end of the transition period are in force.[3]

From December 2013 to June 2015, the EU GSIBs increased their Common Equity Tier 1 (CET1) ratios on a phased-in basis from 10.8% to 11.9%, representing an increase in CET1capital of €103bn. On an end-point basis, CET1 ratios have increased from 10.2% to 11.6% in the same period (comparable with minimum required of 4.5% in 2015 and between 8%-12% required from 2019 onwards).

The average Tier 1 capital ratio of EU GSIBs increased from 12.0% to 13.2% on a phased-in approach during the period 4Q13 - 2Q15, and from 11.1% to 13.1% on an end point basis.

EU GSIBs' risk-weighted assets (RWA) on a phased-in approach stood at €6.3tn in June 2015, an increase of 4.9% on the same quarter of the previous year (€ 6.0tn) and a decrease of 2.7% in EUR from 1Q15 (€6.5 tn). The substantial increase of RWAs in 1Q15 was partly explained by the abnormal depreciation of the EUR against other currencies in which banks report their financial statements (USD and GBP).

The simple average of EU GSIBs' leverage ratios on an end-point basis has increased continuously from 3.8% in 4Q13 to 4.5% in 2Q15. Currently the CRDIV rules establish that banks must comply with a minimum 3.0% leverage ratio by 1 January 2018.

Issuance: Contingent Convertibles

Contingent Convertible securities (or CoCos) have become an important source of funding by banks and for purposes of absorbing potential losses when the capital of the issuing bank falls below a specific pre-agreed threshold.

The issuance of CoCo instruments by European Banks in the first half of the year stood at €21.2 bn, significantly above the volume observed in 1H 2014 (€16.5 bn). Most issuance (86%) during 1H15 was structured on the basis of principal write down in the event of a breach of specified minimum trigger levels of capital. Of the semi-annual amount of CoCos issued by European Banks, 98% corresponded to securities contingent on Tier I performance.

In relation to maturity, €20.7 bn of the €21.2bn amount issued during 1H 15 was in the form of perpetual bonds (97%). In the first half of 2014, 73% (€ 12.1bn) of the semi-annual CoCo issuance corresponded to long-term perpetual bonds.

Prices: Contingent Convertibles

According to CoCo price indices, securities contingent on European Banks capital performance returned 1.2% YtD. CoCo instruments rated investment grade returned 0.74% in 1H15, while high yield CoCos returned 3.29% YtD.

Major Upcoming Regulatory, Legislative and Policy Initiatives

There are several regulatory initiatives that are currently being considered at both the international level (BCBS) and at the European level (EBA). These will impact the basis of calculations for the metrics covered in this report when they enter into force. Some of the key initiatives currently being developed are:

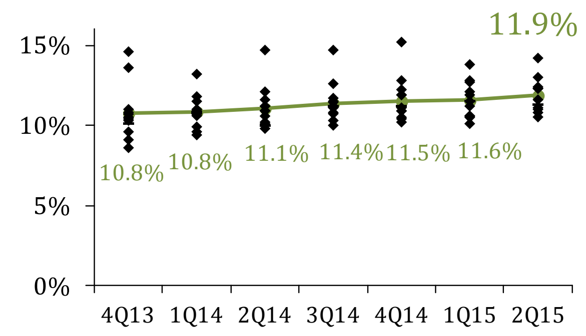
- Review of the Leverage Ratio
- Fundamental Review of the Trading Book
- Credit Valuation Adjustment
- IRB models, revised Standardised Approaches & capital floors
- Interest Rate Risk in the Banking Book

AFME is actively contributing on all of these fronts.

[1] Global systemically important banks, as designated by the Financial Stability Board in 2014
[2] For details on the transitional arrangements, see paragraphs 94 and 95 of the Basel III framework. http://www.bis.org/publ/bcbs189.pdf
[3] See a graphic illustration of the implementation timetable in the Annex.

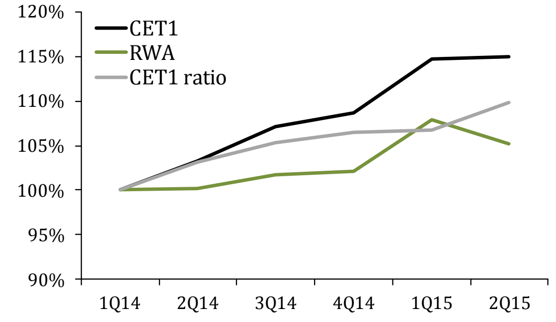
1. Capital ratios[1]

1.1. CET 1 Ratio: Phased-in (simple average)



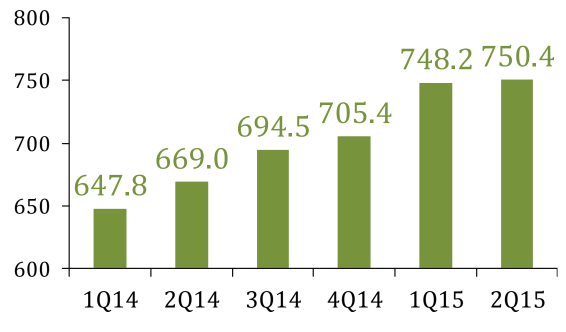
Source: EU GSIBs balance sheets

1.2. Cumulative percentage change of CET1, RWAs and CET1 ratio (phased-in)[2]



Source: EU GSIBs balance sheets

1.3. CET1: phased-in (EUR bn)



Source: EU GSIBs balance sheets

Common Equity Tier 1 ratio: phased-in

EU GSIBs have complied with the CRDIV rules which entered into force on 1 January 2014. The rules comprise minimum requirements on capital adequacy, liquidity and leverage, which seek to enhance the soundness of bank's balance sheets.

The simple average of EU GSIB's Common Equity Tier 1 capital (CET1) ratios has increased, on a phased-in approach, from 10.8% in December 2013 to 11.9% in June 2015.

