Q4 2025

Prudential Data Report

European GSIBs Prudential Capital and Liquidity

afme/ Contents

Report Scope

This publication aims to offer comparable, consistent, and timely information on banking prudential regulation. Many existing sources of prudential data and statistics provide information that is not directly comparable due to regulatory changes, or they publish this information with significant delays. This report is designed to address these shortcomings.

Other than gathering and analysing information on the prudential capital, leverage, loss-absorption capacity and liquidity ratios of European Global Systemically Important Banks (GSIBs), this report illustrates the performance of debt and contingent convertible (CoCo) securities issued by European banks.

Apart from the data on CoCo markets, all data is retrieved from public sources and updated as of September 2025. Moreover, all figures exclude any estimate of the impact of the final Basel III proposals.

In its series of reports on the matter, AFME emphasises the progress made by European GSIBs in enhancing their capital, leverage, loss-absorption and liquidity positions over the years, in line with CRDV.

CRDV rules establish minimum requirements on bank solvency and liquidity, in an effort to enhance the loss and shock absorption capabilities of the banking sector.

Notes: All banks analysed in the report are included in the 2024 FSB GSIB list. The banks analysed belong either to the euro area or to the UK.

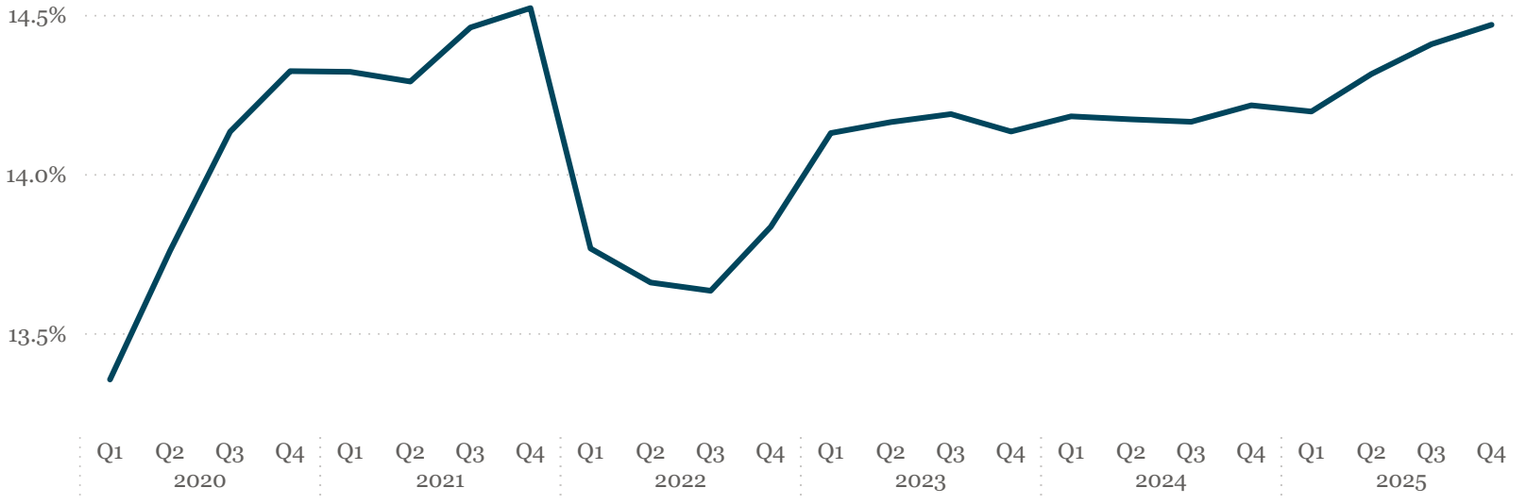
Management Summary

afme/ Key Highlights

Prudential capital ratios

_	4Q20	4Q21	4Q22	4Q23	4Q24	3Q25	4Q25
CET1 ratio (end-point)	14.3%	14.5%	13.8%	14.1%	14.2%	14.4%	14.5%
T1 ratio (end-point)	16.2%	16.5%	15.9%	16.1%	16.4%	16.6%	16.6%
Leverage ratio EU (end-point)	4.5%	4.7%	4.3%	4.2%	4.4%	4.4%	4.4%
Leverage ratio UK (end-point)	4.9%	4.7%	4.5%	4.4%	4.5%	4.5%	4.6%
Liquidity Coverage Ratio (LCR)	152.0%	150.7%	145.1%	153.9%	147.9%	149.0%	145.6%
TLAC ratio % RWAs	28.5%	30.1%	30.0%	31.6%	32.5%	32.0%	32.4%
TLAC ratio % exposure measure	9.1%	9.4%	9.4%	9.7%	9.9%	9.4%	9.6%

Evolution of European GSIBs CET1 ratio



Solvency ratios continue to rise in Q4 2025

The end-point CET1 ratio of European GSIBs finalised Q4 2025 at 14.5%, 10bps above the levels observed in the third quarter of 2025 and 30bps above the level observed at the end of 2024.

The variation in the ratio was primarily driven by retained earnings, contributing to a 1.69% rise YoY. However, this was partly offset by shareholder returns, which reduced the ratio by 1.29%. Changes in RWA had a smaller effect, decreasing the ratio by c. 14bps, while FX translation and other factors provided a net negative contribution of c. 1bp.

The end-point T1 ratio remained stable QoQ at 16.6% at the end of 2025, while it increased 20bps YoY compared to the 16.4% reported in Q4 2024.

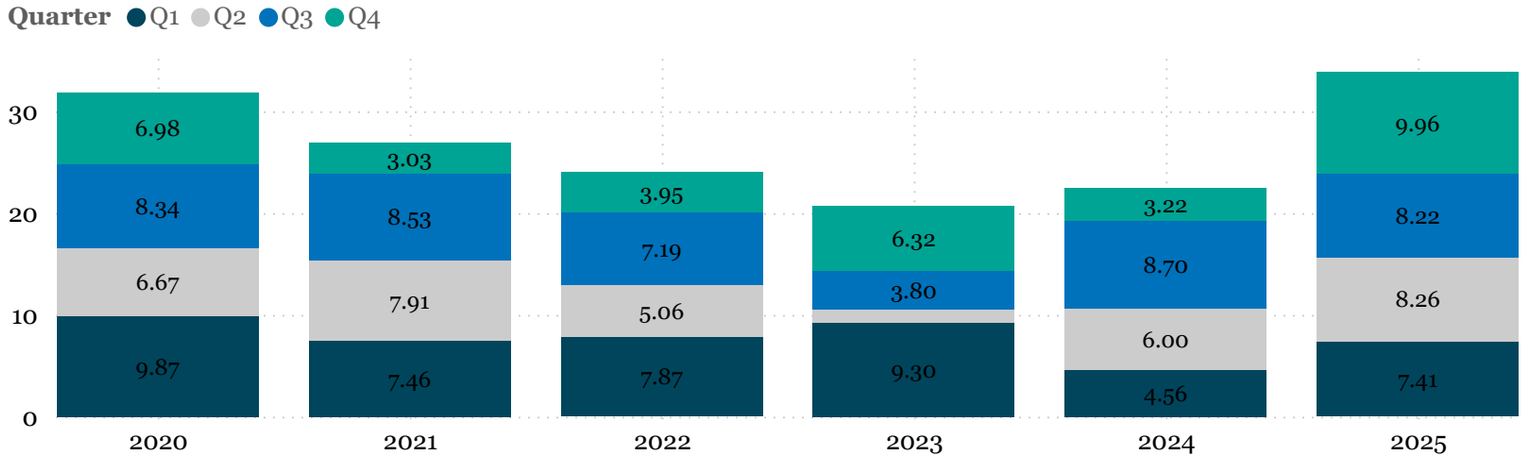
The Leverage Ratio reported by EU GSIBs in Q4 2025 was 4.4%, unchanged from Q3 2025, and in line with the level observed at the end of 2024. The average leverage ratio for UK GSIBs increased by 10bps QoQ, closing the year at 4.6%.

In Q4 2025, TLAC capital covered 32.4% of RWAs and 9.6% of exposure measure. This represented a 40bps QoQ increase from 32% of RWAs and a 20bps increase from 9.4% of the exposure measure.

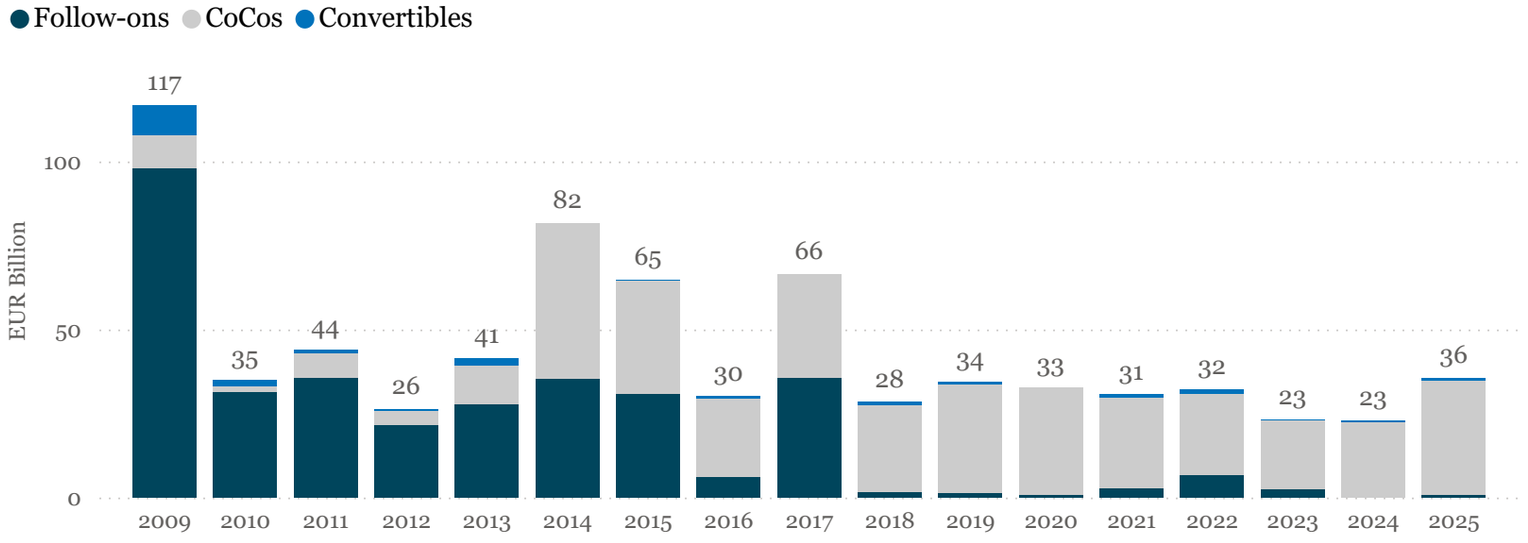
The Liquidity Coverage Ratio of European GSIBs stood at 145.6% at the end of Q4 2025, representing a 45.6% buffer above the minimum requirement.

afme/ Key Highlights

European AT1 issuance (€bn)



Fresh capital raised by European banks



Source: Dealogic

Strong AT1 bond issuance supported by lower spreads

During the fourth quarter of 2025, European banks issued a total of €9.96bn in AT1 capital, a moderate increase from the previous quarter (€8.22bn). In 2025 FY, a total of €33.85bn in AT1 capital was issued, a 50.6% increase YoY from 2024 (€22.48bn)

The increase was driven by lower market spreads, reaching levels not seen since 2019.

AT1 risk premia closed Q4 at new lows

European AT1 option-adjusted spreads (OAS) surged to 417bps in early April 2025 following the US tariff announcement that briefly disrupted credit markets. However, spreads steadily tightened throughout the year. By the end of 2025, AT1 risk premia had declined to 2.9%. Further details are on page 32 of the report.

Countercyclical Capital Policy

The Box on page 22 provides an overview of macroprudential frameworks designed to address cyclical risks in the EU, UK, Canada, and the United States.

The main policy tool under the Basel framework to address cyclical risks is the countercyclical capital buffer (CCyB), which allows authorities to adjust capital requirements for banks in response to fluctuations in credit growth.

However, the implementation of these buffers and related tools varies significantly across jurisdictions. Likewise, quite often we observe in Europe overlapping prudential measures that blur the lines between macroprudential and supervisory approaches.

In the EU, the CCyB is the main instrument for addressing cyclical risks and is set at the national level, resulting in diverse applications and methodologies among Member States. Some countries maintain a positive neutral CCyB, effectively raising minimum capital requirements on a permanent basis. Likewise, in this Box we find evidence that additional supervisory tools like the P2R and P2G also perform as a countercyclical policy tool, introducing an overlap with the CCyB.

Similarly, the UK employs a CCyB with a positive neutral rate of 2%, one of the highest among other jurisdictions that make use of of a positive neutral approach. In parallel, the UK makes use of P2B supervisory buffers based on stress tests, where we find that the severity of UK stress tests also closely adjust with the economic cycle, resulting in an overlap between various elements of the capital framework.

In Canada, the CCyB rate has remained at zero since the framework's inception. Instead, cyclical risks are managed through the Domestic Stability Buffer (DSB), which is reviewed twice a year and applies only to the largest six banks. The DSB's size is determined by macroeconomic indicators such as credit expansion and other systemic risk metrics.

In the United States, the CCyB is also set at zero, but the Stress Capital Buffer (SCB) de-facto performs a similar role. The SCB is calibrated based on stress tests undertaken by the Federal Reserve. We find evidence that the severity and buffer rates vary according to the business cycle, thus enabling countercyclical management of capital requirements.

Approach to cyclical risks by jurisdictions

	CCyB	Pillar 2
EU	• CCyB rate and methodology varies by country • Some Member States have a permanent positive neutral CCyB rate above 0	P2R and P2G exhibit cyclical behaviour
UK	Permanent positive neutral CCyB rate at 2%, among the highest globally	Severity of stress tests that determine P2B exhibits cyclical behaviour
CANADA	Buffer at 0	DSB applies only to 6 banks
USA	Buffer at 0	SCB applies only to banks with assets above $100bn

The analysis in this Box is particularly timely as UK and EU authorities begin reviewing their capital frameworks.

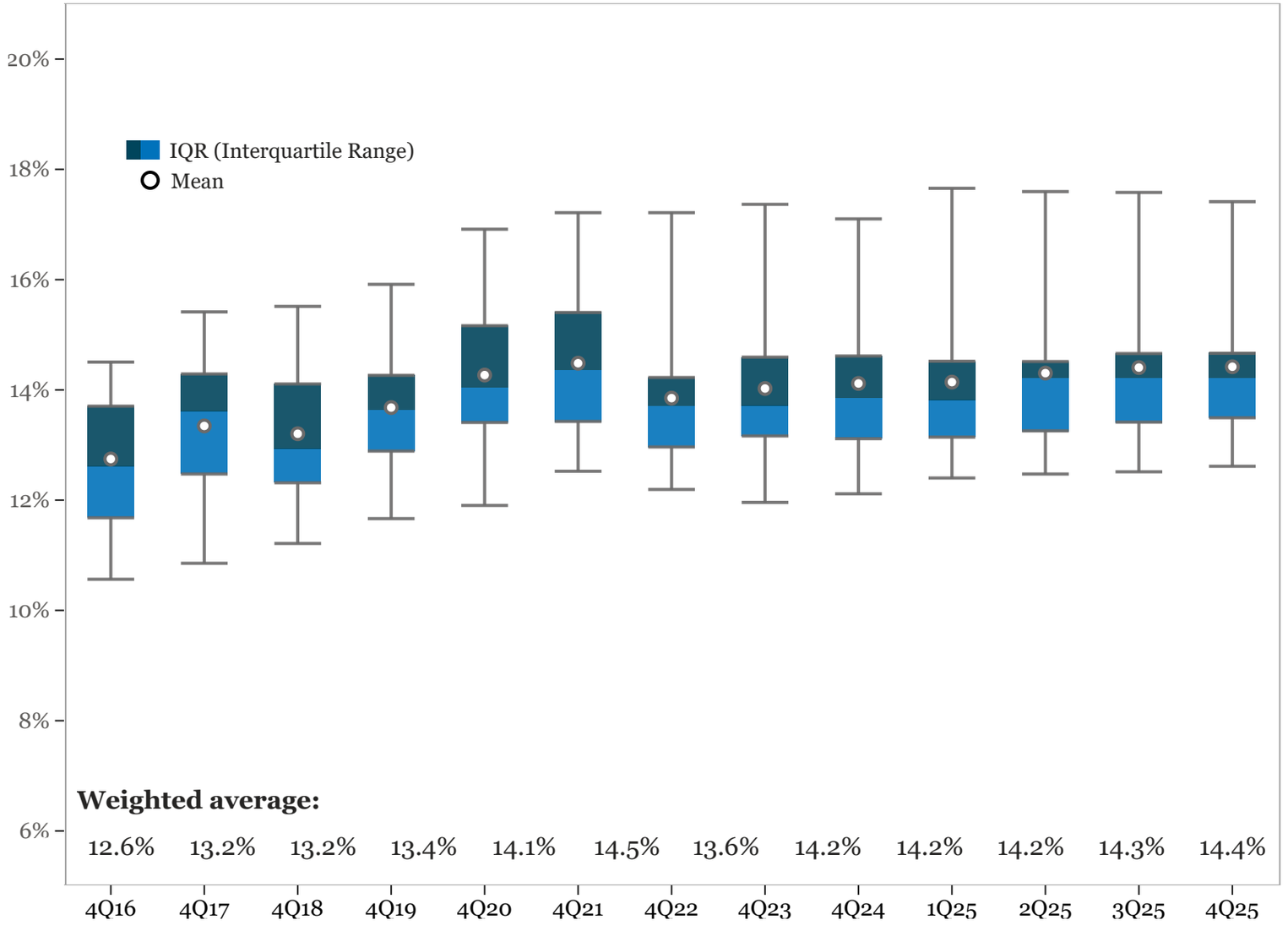
AFME's report on the EU capital stack provides additional details on the EU's approach and presents a proposal to help strengthen competitiveness and support the financing needs of the EU economy.

Further details are available on p. 22 of this report.

Capital and Liquidity Ratios

CET1 ratio analysis

CET1 end-point ratio



Source: European GSIBs earning report

Slight increase in CET1 ratio

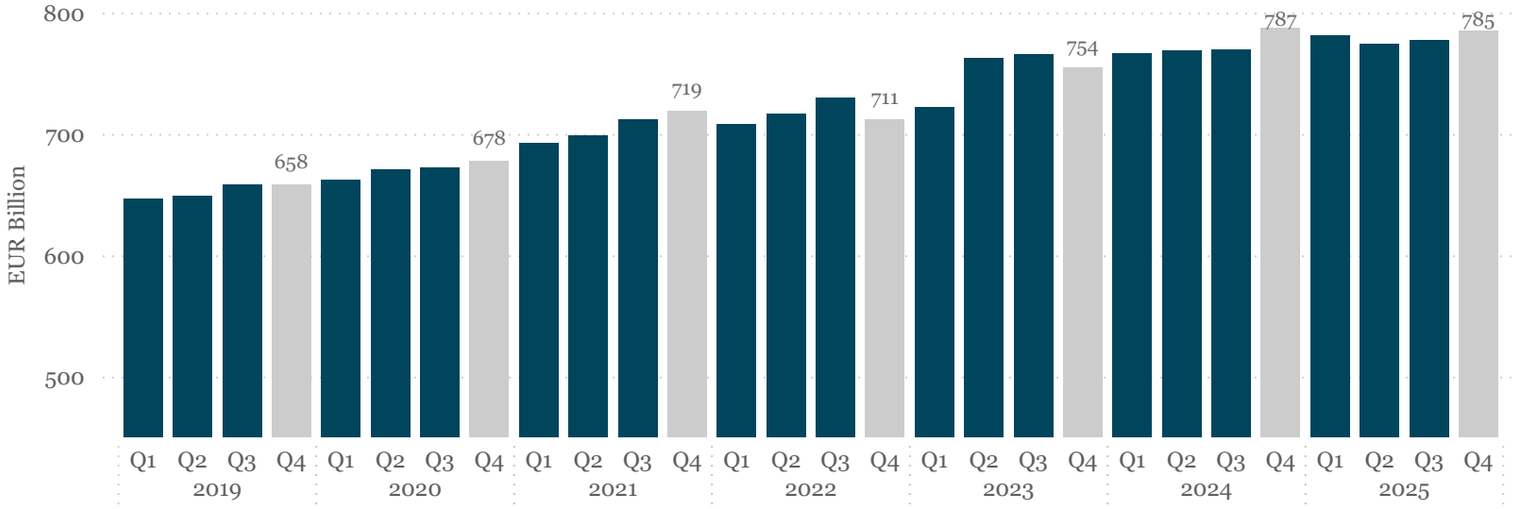
Six of the eleven banks covered in this report reported a quarterly increase in their CET1 ratio, while the remaining five banks reported a decrease.

Since early 2023, CET1 ratios have remained stable, with only a limited variation in both the weighted average and the distribution across banks.

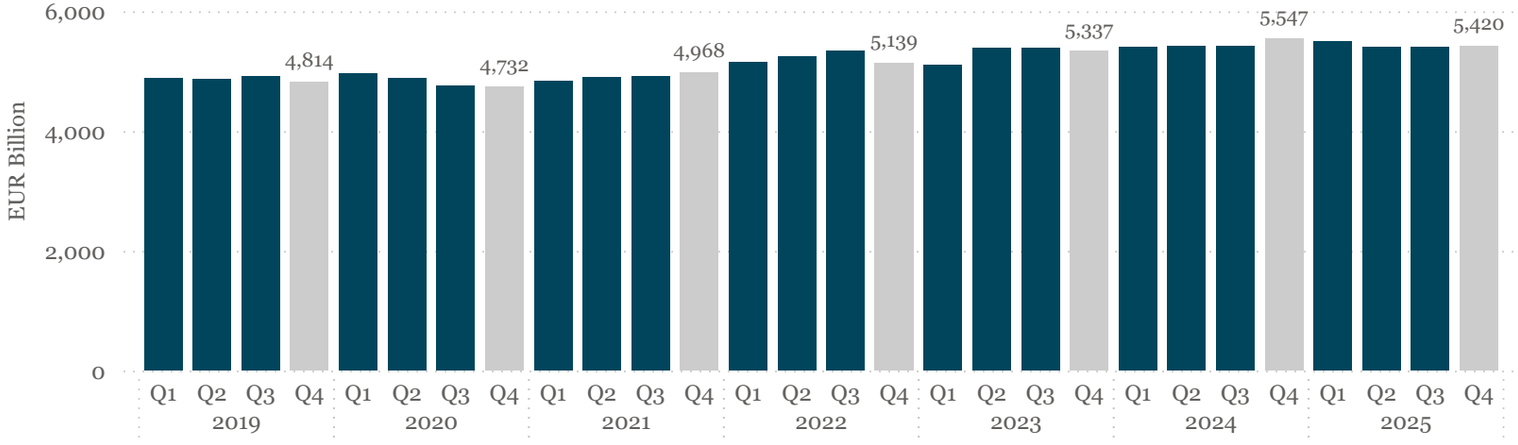
The average CET1 ratio has fluctuated around 14.3% during 2025 finishing Q4 at 14.4%, indicating a consistent capital position among the institutions covered.

CET1 and RWA levels

CET1 capital



RWA (€bn)



Source: European GSIBs earning report

CET1 capital remains broadly stable

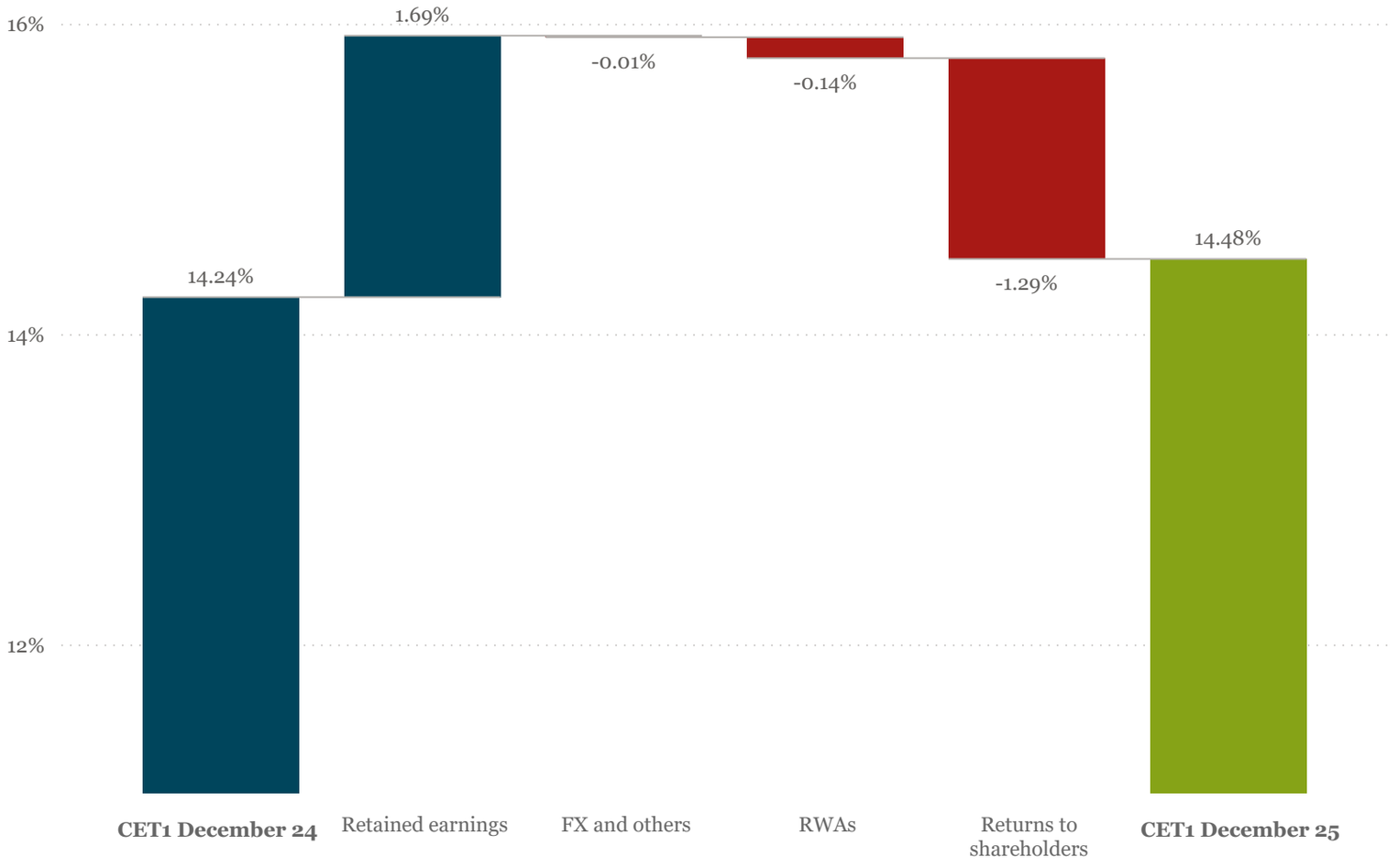
European GSIBs finalised the fourth quarter of 2025 with €785bn in CET1 capital, representing a moderate increase compared to the €777.3bn reported in the previous quarter. However, CET1 levels were slightly lower YoY, declining by 0.25% compared to €787bn in Q4 2024.

6 of the 11 banks included in this report saw an increase in CET1 capital over the quarter.

During Q4 2025, the aggregate RWAs of European GSIBs stood at €5,420bn. This represents a slight QoQ increase of 0.46% compared to the €5,395bn in Q3 2025. However, RWAs declined YoY by 2.3% from €5,547bn reported in Q4 2024.