CET1 ratios are the amount of CET1 capital that banks hold as proportion of risk-weighted assets (RWA). On a phased-in approach, certain transitional provisions are applied to the calculation of capital related to the treatment of deferred taxes, securitisation, and unrealised losses, amongst others.

During 2Q 15, CET1 ratios on a phased-in basis increased to 11.9% compared to the ratio observed in March 2015 of 11.6%, and above the minimum required in 2015 by the CRDIV regulation.

Progress towards increasing CET1

The improvement in the average CET1 phased-in ratio is explained by a cumulative nominal increase of 15% in CET1 capital from March 2014 to June 2015, which more than compensated the 5% increase of RWA (Graph 1.2).

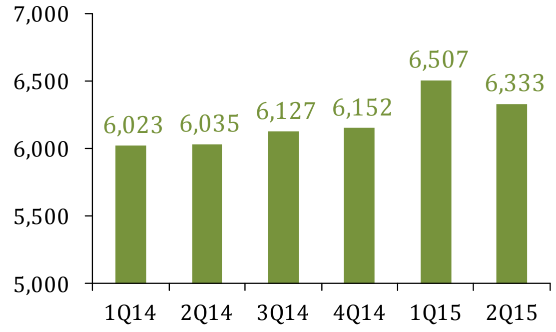
The amount of CET1 capital of 13 of the 14 EU GSIBs on a phased-in basis has increased by €103bn, from €648 bn in March 2014 to €750 bn in June 2015.

During 2Q15, EU GSIBs increased the aggregate amount of CET1 capital by 0.3% from the value observed in 1Q 15. This is equivalent to €2.2 bn during the quarter, and €45.1 bn accumulated during 2015.

The abnormal depreciation of the Euro during the first part of the year against the USD (11%) and the GBP (7%) would have partially explained the substantial increase in CET1 in the first semester (more specifically during 1Q15).

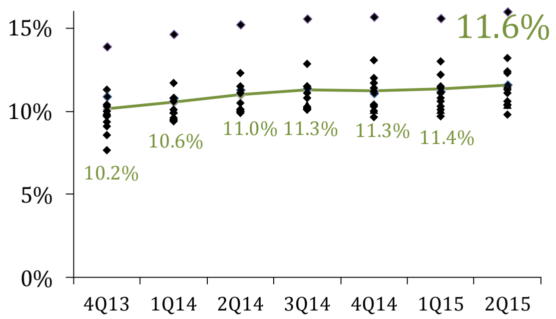
[1] The ratios represent the prudential ratios of the 14 EU GSIBs as designated by the FSB in 2014.
[2] The lines represent the cumulative percentage change of aggregate RWAs, CET1 capital and the weighted average CET1 ratio.

1.4. RWAs: phased-in (EUR bn)



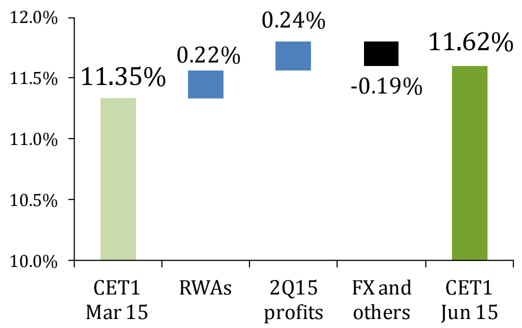
Source: EU GSIBs balance sheets

1.5. CET1 Ratio: End point (simple average)



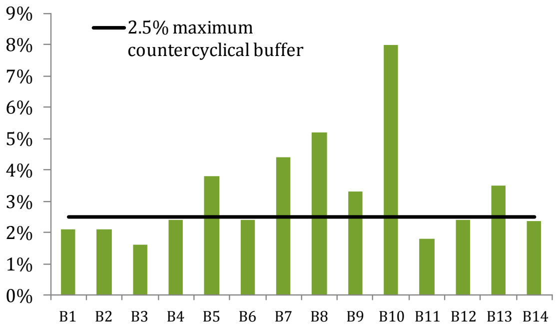
Source: EU GSIBs balance sheets

1.6. Change in CET1 ratio by components



Source: EU GSIBs balance sheets

1.7. Difference between current CET1 ratios and 2019 minimum requirement incl. G-SIB buffer by bank (2Q 15, end point, absolute difference in %)



Source: EU GSIBs balance sheets

The amount of RWAs has increased from €6tn in March 2014 to €6.3tn in June 2015, representing a cumulative change of 5% during the period.

Over the last quarter, RWAs decreased from €6.5tn to €6.3tn, equivalent to a decrease of 2.7% QoQ.

A significant increase was observed in 1Q15, partly explained by the abnormal depreciation of the EUR. This partially reversed in 2Q 15 with a minor appreciation of the EUR against the USD (although not with the GBP). The simple average of the quarterly changes of RWAs in the currencies in which banks report their statements stood at -2%, suggesting that factors different from FX variations explained the aggregate fall of RWAs in 2Q15.

CET1 ratio: end-point basis

On an end-point basis, the average Common Equity Tier 1 capital ratio has increased from 10.2% in December 2013 to 11.6% in June 2015. These ratios are comparable with a minimum required CET1 ratio of 4.5% in 2015 and between 8%-12% required from 2019 onwards[3].

Under the end-point approach, the proportion of CET 1 capital to risk weighted assets is calculated as if the rules due to apply at the end of the transition period were in force.

In 2Q15, the quarterly decrease in RWAs and profits for the 2Q15 period contributed to improve CET1 end-point ratios in 22 bps and 24 bps respectively.