CET1 ratio drivers

Change in CET1 ratio by components in Q4 2025 (%)



Source: estimates based on European GSIBs earnings reports

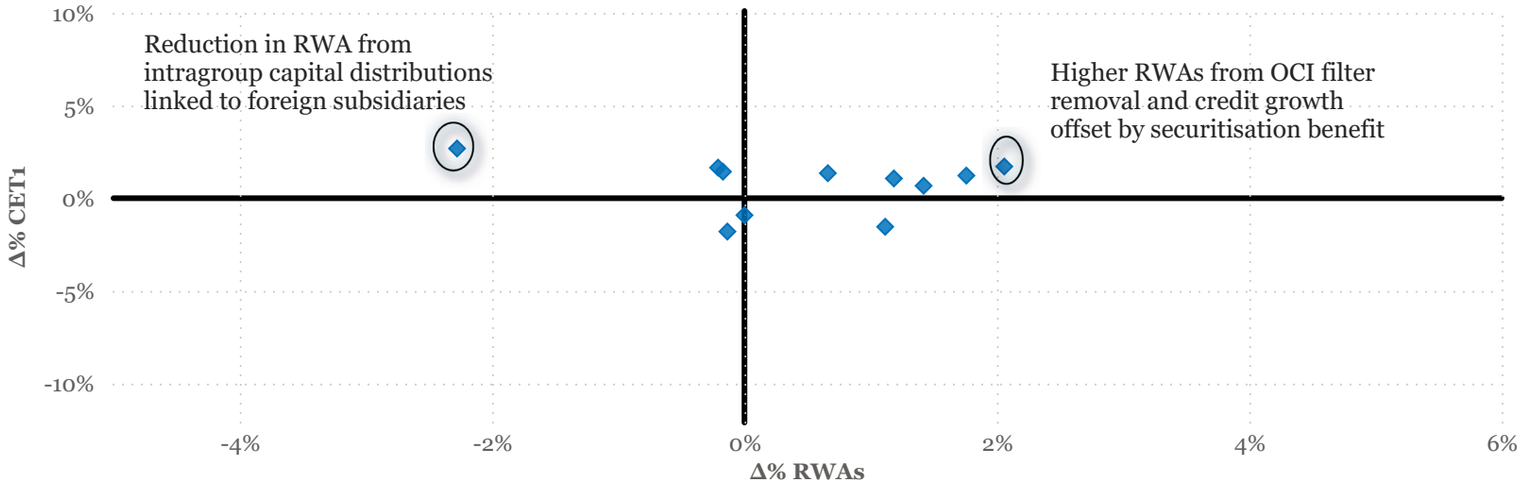
CET1 ratio variation by component:

The average CET1 ratio of European GSIBs increased by 24bps from 14.24% in Q4 2024 to 14.48% in Q4 2025.

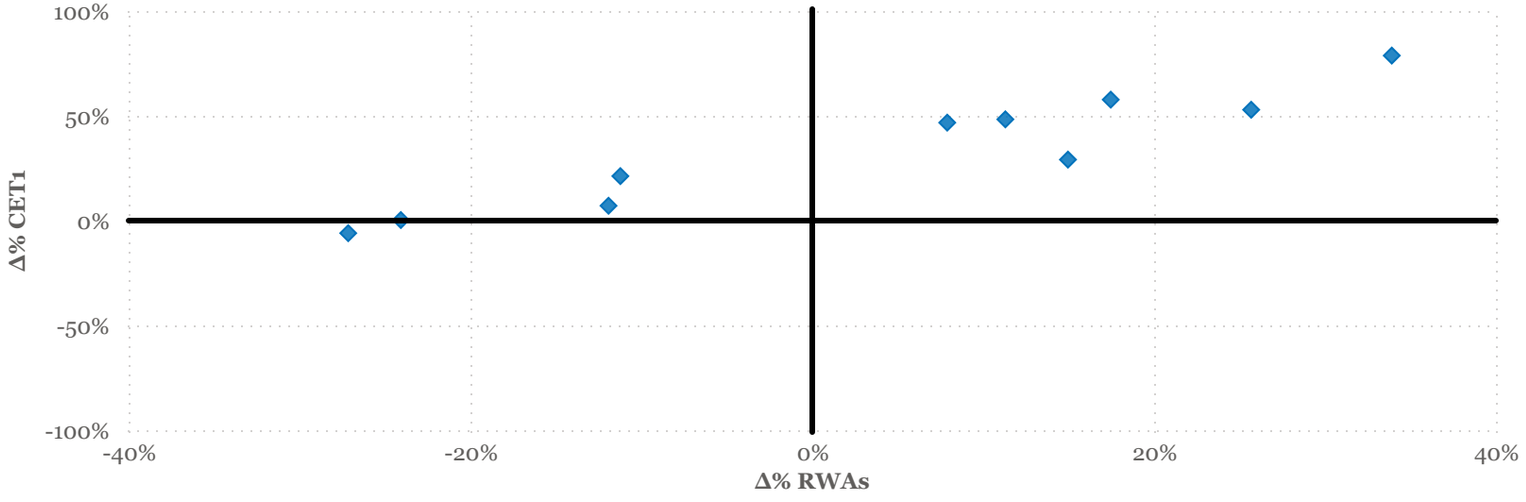
The variation in the ratio was primarily driven by retained earnings, contributing to a 1.69% rise YoY. However, this was partly offset by shareholder returns, which reduced the ratio by 1.29%. Changes in RWA had a smaller effect, decreasing the ratio by c. 14bps, while FX translation and other factors provided a net negative contribution of c. 1bp.

CET1 ratio and RWA delta by bank

Percentage change: QoQ



Percentage change since Dec-2014



Source: European GSIBs earning report

CET1 and RWA variations by bank:

During Q4 2025, six of the eleven banks included in this report recorded an increase in their CET1 capital, while the remaining five experienced lower levels.

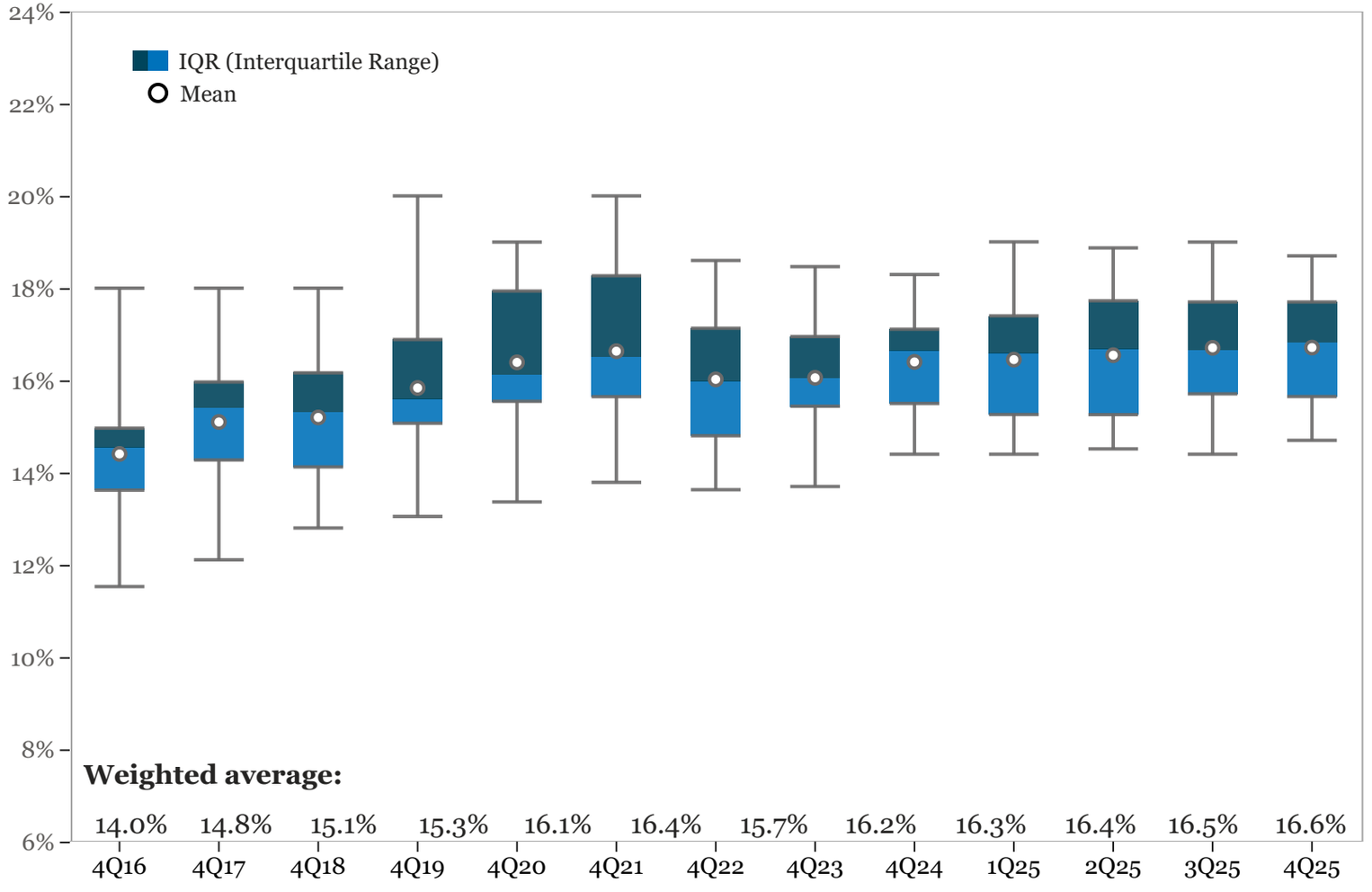
RWAs increased for six of the GSIBs analysed.

Bank-specific factors contributing to these changes, such as intragroup capital distributions, regulatory effects, and credit growth are illustrated in the top chart.

Following the changes in CET1 and RWA since December 2014, two distinct strategic approaches to comply with the Capital Requirements Directive have emerged: reducing RWAs, or increasing both CET1 and RWAs.

afme/ T1 ratio

T1 end-point ratio



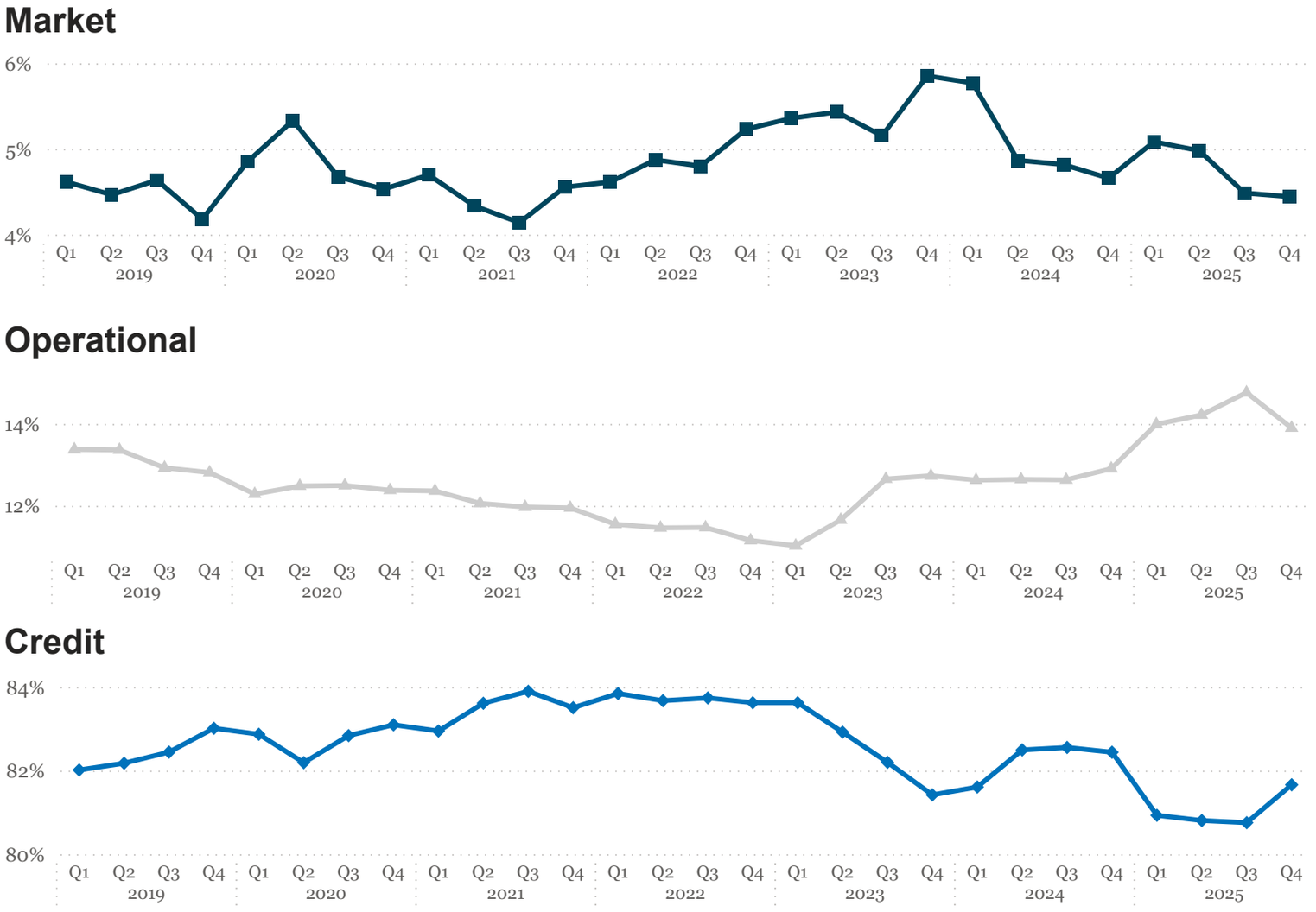
Source: European GSIBs earning report

Continued T1 capital resilience

In Q4 2025, the weighted average T1 ratio of European GSIBs reached 16.6%, a 10bps increase since last quarter (16.5%).

Since 2022, European banks have continued to strengthen their capital positions, maintaining levels above those seen prior to the COVID-19 pandemic.

Development of RWA risk composition



Source: European GSIBs earning report

Operational risk moderates in Q4 as credit risk rebounds

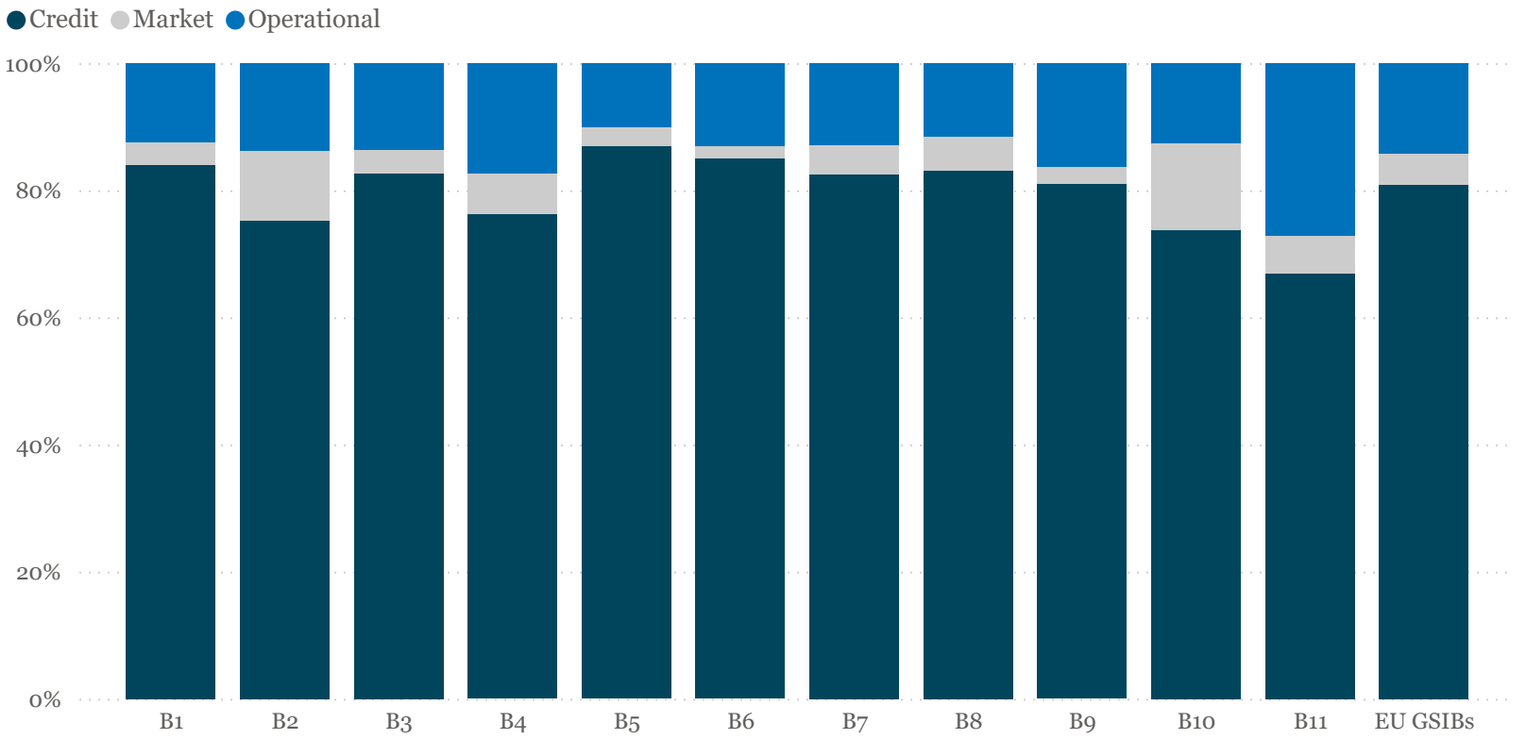
Market risk RWAs have continued to decline, falling from 4.48% of total RWAs in Q3 2025 to 4.44% in Q4 2025.

Operational risk RWAs, which had been gradually declining over the past five years, began rising in early 2023. This shift was largely driven by the acquisition of a major Swiss bank by a GSIB. After stabilising between Q3 2023 and Q3 2024, operational risk RWAs rose sharply through 2025, reaching 14.8% in Q3 2025 before easing to 13.9% in Q4 2025.

After a decline throughout 2023 and a temporary increase in 2024, credit risk RWAs have resumed their downward trend in 2025 before partially recovering at year-end. In Q4 2025, credit risk accounted for 80.8% of total RWAs, from 84% in 2022.

RWA risk composition

RWA risk composition in Q4 2025



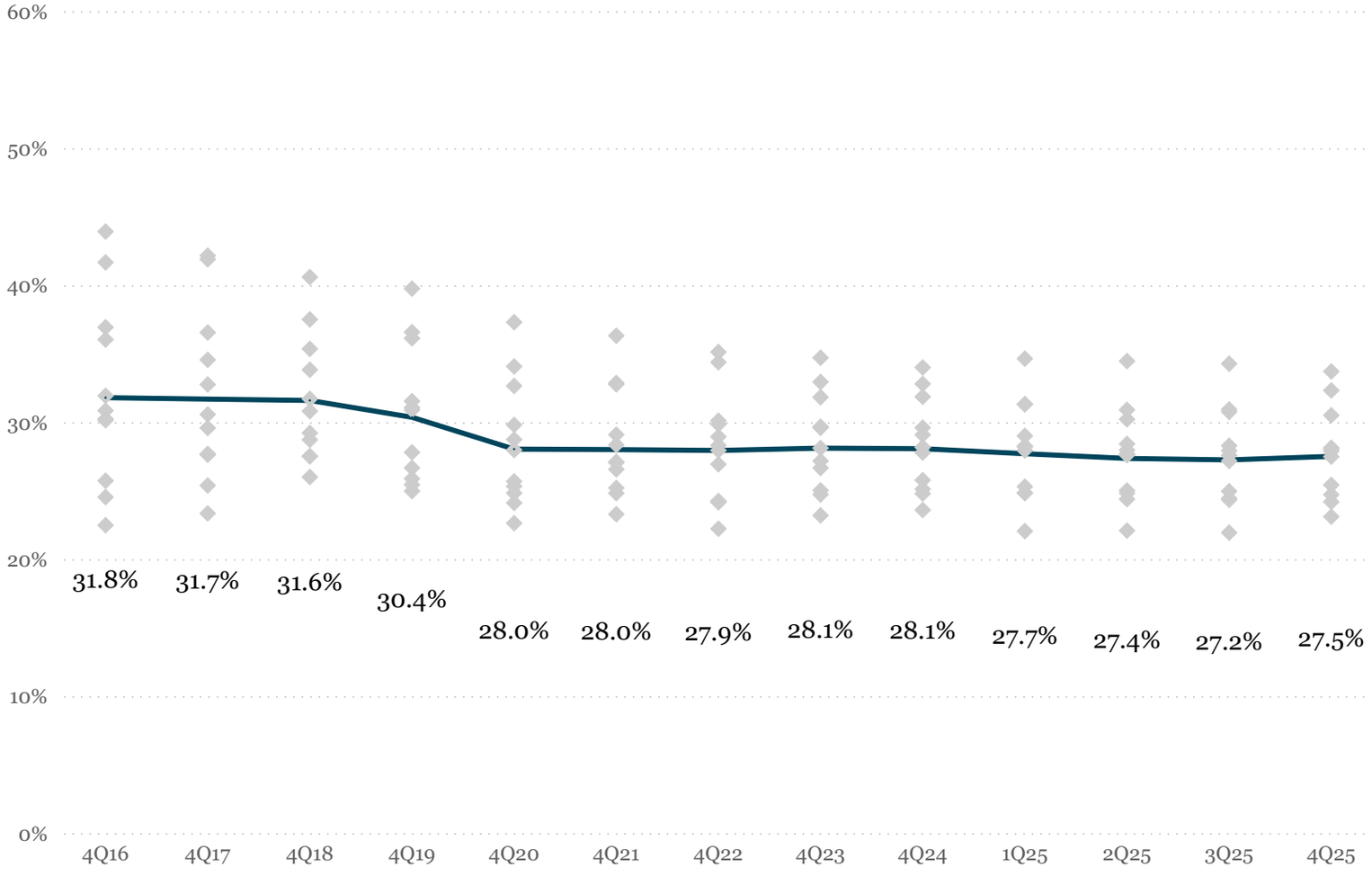
Source: European GSIBs earning report

Asset risk composition:

The primary balance sheet risk of European GSIBs is credit risk (80.8%), with operational and market risks following in significance (14.22% and 4.98% respectively).

RWA Densities

RWA densities: RWA/total assets



Source: European GSIBs earning report

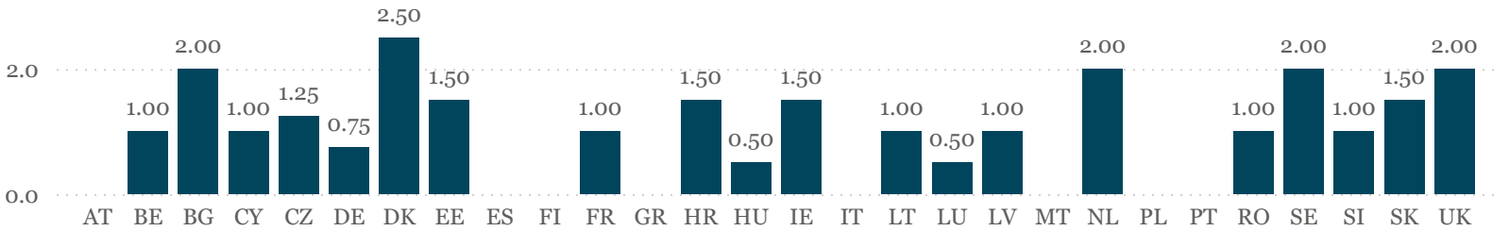
GSIBs continue to operate with lower RWA densities

Since 2015, RWA densities have steadily declined, indicating a strategic shift among European GSIBs toward balance sheet activities with lower risk weights. As of Q4 2025, the aggregate RWA density stood at 27.5%, broadly within the 27–28% range observed in recent years.

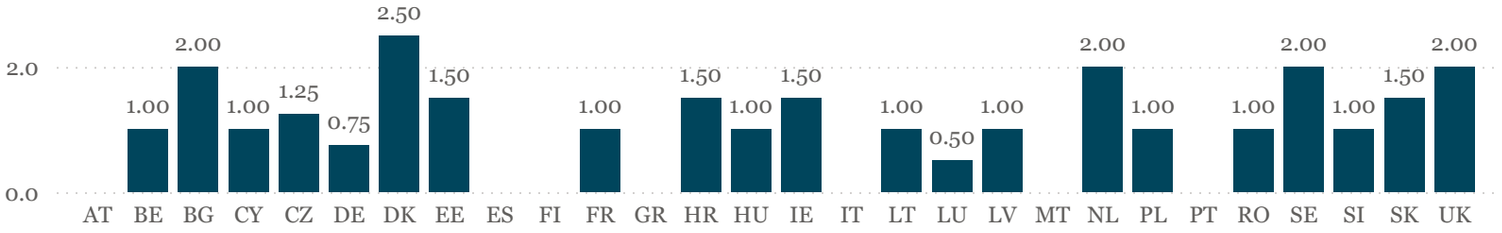
Moreover, the variation in RWA densities across banks has narrowed over time. While the gap between banks with the highest and lowest density ratios was 20pp in 2016, this difference has declines to 10pp in 2025.

afme/ Countercyclical capital buffers

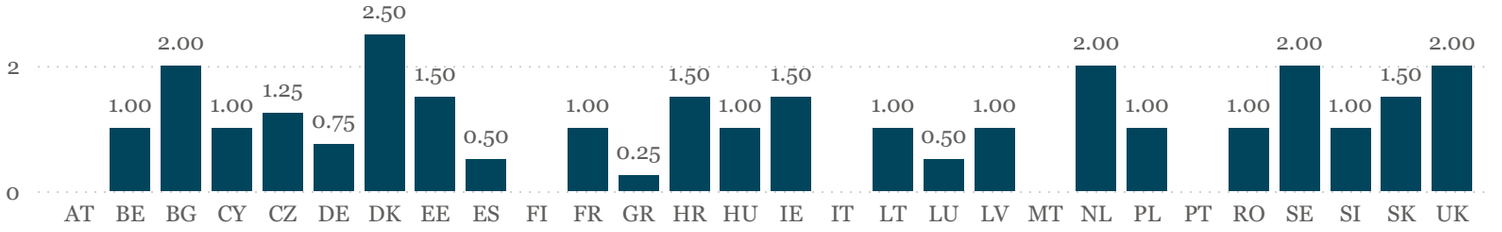
Current CCyB rates by country (%): 2025-Q2



2025-Q3



2025-Q4



Notes: Exemptions are provided for certain small and medium-sized investment firms from holding a CCyB in the following countries: Croatia, Cyprus, Luxembourg, Malta, Poland, Slovakia, Sweden and the United Kingdom.

Source: ESRB

Higher CCyB Across Europe

During Q4 2025, there was only one CCyB adjustment, as Greece introduced a 0.25% buffer rate.

In January 2026, further changes followed as Cyprus increased its CCyB from 1% to 1.5%, and Portugal activated the buffer for the first time at 0.75%.