Surplus in minimum requirements

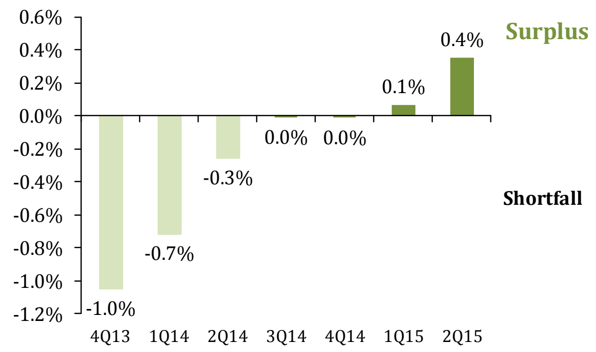
EU GSIBs shall comply with minimum CET1 ratios of between 8% and 12% from January 2019. The required ratio will depend on the G-SIB bucket the bank is assigned to (additional capital buffer between 1% and 2.5%) and the Countercyclical Buffer approved by national authorities which can reach a maximum of 2.5%.

Assuming that EU GSIBs maintain their current GSIB bucket allocation and assuming a 0% countercyclical buffer, data as of 2Q15 suggest that all banks have already complied with the 2019 ratios required due to their systemic importance (columns in 1.6).

Taking a step further, assuming that the maximum 2.5% Countercyclical Buffer (horizontal line in Chart 1.6) is applied to all EU GSIBs in 2019, six of the 14 banks are found to be above this requirement.

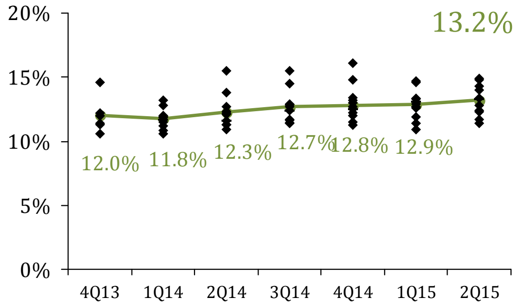
[3] The minimum required ratio in 2019 depends on the bucket in which the GSIB is allocated to, which ranges from 1-2.5% (0% for non-GSIBs), and the Countercyclical Buffer implemented by the NCAs which ranges from 0-2.5%. See Annex for further details.

1.8. Weighted average of EU GSIBs' CET1 ratios relative to end point target assuming a 2.5% countercyclical buffer (absolute difference in %)



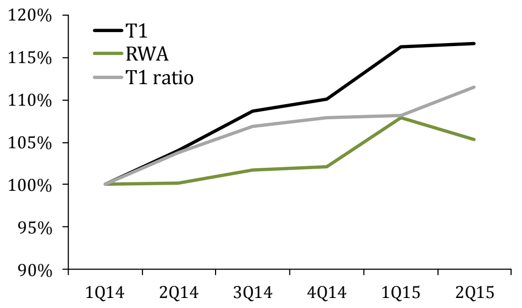
Source: EU GSIBs balance sheets

1.9. Tier 1 Ratio: Phased-in (simple average)



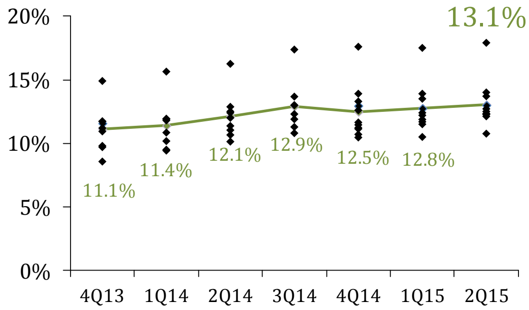
Source: EU GSIBs balance sheets

1.10. Cumulative percentage change of T1, RWAs and T1 ratio (phased-in)[4]



Source: EU GSIBs balance sheets

1.11. Tier 1 Ratio: End point (simple average)



Source: EU GSIBs balance sheets

[4] The lines represent the cumulative percentage change of aggregate RWAs, T1 capital and the weighted average T1 ratio.

On an aggregate basis, the weighted-average[5] of EU GSIB's CET1 ratios stood in 2Q15 above the maximum Pillar I requirements due to be in force in 2019. This measure (Chart 1.7) assumes that banks are allocated in their current individual GSIB bucket, and the maximum countercyclical buffer is set at 2.5% to all EU GSIBs.

This figure represents a marked improvement on the aggregate shortfall observed in December 2013 of 1% relative to RWAs, and a balanced fulfilment of 2019 requirements (0% difference) in 4Q14.

The progress towards fulfilling the maximum 2019 requirements has been uninterrupted, where the most significant improvement on a weighted-average basis was observed during the first half of 2014.

Tier 1 Capital

EU GSIBs have also complied with the requirements on Tier 1 Capital ratios. Tier 1 capital is a comprehensive measure of capital that encompasses CET1 capital and Additional Tier 1 capital[6]. The ratio is measured as proportion of RWAs.

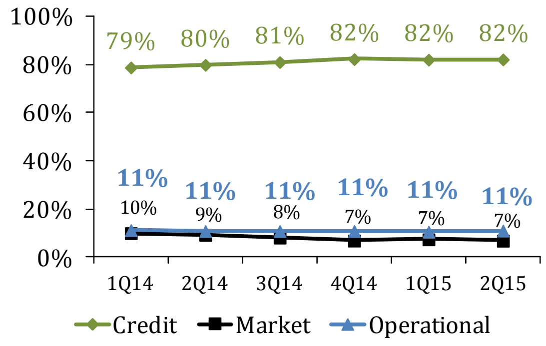
On a phased-in basis, EU GSIBs have increased on average their Tier 1 Capital ratios from 12.0% observed in 4Q 2013, to 13.2% in June 2015. EU GSIBs have also improved their Tier 1 capital positions compared to the figures observed in March 2015, when it stood at 12.9%.

By components (Chart 1.9), the cumulative increase in the Tier 1 ratio is explained by an increase of 15% in the amount of Tier 1 capital from March 2014 to June 2015, which more than compensated the increase in EUR terms in RWAs of 5% during the period. During 2Q15, the amount of Tier 1 capital stood relatively unchanged from 1Q15, while the amount of RWAs decreased 2.7% QoQ.

On an end-point basis, Tier 1 capital ratios have improved on average from 11.1% in December 2013 to 13.1% in June 2015. This ratio is comparable with a minimum required ratio of 6% in 2015 and between 9.5% and 13.5% in 2019[7].

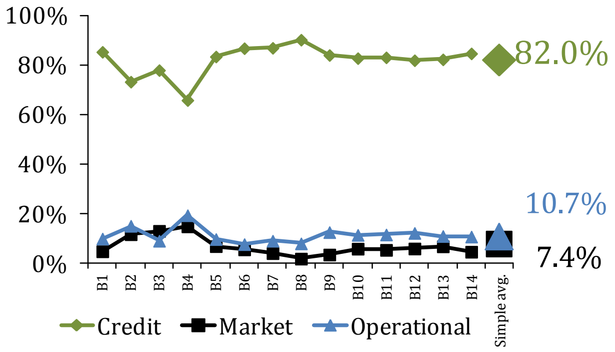
[5] Weighted by RWAs value.
[6] Contingent Convertible bonds, subject to conditions, are included in AT1 capital This market is discussed in Section II of this report.
[7] As with CET1 capital ratios, the minimum required ratio in 2019 depends on the bucket in which the GSIB is allocated to, which ranges from 1-2.5% (0% for non-GSIBs), and the countercyclical buffer implemented by the NCAs which ranges from 0-2.5%. Further details of the implementation timetable are in the Annex.

1.12. RWAs by risks (simple average)



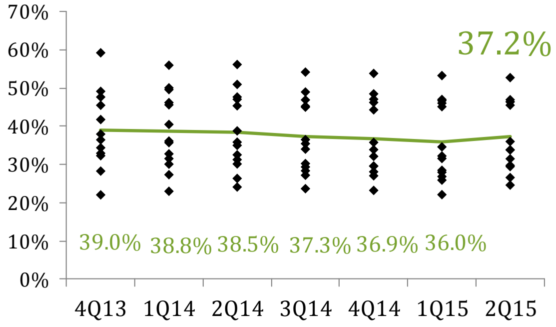
Source: EU GSIBs balance sheets

1.13. 2Q15: RWAs by risks and EU GSIB[8]



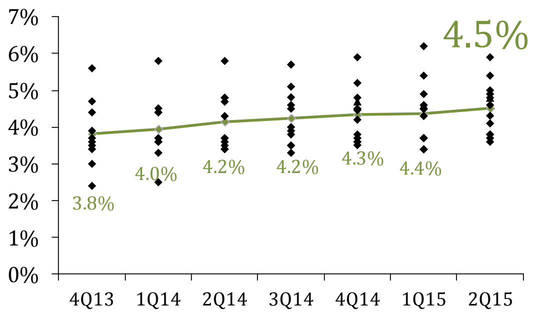
Source: EU GSIBs balance sheets

1.14. RWA densities (simple average)[9]



Source: EU GSIBs balance sheets

1.15. Leverage Ratio: End point (simple average)



Source: EU GSIBs balance sheets

Risk-Weighted Assets

The breakdown of Risk-Weighted Assets (RWA) by risk components has maintained relatively unchanged since 2014. Around 82% of RWAs are comprised by credit-related risks, 11% by operational risks and 7% by market risks. These proportions are comparable with the breakdown observed in 1Q14 of 79% in credit risks, and 11% and 10% in operational and market risks respectively.

The breakdown of RWAs by risk components has low variation between EU GSIBs. In the second quarter of 2015, 11 of the 14 EU GSIBs had an exposure to credit risks above 80% of RWAs, while 3 of the 14 EU GSIBs reported an exposure above 10% to market risks. In relation to operational risks, 8 of the 14 EU GSIBs reported an exposure above 10% of RWAs to operational risks.

RWA densities

The ratio of RWA as proportion of total assets increased in 2Q15 to 37.2%, above the figure observed in 1Q15 at 36.0%. The increase is explained by a decrease of 2.7% in RWAs, which was more than compensated by a decrease of 7% in total assets in EUR during the same quarter.

The 2Q15 figure reverses the downward trend observed since 4Q13, when RWA densities stood on a simple average basis at 39%.

Leverage ratio

EU GSIBs have progressively improved their leverage ratios since 2013. Leverage ratios are a measure of Tier 1 capital as a proportion of the bank's total exposure (on- and off-balance sheet assets.)

On an end-point basis, the simple average of EU GSIB leverage ratios has improved from 3.8% in December 2013 to 4.5% in June 2015. The leverage ratios have also improved compared to 1Q 15 average ratios, from 4.4%.

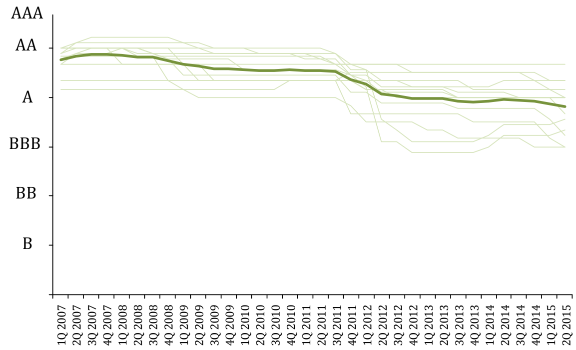
These ratios are comparable with a minimum required of 3% by 1 January 2018.

[8] Breakdown as of 1Q15 for 10 of the 14 EU GSIBS. Others are presented as of latest available (4Q14)

[9] Phased-in RWAs as proportion of total assets.