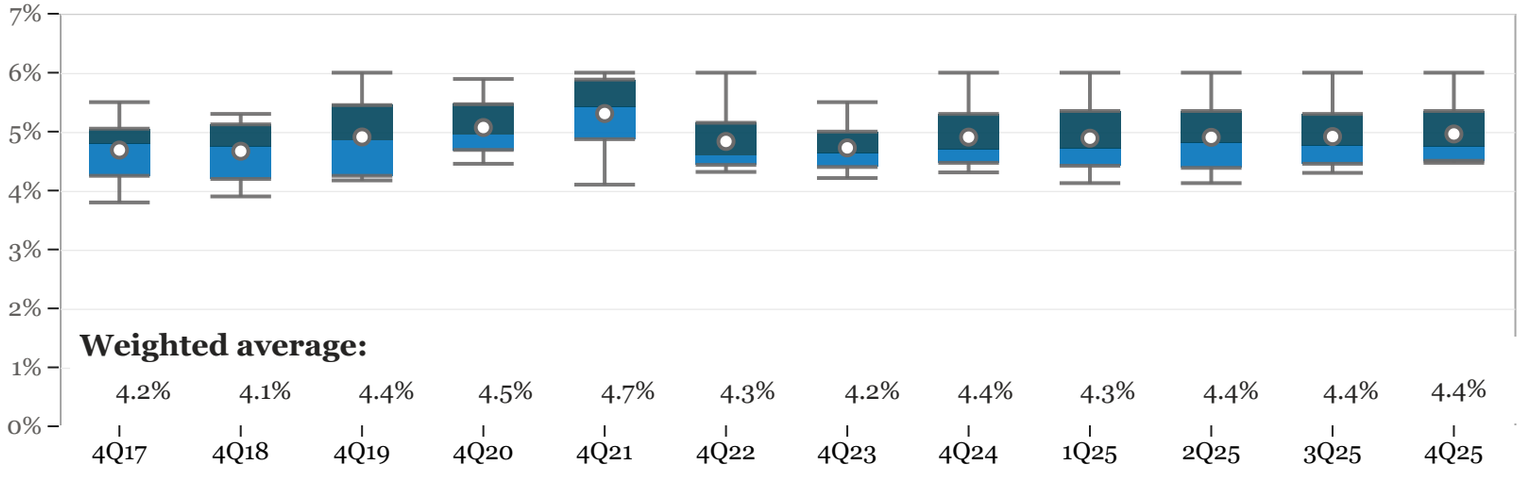
Additionally, four countries are expected to modify their national CCyB rates in the future. These include:

- Belgium: exp. 1.25% in Jul 2026
- Poland: exp. 2% in Sep 2026
- Greece: exp. 0.5% in Oct 2026
- Spain: exp. 1% in Oct 2026

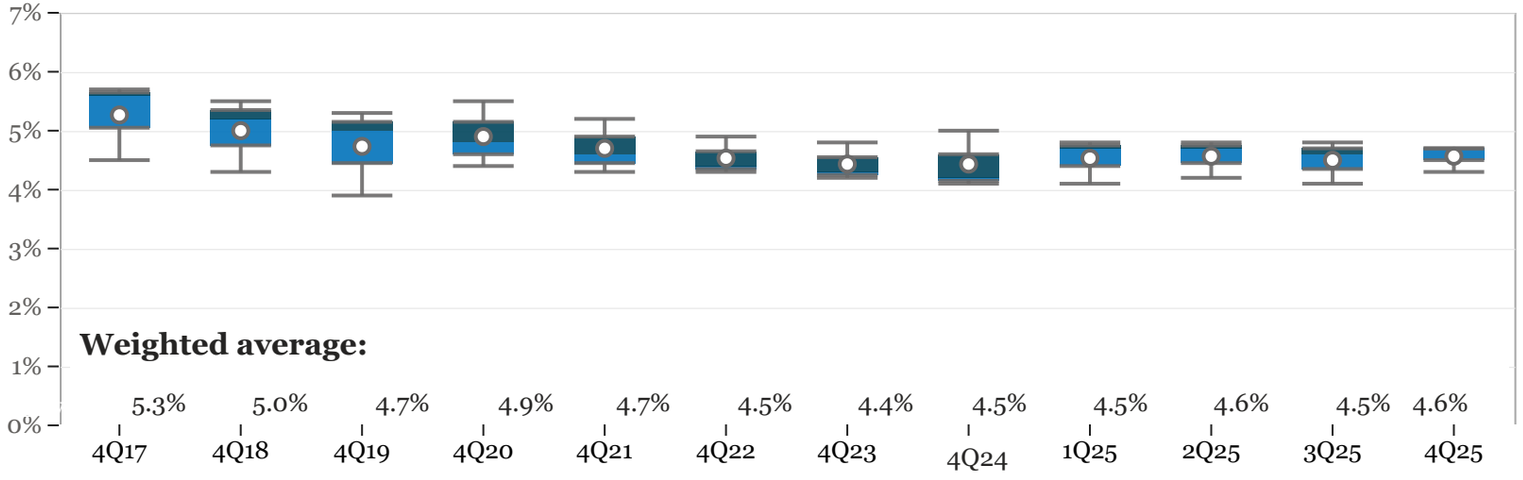
At the end of 2025, Austria, Finland, Italy and Malta remain the only countries neither using nor planning to use a countercyclical buffer.

Leverage Ratio (LR)

Leverage ratio: End-point (EU)



Leverage ratio: End-point (UK)



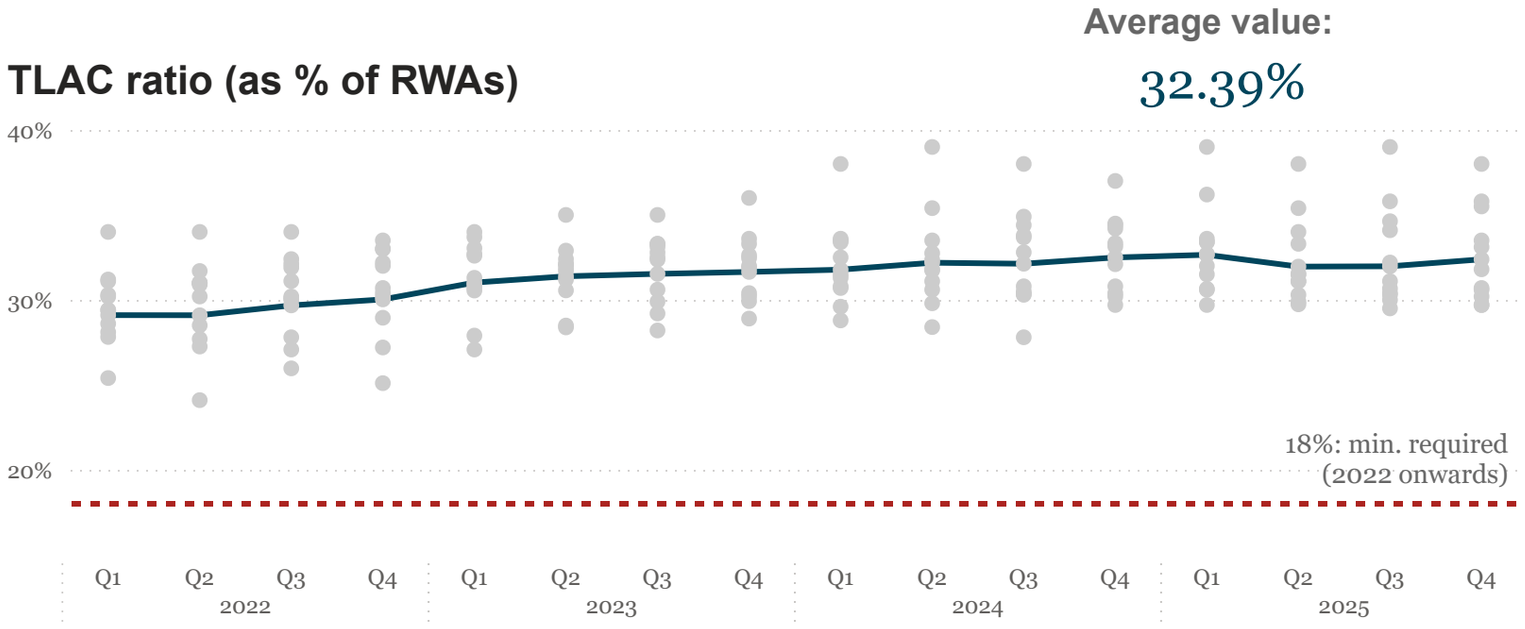
Stability in leverage ratio

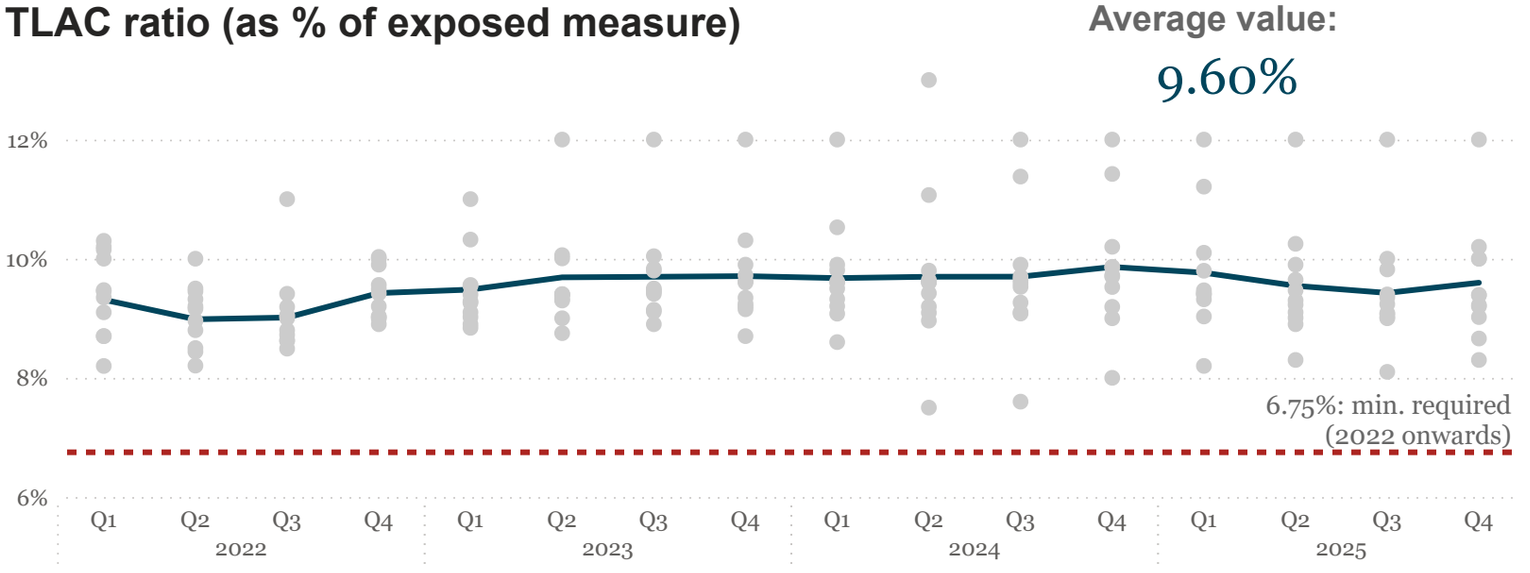
The leverage ratio of EU GSIBs has remained relatively stable over the past two years, with the average fluctuating within a range of 4.3% to 4.4%.

In Q4 2025, EU GSIBs reported an average leverage ratio of 4.41%, a slight increase of 4 bps QoQ (4.37%) and of 5 bps YoY (4.36%).

Meanwhile, in Q4 2025, UK GSIBs reported a leverage ratio of 4.57%, increasing by 7bps QoQ (4.50%) and increasing by the same amount YoY.

TLAC ratio development





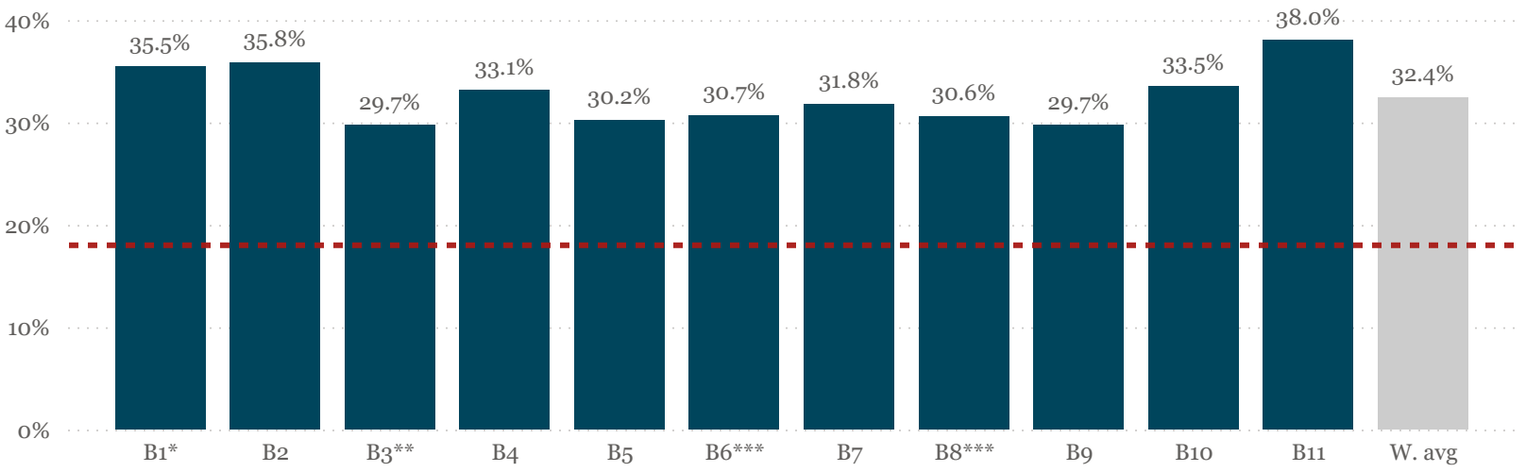
TLAC ratio

The average TLAC ratio of European GSIBs relative to RWAs reached 32.39% in Q4 2025, an increase of 0.41% compared to the previous quarter.

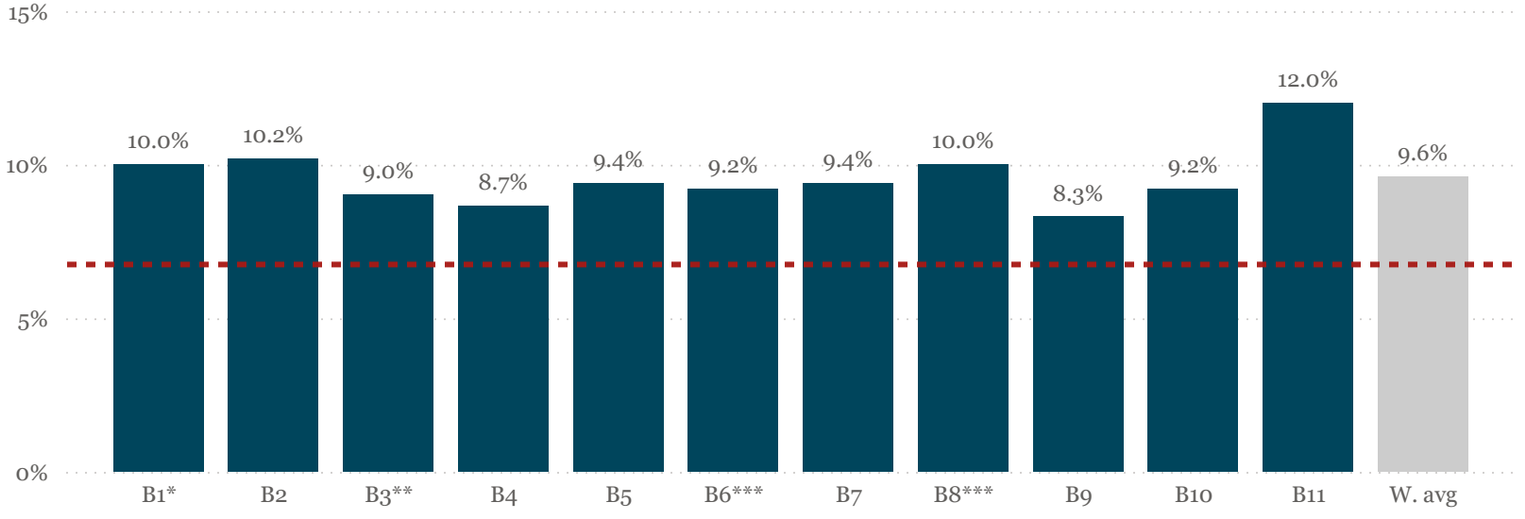
Similarly, the TLAC capital relative to the exposure measure saw a slight increase in Q4 2025, averaging 9.60% (up from 9.43% in Q3 2025).