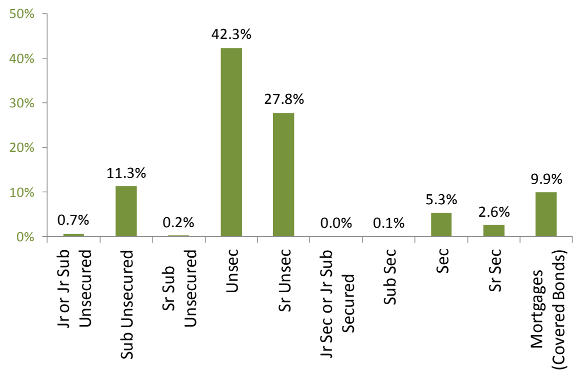
2. Debt securities and Contingent Convertibles

2.1. EU GSIBs simple average long-term credit rating



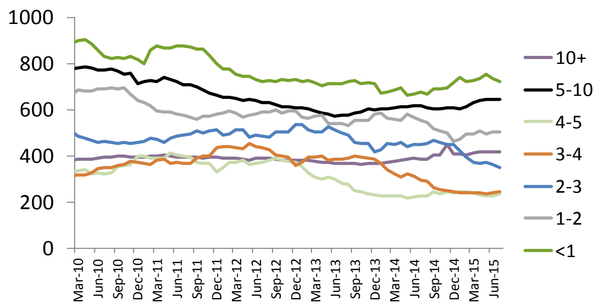
Source: Thomson Reuters with information of Moody's, Fitch and S&P

2.2. EU GSIBs debt outstanding by seniority (2Q15)



Source: Thomson Reuters

2.3. Maturity profile of EU28 Banks' outstanding debt securities (EUR bn, maturity in years)



Source: ECB

Credit ratings

The average long-term credit rating of EU GSIBs fell marginally in the second quarter of the year, compared to the observed in 1Q 15.

Four EU GSIBs had their long-term credit ratings downgraded by at least one notch and by at least one credit rating agency (CRA) during 2Q 15. On the other hand, two EU GSIBs had their credit ratings upgraded by at least one CRA during 2Q 15.

The median long-term credit rating stood at A (or A2 in the Moody's scale) in the second half of 2015.

Debt securities

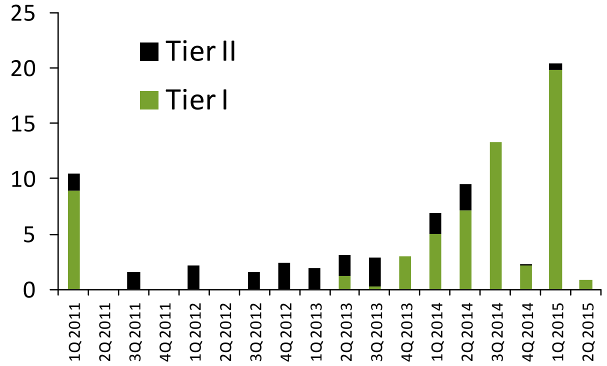
By seniority, EU GSIBs debt is comprised by 82% of unsecured debt, 8% of secured debt and 10% of mortgage bonds (covered bonds).

Within unsecured claims, 28% correspond to senior unsecured claims, 42% to unsecured and 12% in Subordinate unsecured instruments.

Maturity profile

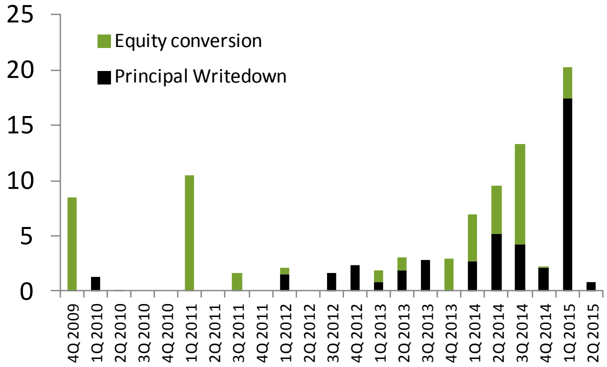
EU28 Banks' outstanding debt securities stood at €3.14 tn in June 2015, where €739 bn (24%) was comprised by debt with maturity below one year; €1.33 tn of securities with maturity between one and five years; and €1tn of securities with maturities above 5 years.

2.4. CoCos issued by European Banks by capital tiering (EUR bn)



Source: Dealogic

2.5. CoCos issued by European Banks by loss absorbing mechanism (EUR bn)



Source: Dealogic and Thomson Reuters

2.6. CoCos issued by European Banks by absorbing mechanism (EUR bn)

	2010	2011	2012	2013	2014	1H 2015
Writedown	1.3	0.0	5.5	5.6	14.3	18.3
Conversion to Equity	0.1	12.0	0.6	5.1	17.8	2.9
Conversion to Equity (%)	8%	100%	10%	48%	55%	14%
Total European	1.4	12.0	6.1	10.8	32.1	21.2

Source: Dealogic and Thomson Reuters

2.7. CoCos issued by European Banks by credit rating at date of issuance (EUR bn)

	2011	2012	2013	2014	1H: 2015
AAA					
AA-	9.0				
A-				0.8	
BBB+	1.5			4.1	
BBB			3.0	9.9	6.0
BBB-	1.6	6.1	1.5	0.9	2.5
BB+			1.0	5.8	11.1
BB			2.5	7.7	1.5
BB-			1.2	2.6	0.1
Not rated			1.6	0.2	
N/A				0.1	
Total	12.0	6.1	10.8	32.1	21.2

Source: Dealogic

Contingent Convertibles issuance

Contingent Convertible (CoCo) bonds are hybrid capital securities that absorb losses when the capital of the issuing bank falls below a certain predetermined threshold[1].

European banks issued a total of €21.2 bn in CoCo bonds during the first half of the year, representing a substantial increase compared to the observed in the 1H 2014 at €16.5 bn.

By capital tiering, in 1H15 €20.7bn issued instruments were structured contingent on Tier I performance and €0.4 bn of CoCos conditional on Tier II. The composition by capital tiering is similar to the observed during 2014 FY, when 86% (€27.6 bn) of issues were structured on the basis of Tier I performance.

On a quarterly basis, the issuance volume in 2Q15 stood significantly below the amount observed in the first quarter of 2015, falling from €20.3 bn in 1Q15 to €0.9 bn in 2Q15. All 2Q15 issues were structured contingent on Tier I performance on the basis of principal write down.

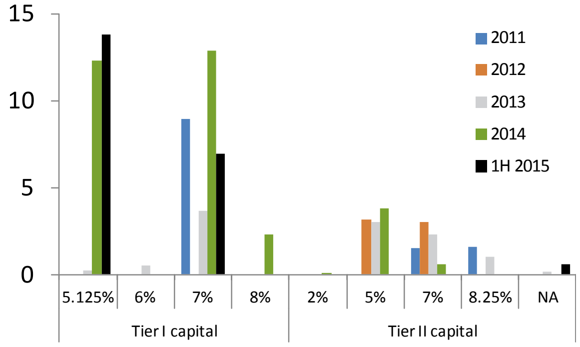
CoCos by absorbing mechanism and credit rating

During the first half of 2015, most CoCo instruments were structured on the basis of principal write down, with a total of €18.3 bn issued (86% of the total) and €2.9 bn in the form of equity conversion. The breakdown is above the observed in recent quarters, when 45% of the 2014 FY volume was issued on the basis of principal write down.

In relation to credit ratings, CoCo securities issued in 1H15 were assessed at issuance date with ratings between BBB and BB-. €6 bn of the equivalent value of issued instruments were rated BBB (29% of the total issuance value), while €0.1 bn were rated BB-. The breakdown is comparable with the ratings observed in 2014, when issued CoCos were rated between A- and BB-.

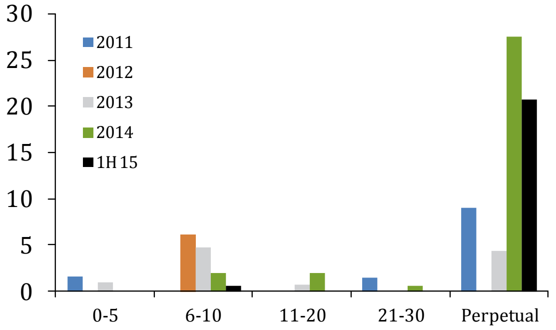
[1] BIS (2013) "CoCos: a primer". BIS Quarterly Review, September 2013.

2.8. CoCos issued by European Banks by trigger (EUR bn)



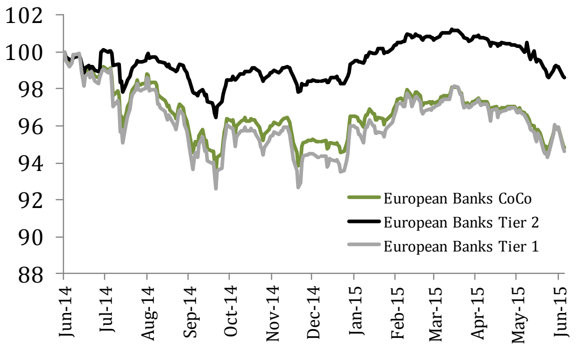
Source: Dealogic and Thomson Reuters

2.9. CoCos issued by European Banks by maturity (EUR bn)



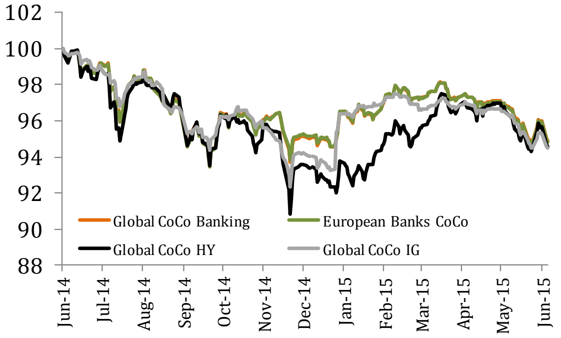
Source: Dealogic and Thomson Reuters

2.10. European Banks' CoCo prices by capital tiering



Source: Barclays Capital

2.11. Global and European Banks' CoCo prices by risk and location



Source: Barclays Capital

Average trigger

Most CoCo instruments contingent on Tier I performance are typically structured with triggers of 5.125% and 7%.

In the first half of the year, 65% of the issuance value was structured with a 5.125% trigger contingent on Tier I performance, while 33% was issued with a 7% trigger conditional on the same form of capital. All 2Q15 issues were structured on the basis of Tier I performance with a 5.125% trigger[2].

Average maturity

Most CoCo instruments issued in 2014 and in the second quarter of 2015 were structured in the form of perpetual bonds.

During the first half of 2015, 97% of issued CoCos corresponded to perpetual bond instruments. This figure is above the proportion of perpetual bonds issued in 2014 which represented 86% of the total issuance value.

All 2Q15 issues were structured in the form of perpetual bonds.

Valuation

CoCo prices rose during the first quarter of 2015, with a subsequent adjustment in the second quarter.

Tier II prices rose slightly above Tier I instruments during 1H15. CoCo price indexes suggest that during the first semester of 2015, Tier I CoCos returned 1.3% YtD while Tier II instruments increased by 1.5% YtD.

From a risk perspective, High Yield (HY) CoCo instruments appreciated above Investment Grade (IG) CoCo instruments. HY CoCos indices returned 3.3% during 1H15, comparable with a 0.7% YtD return of IG CoCo instruments.

[2] One deal was structured with a dual trigger of 5.125% contingent on the Bank's performance and 7% on the Holding Group's performance.