TLAC ratio by GSIB

TLAC ratio (as % of RWAs)



TLAC ratio (as % of exposed measure)

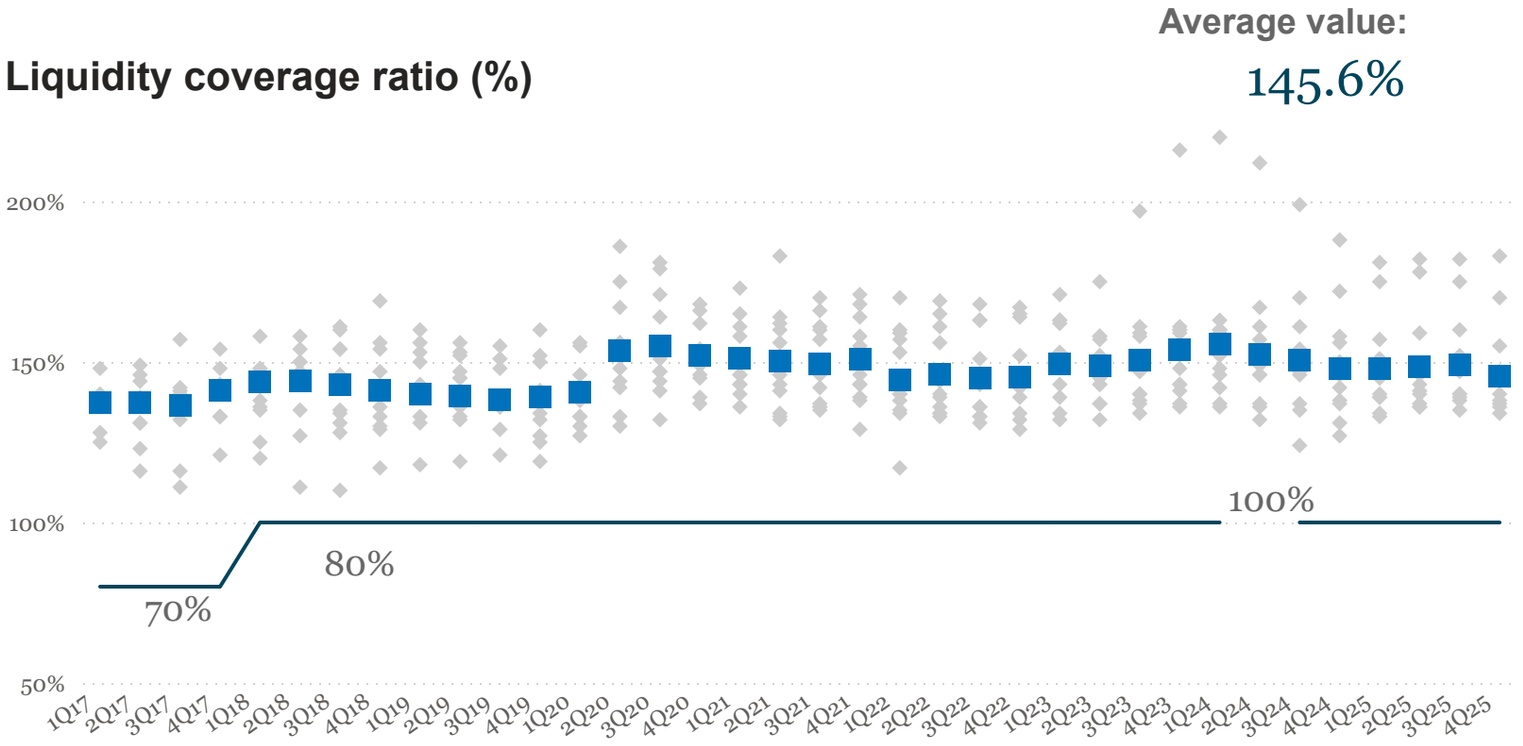


GSIBs TLAC ratios well above requirement

AFME estimates suggest that European GSIBs hold c. €1.76tn TLAC-eligible liabilities at the end of Q4 2025.

During the quarter, the TLAC ratio relative to both RWAs and exposure measure stood significantly above the minimum requirement of 18% and 6.75% respectively.

Liquidity Coverage Ratio



Strong liquidity buffers

The aggregate liquidity coverage ratio remains well above the 100% requirement (45.6% above the minimum requirement).

Since the COVID pandemic, banks have structurally increased their liquidity buffers from c40% to c50% above requirement. Notably, one of the GSIBs stood out as an outlier at the start of 2024, maintaining liquidity at twice the required amount, but this level has steadily declined, reaching a significantly lower level by Q4 2025.

Box: Countercyclical Capital Policy

Review of Countercyclical Capital Policy

This Box discusses the macroprudential frameworks to address cyclical risks for banks in the EU, UK, Canada, and the United States.

The Basel accord allows banking supervisors to increase capital requirements during periods of excessive credit growth and be released as conditions deteriorate. The primary instrument envisaged for this purpose is the countercyclical capital buffer (CCyB). In practice, however, countries have established a wide range of institutional arrangements to tackle cyclicality, which in many cases has resulted in overlapping prudential tools addressing similar risks.

In the EU, the primary macroprudential buffer to address cyclical risks is the CCyB, set at national level across Member States (MS). Within this framework, MS make an unharmonised used of the tool, some of which setting a positive neutral CCyB which is a de-facto permanent national capital increase. Additionally, as we discuss in this Box, other supervisory components such as the P2R and P2G act in a similar way in addressing countercyclical risks, resulting in overlapping use of buffers and requirements and blurring the distinction between macroprudential and supervisory tools.

In the UK, the principal cyclical tool is also the CCyB. The UK operates a positive neutral CCyB at 2%, which is among the highest observed in jurisdictions that apply a positive neutral approach. In parallel, we find evidence that the severity of UK stress tests (which determine the level of P2B guidance capital levels) also adjust with the economic cycle, resulting in an overlap between various elements of the capital framework.

Canada has maintained the CCyB rate at zero since inception of the framework. In practice, however, cyclical risks are embedded in the Domestic Stability Buffer (DSB). The DSB is reviewed semi-annually and calibrated based on a range of macroeconomic metrics, including credit expansion and various systemic risk vulnerabilities of the banking sector. Only the largest six banks are subject to the DSB, unlike CCyBs which by design apply to all domestic exposures. Our data indicates that DSB adjusts well with cyclical risks, particularly since 2020 following the Covid pandemic.

The United States also formally sets its CCyB at zero. However, evidence suggests that the Stress Capital Buffer (SCB) framework contains relevant cyclical elements that allow authorities to address cyclical risks through supervisory capital requirements. The SCB framework, in force since 2020, measures bank-specific risks and calibrates capital buffers based on stress-test outcomes. We find that both SCB buffer rates and the severity of stress tests vary systematically over the business cycle, resulting in an effective countercyclical adjustment of capital requirements.

The analysis in this box is particularly relevant as UK and EU authorities initiate reviews of their capital stacks.

Further detail on the EU approach is set out in AFME's report on the EU capital stack, which also evaluates how other jurisdictions address capital tools within the Basel framework.

EU CCyB Approach

In the EU, the primary policy tool to address countercyclical risks within the prudential capital framework is the countercyclical buffer (CCyB).

The CCyB is designed to mitigate procyclicality in banks' capital by building additional buffers during periods of excessive credit growth and releasing them in economic downturns.

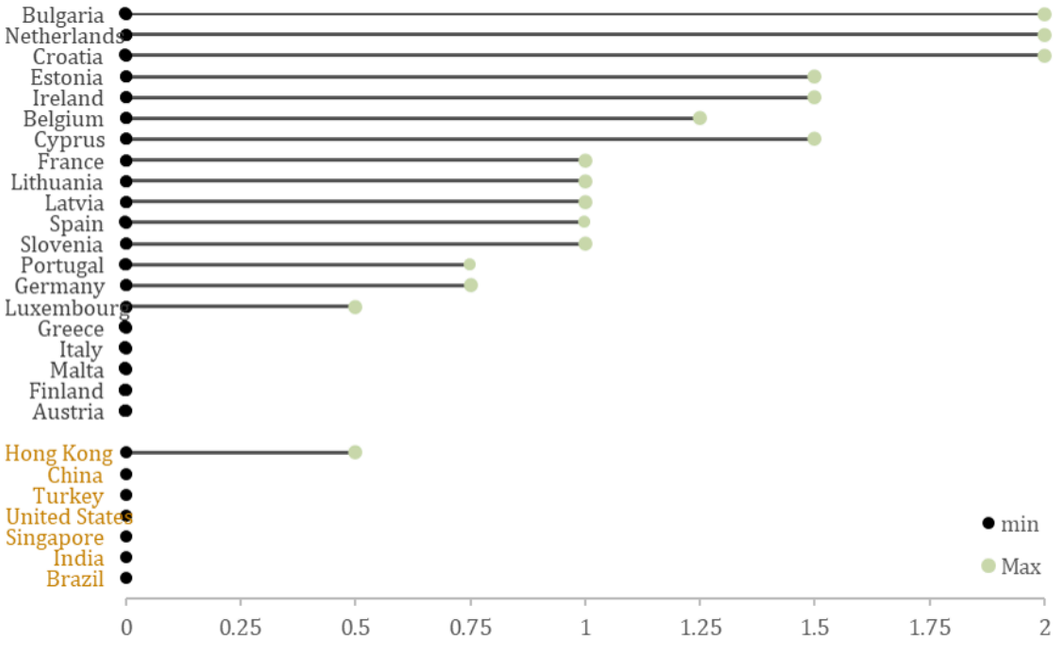
However, since its introduction in 2016, Banking Union (BU) Member States have made uneven and largely unharmonised use of this instrument.

Some BU countries have never set a positive CCyB rate, which reflects differences in national CCyB methodologies (some MS using up to 27 metrics to trigger CCyB, others only one metric) and divergent local macro-financial conditions. The resulting dispersion in CCyB activation across MS is clearly visible, as illustrated in the right-hand chart.

Some countries make use of a positive neutral CCyB framework setting a CCyB above 0% even in the absence of signs of excessive credit growth. This, de-facto, allows National Authorities to structurally increase capital requirements in the absence of any imbalances in the credit cycle.

From an international competitiveness perspective, it is also worth noting that several major global banking centres have never made explicit use of this policy tool. This is the case, for example, in the United States, Canada, China, Turkey, and Brazil.

CCyB buffer dispersion in the euro area and international comparison



Source: BIS, ESRB. Greece plans to increase its CCyB rate to 0.5% in Oct 2026

Countercyclical Patterns in EU Pillar 2 Requirements

Although the CCyB is the policy instrument designed to address cyclical risks in the EU, P2R and stress-test-related P2G have also adjusted in line with the business cycle. This results in an overlapping use of buffers and requirements for cyclical conditions.

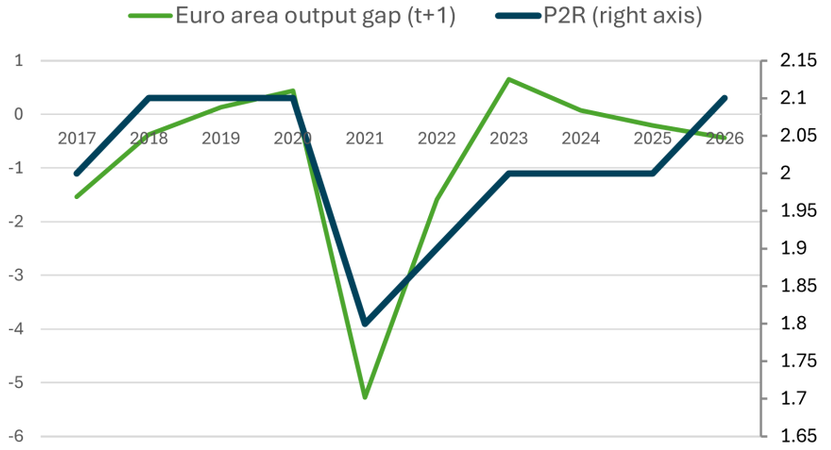
Pillar 2 Requirements (P2R) are set as binding capital requirements based on supervisors' point-in-time risk assessment under the SREP, reflecting risks not sufficiently captured under Pillar 1. Pillar 2 Guidance (P2G) is non-binding supervisory guidance derived from stress-test outcomes, indicating the level of capital authorities expect banks to maintain to withstand severe adverse scenarios.

The top chart compares the euro-area output gap* with the aggregate P2R surcharge (% RWAs), showing a clear relationship between the economic cycle and supervisory capital add-ons. P2R levels tend to be higher when the output gap is positive (during economic expansion) and lower when the economy is operating below potential. In this sense, P2R displays a countercyclical pattern, with supervisory requirements easing in downturns and tightening as economic conditions improve.

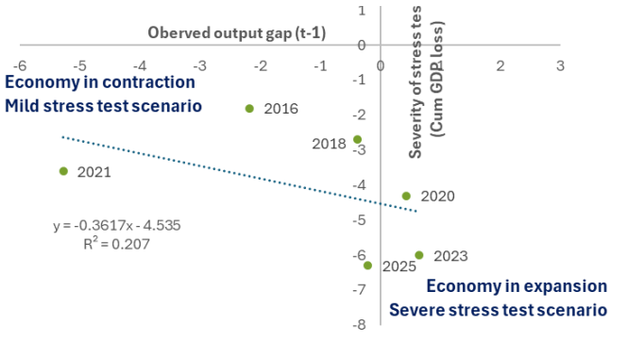
A similar cyclical dynamic is observed in stress-test severity, as reflected in P2G. During economic expansions, stress tests typically incorporate more severe adverse scenarios. Conversely, in weaker macroeconomic conditions, scenario severity tends to be moderated. The pandemic illustrates this pattern clearly: as the euro-area economy contracted, the planned 2020 stress-test scenarios were recalibrated to be less severe (bottom left chart). Note, however, that the correlation is observable even once excluding the scenario remake of 2021 (bottom right chart).

*Output gap is a macroeconomic metric to measure whether the economy is operating above (positive gap) or below (negative gap) its capacity. It is measured as the difference between the economy's observed real GDP and its potential long-term real output as a percentage of potential GDP.

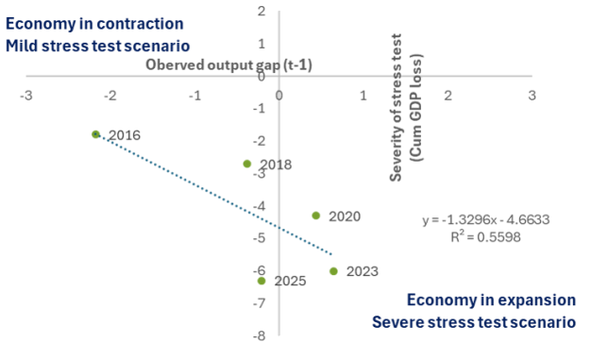
Average euro area P2R (%RWAs) and euro area output gap (%)



Severity of stress test (cumulative GDP loss) and euro area output gap (%, each dot represents year of stress test)



Full sample



Ex-COVID scenario remake (2021)

Source: ESRB, ECB, IMF. Output gap shown with a 1-year difference with P2R and P2G levels considering time difference between observed output gap and setting of P2Rand of stress test scenarios

UK CCyB Approach

The United Kingdom also makes active use of the CCyB as a macroprudential tool, operating under a framework of a positive neutral rate of 2%.

However, we note that the Financial Policy Committee's (FPC) decision to retain a positive neutral CCyB rate of 2% has important consequences in the level of domestic exposures by banks operating in the UK.

A positive neutral rate of 2% is higher than in many other jurisdictions that operate with a non-zero neutral CCyB, and notably higher than major jurisdictions such as the United States, Japan, India, Canada, China, and Brazil, where the CCyB is currently set at 0%.

As a result, banks that increase the share of their lending to UK counterparties, relative to exposures in other jurisdictions, will face a higher average CCyB requirement on a consolidated basis.

This mechanically raises capital requirements even in the absence of a change in underlying cyclical risk, and may influence banks' portfolio allocation decisions across jurisdictions. From an international perspective, the UK framework therefore embeds a structurally higher cyclical capital floor on domestic exposures compared with peers that rely on alternative macroprudential tools or activate the CCyB only in more advanced phases of the credit cycle.

Countries with a Positive Neutral Countercyclical Buffer

Armenia	1.5%	Latvia	1%
Australia	1%	Lithuania	1%
Cyprus	0.5%	New Zealand	1.5%
Czech Republic	1%	The Netherlands	2%
Chile	1%	Poland	2%
Estonia	1%	Portugal	0.75%
Greece	0.5%	Slovenia	1%
Hong Kong SAR	1%	South Africa	1%
Hungary	1%	Spain	1%
Iceland	2-2.5%	Sweden	2%
Ireland	1.5%	United Arab Emirates	0.5%
Georgia	1%	**United Kingdom**	**2%**

Source: IMF

Countercyclical Dynamics in the UK Stress Test Framework

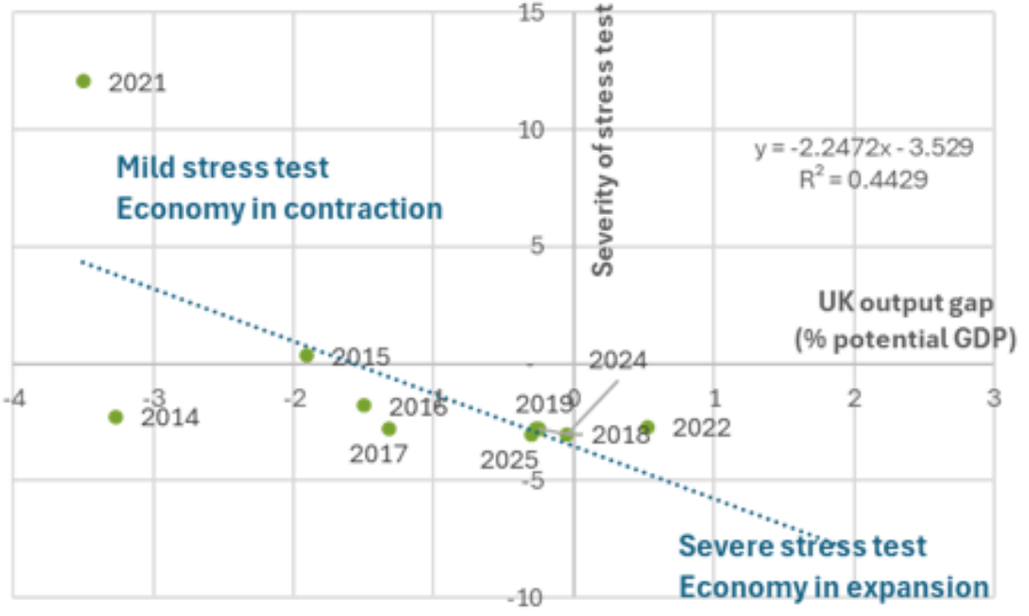
Furthermore, AFME analysis identifies a significant interaction between Pillar 2 guidance levels (P2B) and the CCyB, driven by the strong linkage between stress-test severity and the position of the economy in the business cycle.

When the economy is operating above potential and experiencing a period of strong expansion, supervisory stress scenarios are typically calibrated more severely. In contrast, during periods of economic contraction or when the output gap is materially negative, the scenarios applied in the annual stress tests tend to be less severe. Stress-test severity therefore moves closely with the cycle and exhibits a high degree of cyclicality.

The chart on the right illustrates the relationship between the UK output gap and the severity of annual stress test scenarios. Severity is measured as the difference between the latest observable real UK GDP and the GDP level three years into the stress scenario. The output gap is taken from the IMF and lagged one year to reflect the forward-looking nature of scenario design, where prevailing economic conditions inform the calibration of future stress assumptions.

This cyclical pattern means that Pillar 2B implicitly increases during economic upswings and decreases during downturns. As a result, Pillar 2 buffers effectively responds to the same underlying cyclical conditions as the CCyB, even though the two tools serve distinct policy purposes.

Correlation of UK economic cycle and severity of stress test scenarios



Source: AFME with Bank of England and IMF data. Severity of stress tests has been measured as the difference between the latest observable real UK GDP amount and the real GDP amount 3Y after under the stress scenario. Output gap is sourced from the IMF measured as the difference in observed GDP vs potential GDP. Output gap is lagged 1 period as the stress test is constructed in year t but the output gap in year t is not known (only t-1).

Source: IMF, Bank of England

Countercyclical Patterns in the US Stress Test Design

The United States has a CCyB framework in place, which, however has never been activated and has remained at zero since inception. Additionally, the US implemented in 2020 a Stress Capital Buffer (SCB) framework, which absorbed the capital conservation buffer (CCoB) by replacing the fixed 2.5% CCoB with a bank-specific, stress-test-based requirement that cannot fall below 2.5%.

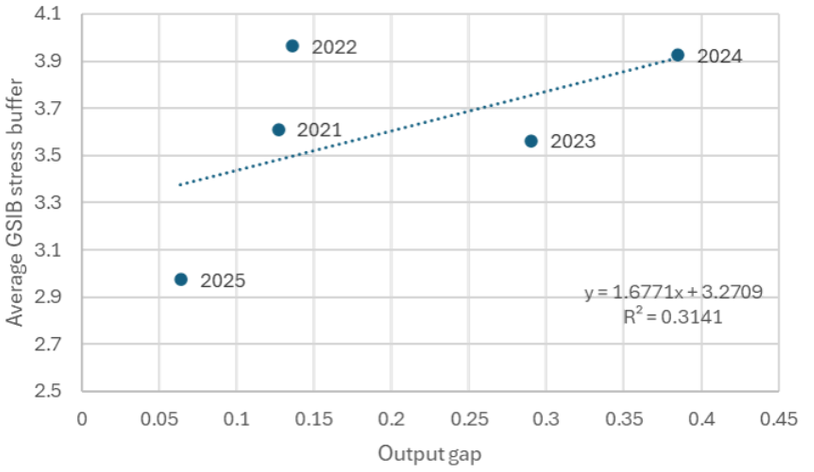
A closer look to the SCB implementation suggests that both the capital buffers and the severity of stress tests (that determine the SCB rates) vary over the business cycle.

The chart in the top-right panel shows the correlation between the average SCB for US G-SIBs and the output gap. The chart illustrates that in periods of strong economic growth, the SCB has typically been set at higher levels than during periods of weaker economic conditions.

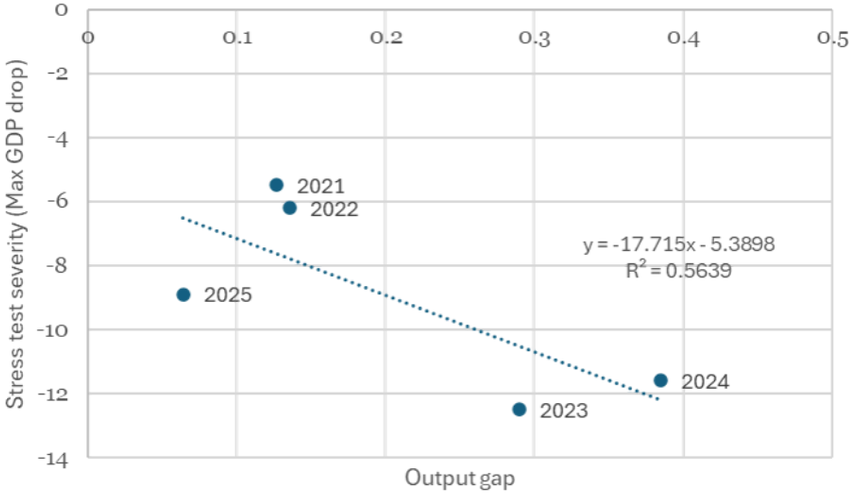
Furthermore, the chart on the bottom right shows the relationship between the US output gap and stress test severity (i.e. maximum decline in real GDP growth under severe stress scenario). The chart also shows that periods of stronger economic conditions are generally associated with more severe stress scenarios (which ultimately determine the SCB buffer rates).

While the Federal Reserve has not formally stated that the SCB replaces the CCyB, its repeated decisions to leave the CCyB at zero and its reliance on annually recalibrated stress-based capital requirements indicate that the US has chosen to address countercyclicality primarily through the SCB rather than through activation of the CCyB.

US GSIB SCB average buffer rates and US Output Gap (%)



US Stress Test Severity *(Max GDP decline)* and US Output Gap (%)



Source: IMF, FED

Countercyclical Behaviour of the DSB in Canada

Canada, like the United States, has a CCyB framework in place, which has never been activated and has remained at zero since inception. Canada, however, also operates a Domestic Stability Buffer (DSB), which is explicitly designed to vary over the financial cycle and to be released in stress.

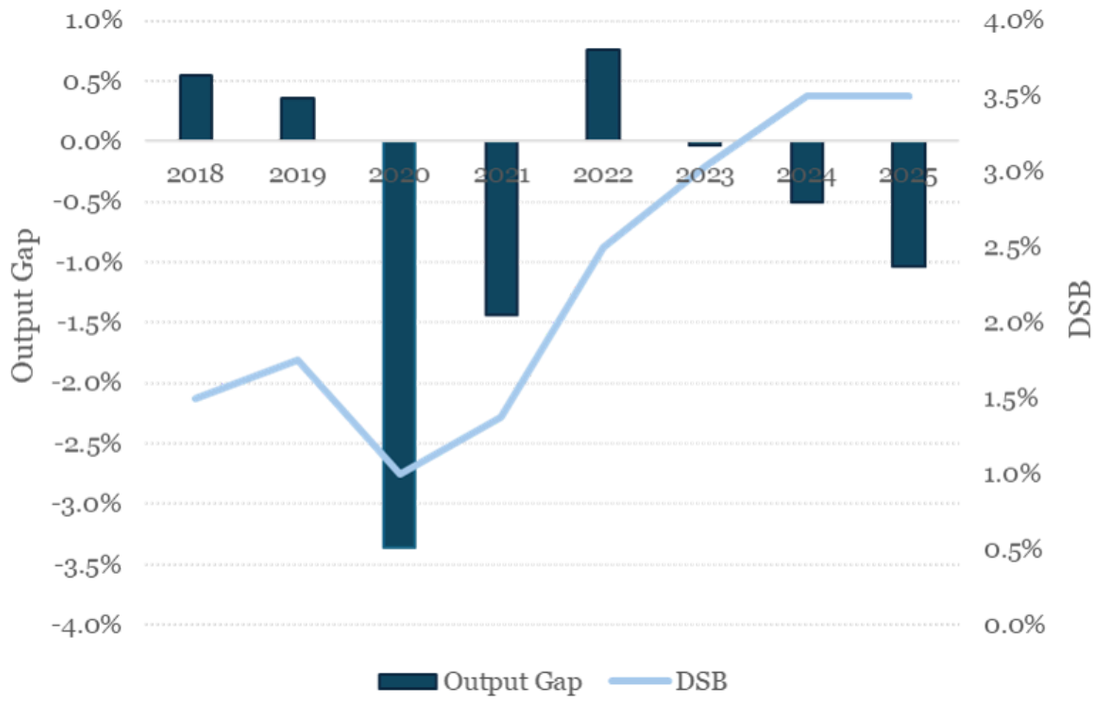
The DSB applies to the six largest Canadian banks (D-SIBs), and its level does not carry automatic constraints on capital distributions unlike the CCyB in the EU.