2.12. Recently Issued CoCos by European Banks

Pricing Date	Issuer	Tier Capital	Deal Total Value Euro (Face)	Trigger	Conversion mechanism	Issue Rate	Effective Rating (Launch)	Maturity	Coupon
05-Jun-15	Lansforsakringar Bank AB	Tier I capital	128,428,781	5.125% or 7.0% of the Group	Writedown	Floating rate note	BBB-	Perpetual	3-mth Other
10-Jun-15	BNP Paribas	Tier I capital	750,000,000	5.125%	Writedown	Fixed rate	BBB-	Perpetual	6.125

Source: Dealogic and Thomson Reuters

Summary of the Methodologies Adopted for this Report

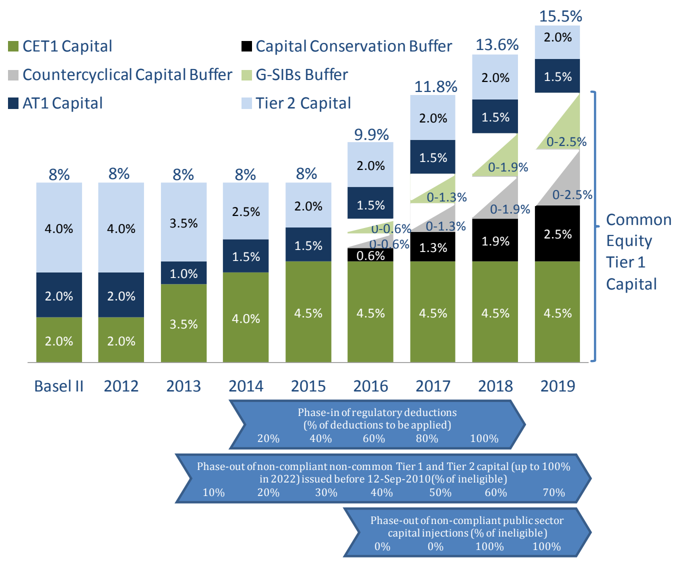
1. Balance Sheets – Overview

In 2013 the European Union adopted the CRD IV legislation, implementing the Basel III accord in the EU. The CRD IV includes a number of transitional measures, which facilitate financial markets and the real economy a smooth adjustment to the new regulatory landscape. The charts in the first part of the report illustrate the capital and leverage ratios under the phased-in (transitional) and the end-point (fully loaded) approaches, as reported by the EU GSIBs.

During the transition period (2014-2019), certain deductions are applied to the calculation of CET1 capital, Tier 1 capital and Tier 2 capital. For CET1 capital, the regulatory deductions vary by year from 20% in 2014 to 100% from 2018 onwards, with marginal increases of 20% per year. These deductions are related to the treatment of deferred taxes, securitisation, and unrealised losses, among others.

In addition to the abovementioned deductions, the CRDIV also establishes a timetable for the compliance with the minimum capital requirements and buffers. The ratio of minimum regulatory capital to risk-weighted assets (RWA) is illustrated in the chart below.

Minimum Capital Requirements & Buffers Implementation Timetable (% of RWAs)



The G-SIB buffer ranges from 1% to 2.5% for G-SIBs and 0% for non-GSIBs. The G-SIB buffer varies by bank depending on the bucket where the firm is allocated to as per the FSB's/BIS methodology, which takes into account features such as size; interconnectedness; complexity; financial infrastructure; and cross-jurisdictional activity of the institution. The required countercyclical buffer ranges from 0%-2.5% depending on the assessment of each NCA.

1.1. – 1.5, 1.9 and 1.11. Capital Ratios

The Capital Ratios charts illustrate the implementation of the CRDIV requirements by the 14 EU GSIBs as designated by the FSB in 2014. Such banks are: HSBC; Barclays; BNP Paribas; Deutsche Bank; Royal Bank of Scotland; BBVA; Groupe BPCE; Group Crédit Agricole; ING Bank; Nordea; Santander; Société Générale; Standard Chartered; and UniCredit Group.

The number of reporting banks for each chart varies depending on the availability of information. The table below illustrates the number of banks that are included in each of the charts in Section 1. All figures were compiled on a best effort basis.

	1.1	1.2, 1.3, 1.4, 1.13	1.5, 1.7, 1.8	1.9	1.11	1.12	1.10	1.15
4Q13	14		14	7	9			10
1Q14	13	13	12	11	8	7	12	10
2Q14	13	13	13	12	9	10	12	11
3Q14	13	13	12	10	8	9	12	11
4Q14	13	13	14	13	12	14	12	13
1Q15	13	13	13	11	10	11	12	12
2Q15	13	13	14	12	11	11	12	13

Each dot in the charts represents a Bank in a given quarter. The line represents the simple average of the figures compiled in each quarter.

The CET1 Capital ratio is the share of Core Tier 1 (CET1) capital as percentage of Risk Weighted Assets (RWA); Tier 1 Ratio is the share of Tier 1 capital as percentage of RWAs. Each ratio is shown on a phased-in (transitional) and fully loaded (end-point) approach as per the CRDIV legislation and as reported by the EU GSIBs.

The capital ratios data are sourced from EU GSIBs balance sheets and publicly available information disclosed in periodic financial reports and prudential data reports published by the above mentioned banks (i.e. interim earnings reports, annual reports, results presentations, Pillar III disclosure reports or financial data disclosed as part of interim earnings results). When not available in the EU GSIBs' financial results and publically available information, 4Q14 CET1 and RWAs were sourced from EBA's 2013 stress tests for the transitional approach.

1.6. Change in CET1 by components

Chart 1.6 illustrates the contribution of RWAs, profits and other factors to the quarterly change of CET1 ratio on an end point approach. The figures are aggregated by banks on a simple average basis. The individual contributions are sourced from banks' presentations of the quarterly financial results and quarterly financial statements, when available in the granularity here presented. When the figure is not available at the same level of granularity, a linear decomposition is performed: the quarterly percentage change of the CET1 ratio is approximated as the quarterly percentage change in CET1 capital, minus the quarterly percentage change in RWAs.

Accordingly, the contribution of RWAs to the change is calculated as the percentage change of RWAs multiplied by the CET1 ratio in the past quarter. The contribution of profits is calculated as the quarterly profits, divided by the amount of RWAs in the past quarter. The remaining "FX and other" factor is calculated as residual.

1.7. – 1.8. Difference between CET1 ratios and 2019 ratios on an end point basis

Chart 1.6. illustrates the difference between the individual EU GSIBs CET1 ratios on an end-point basis, and the regulatory ratio due to apply from 2019 assuming that banks are to comply with the G-SIB buffer in which they are currently assigned in (between 1% and 2.5%). The additional countercyclical buffer is represented with a horizontal line at 2.5%, to illustrate the maximum buffer that EU GSIBs would have to comply with, should all NCAs implement the maximum buffer at 2.5%. The countercyclical buffer is yet to be implemented by the European NCAs.

Chart 1.7. illustrates the difference between EUGSIBs weighted-average CET1 ratio on an end-point basis, and a stressed maximum regulatory ratio that banks would have to comply with assuming that NCAs implement the maximum countercyclical buffer at 2.5%. That is, a requirement of 4.5% (Minimum CET1 ratio) + 2.5% (Capital conservation buffer) + 1%-2.5% (according to the bucket where the GSIB is currently located) + 0%-2.5% (countercyclical buffer). To estimate the weighted-average CET1 ratio, individual RWAs were used.

One of the 14 EU GSIBs reports its financial results on a semiannual basis. Chart 1.7 uses the CET1 ratio reported in 4Q14 for this bank.

1.10. Cumulative change of T1, RWA and T1 ratio

This chart illustrates the cumulative percentage change of each of the components of the Tier 1 ratio on a phased-in basis. As with previous charts, T1 and RWAs are sourced from EU GSIBs' financial reports and publicly available material (see reference to charts 1.1-1.4).

Data are aggregated for 12 of the 14 banks where information was available. In contrast to chart 1.8., the ratio and its subsequent cumulative percentage change, is calculated as total T1 capital as proportion of total RWAs (and not simple average of ratios).

1.12. – 1.13. Risk-Weighted Assets (RWAs)

The breakdown of RWAs by risk is sourced from financial reports published by the EU GSIBs as referenced in 1.1-1.4

Chart 1.10 illustrates the breakdown by risk component for each EU GSIB as of 1Q15 or the latest publically available breakdown (4Q14 for banks where the information was not available in the quarter.)

The credit risk category represents other risks different from market and operational risk as disclosed by the EU GSIBs.

The figures are in EUR terms which are converted from the currencies used by banks to report their financial results, using the ECB's official FX rate for the corresponding end of period.

1.14. RWA densities

The densities are calculated as the ratio of RWA to total assets by bank. The amounts of RWAs are phased-in values as reported by banks and are consistent with the same figures reported in chart 1.4. (See reference to chart 1.4.)

Total assets are sourced from Thomson Reuters EIKON and Banks' financial statements when not available in Reuters.

1.15. Leverage Ratios (fully loaded)

The Leverage ratio represents the share of Tier 1capital as percentage of eligible assets under the fully loaded approach.

The leverage ratios are sourced from financial reports published by the EU GSIBs referenced in 1.1-1.5 (i.e. interim earnings reports, annual reports, results presentations, Pillar III disclosure reports, or other financial data disclosed as part of earnings results).

All figures were compiled on a best effort basis.

2. Debt securities and Contingent Convertibles

2.1. Average EU GSIBs credit rating

This chart presents the simple average of the EU GSIBs long-term foreign credit ratings. The rating of each bank is estimated as the simple average of the individual long-term foreign credit ratings assigned by Moody's, Fitch and S&P. To calculate the average by bank, a value between 0 and 17 is assigned to each rating, where 0 represents DDD (or C in Moody's scale and D in S&P scale) and 17 is equivalent to AAA (or Aaa in Moody's scale). When a Credit Rating Agency (CRA) has not rated the long-term foreign performance of an EU GSIB, the average is calculated with the available credit ratings.

The information is sourced from Thomson Reuters EIKON.

2.2. Debt outstanding by seniority

The data is sourced from Thomson Reuters EIKON. The data corresponds to debt issued by the 14 EUGSIBs, which is not net of holdings by subsidiaries/branches within the same group.

The "Mortgages" category includes mortgage covered bonds.

2.3. EU 28 bank's debt outstanding by maturity

The data is sourced from the ECB and Dealogic DCM. The figures correspond to the outstanding amounts of debt securities other than shares issued by European Union (EU28) banks at the end of reference period broken down by maturity in years.

All securities issued in all currencies are included and converted into EUR terms by the ECB.

2.4. CoCos by capital tiering

CoCo securities issued by Banks whose parent company is located in Europe. It does not include securities issued in Europe by banks whose parent company is Non-European. Europe is defined as per Dealogic's classification, which includes European Union nations, Eastern European countries (e.g. Russia, Azerbaijan, and Kazakhstan), EFTA countries, old Soviet Union countries, and Turkey.

All securities issued in all currencies are included and converted into EUR terms by Dealogic.

The capital tiering is sourced from Dealogic DCM for each of the securities covered.

2.5.- 2.6. CoCos issued by absorbing mechanism

CoCo securities issued by Banks whose parent company is located in Europe as defined by Dealogic (see note 2.3-2.8).

The absorbing mechanism is sourced from Thomson Reuters EIKON for each of the securities covered.

2.7 CoCos issued by credit rating

CoCo securities issued by Banks whose parent company is located in Europe as defined by Dealogic (see note 2.3-2.8).

The credit rating is based on the classification by Dealogic of "Effective rating at launch". This rating is calculated as an average of available ratings from S&P, Moody's and Fitch at the time of issuance. If an issue is rated by just one CRA, such rating is displayed.

2.8. CoCos issued by maturity

CoCo securities issued by Banks whose parent company is located in Europe as defined by Dealogic. All securities issued in all currencies are included and converted into EUR terms by Dealogic.

Maturity is classified on the basis of the number of years from settlement date to legal maturity date. Perpetual bonds are classified under their own category.

2.9. CoCos issued by trigger

The chart aggregates the value in billion Euros of CoCo instruments issued by European banks, classified by the underlying trigger and the capital tiering in which the instruments are contingent on (Tier I or Tier II capital performance).

The data are sourced from Dealogic.

2.10. - 2.11 CoCo prices

The indices in 2.10 and 2.11 are compiled by Barclays according to the capital tierage, location (Global vs. European) and risk of the security (High Yield vs. Investment Grade). All prices are unhedged and in nominal EUR terms.

Disclaimer

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