The DSB is set on a biannual basis, based on the assessment of a wide range of macro-financial indicators, many of which have a cyclical focus (e.g. credit growth, housing market dynamics), while others are more closely linked to the build-up of systemic vulnerabilities (e.g. household indebtedness, asset price imbalances). The Office of the Superintendent of Financial Institutions (OSFI) has explicitly described the DSB as a countercyclical tool and a central element of Canada's macroprudential framework.

Data suggest that the DSB has closely followed the cyclical position of the Canadian cycle, adjusting with changes in economic conditions. This pattern was particularly evident during the Covid-19 pandemic, when the DSB was rapidly reduced as economic conditions deteriorated sharply, as reflected in a widening negative output gap. See right chart.

Overall, evidence supports the view that the DSB operates as an effective countercyclical tool, and an interesting example of a simple tool compliant with the Basel framework to address cyclical risks.

Canada: Domestic Stability Buffer and Output Gap (%)

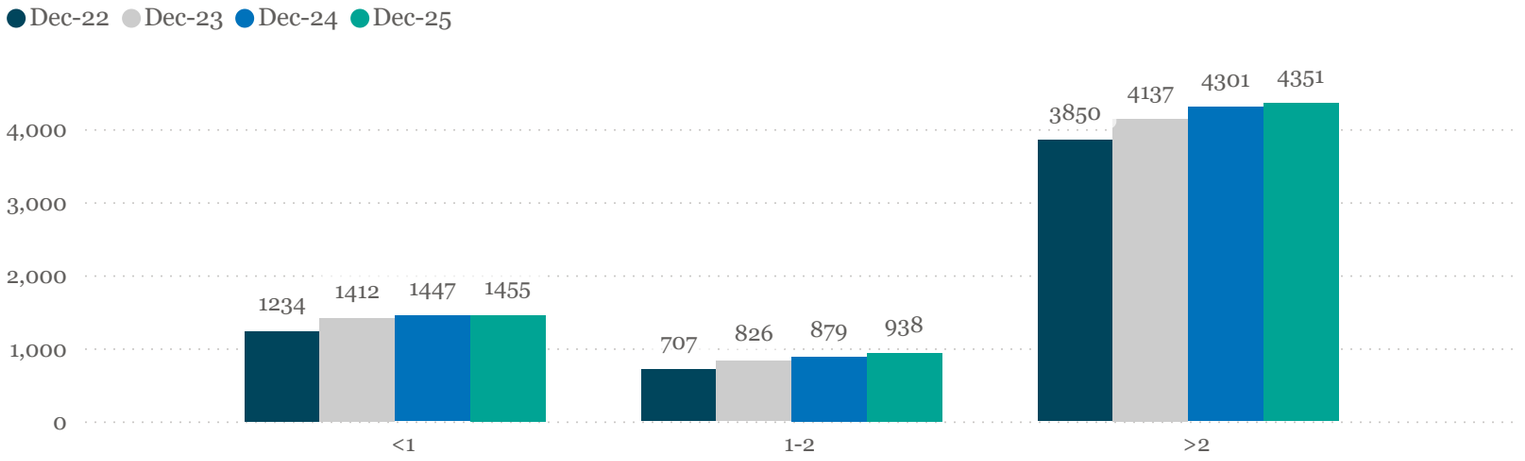


Source: IMF, OSFI

Funding Structure

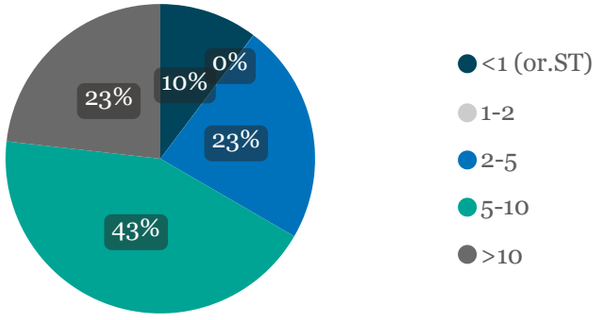
EU banks: debt maturity wall

Maturity profile of EA banks' outstanding debt securities (€bn, maturity in years)

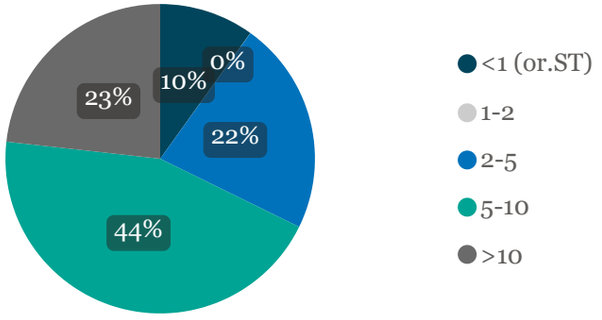


Original debt maturity

Dec-24:



Dec-25:



Stable magnitude of long and medium-term debt securities of European banks

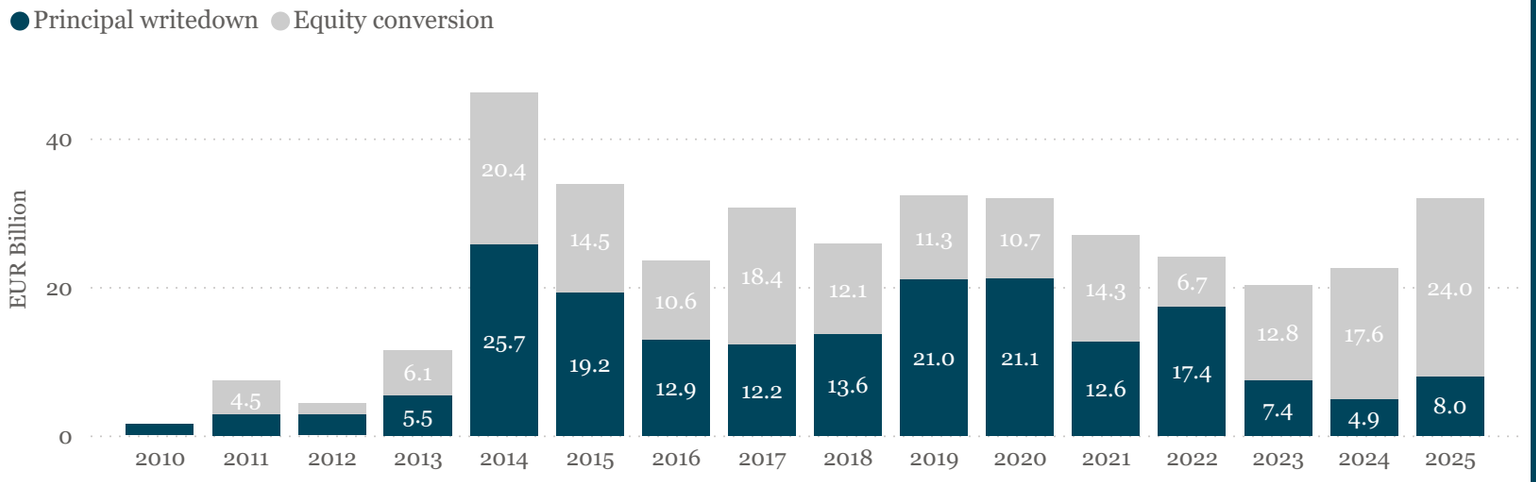
Since December 2022, European banks have steadily expanded their debt liabilities, growing at a CAGR of 0.56%, from €6,627bn to €6,744bn as of December 2025.

Compared to the previous year, the composition of securities has remained broadly stable, with the majority of instruments having maturities from 5 to 10 years.

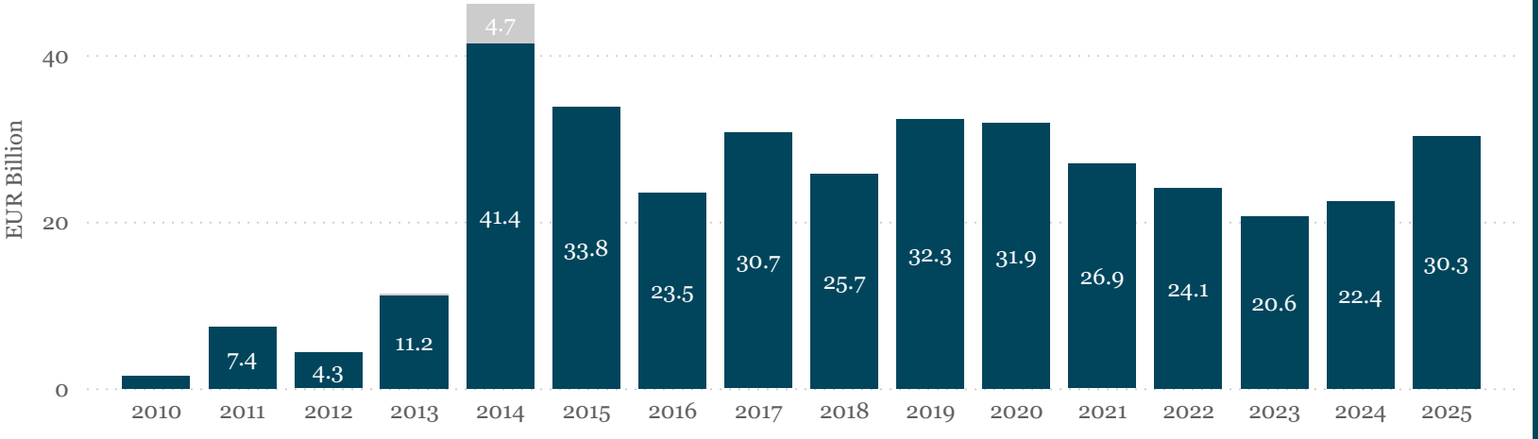
Contingent Convertibles (CoCo)

European CoCo issuance

Tier 1 CoCo issuance by loss absorbing mechanism



CoCo issuance by capital tiering



Coco Issuance largely tied to equity conversion mechanism

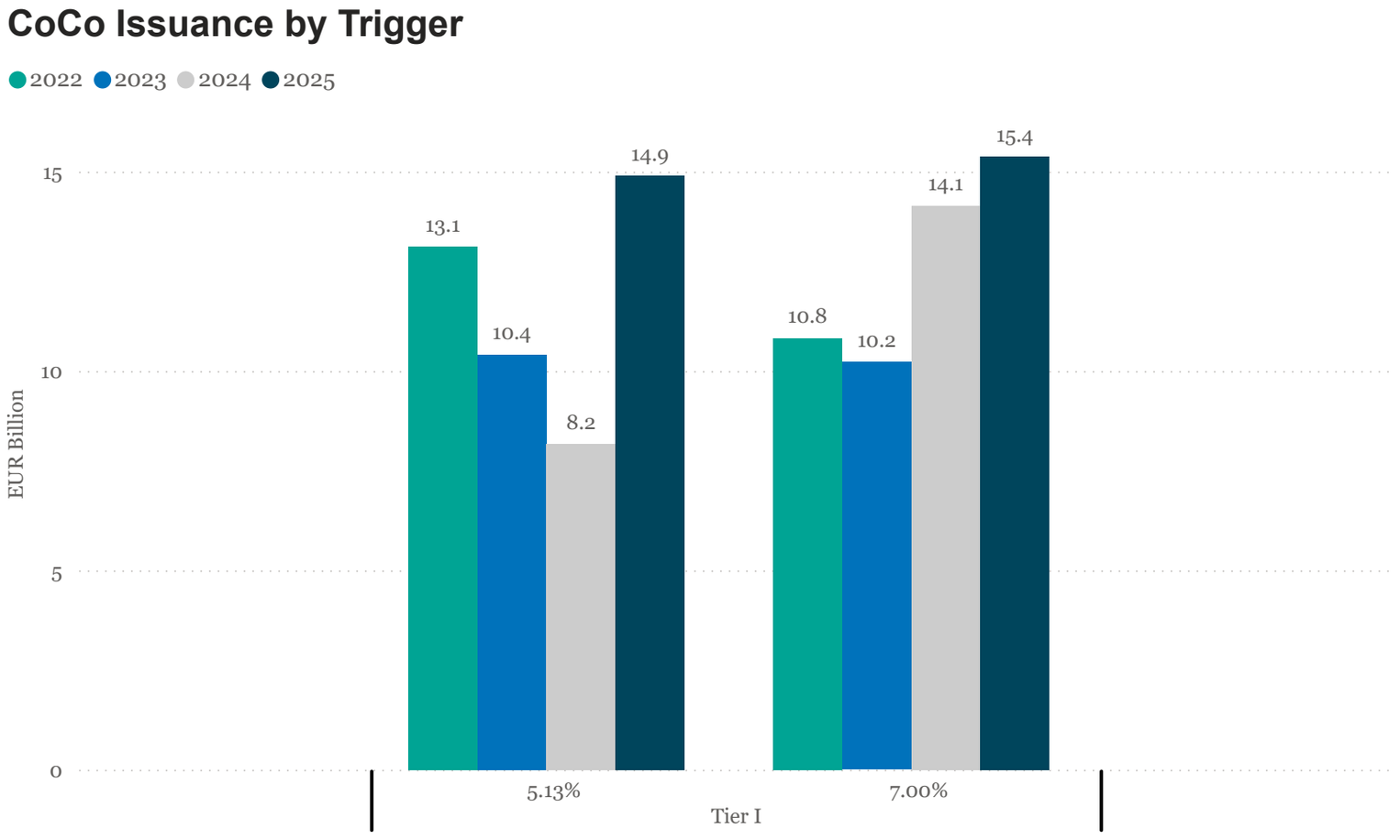
During Q4, European GSIBs issued a total of €8.2bn in Contingent Convertible instruments. There was no increase QoQ. In 2025 FY, a total of €32bn in Contingent Convertible instruments was issued. This represents a 42.2% increase YoY (compared to €22.5bn issued in 2024).

In 2025, CoCo instruments carrying an equity conversion loss absorbing mechanism represented 75% (€24bn) of issuance, while the remaining €8bn contains a principal writedown loss absorption mechanism.

All of the CoCo instruments issued in 2025 were classified as Tier 1 capital.

The average deal value decreased from €702m in 2024 to €690m in 2025.

European CoCo issuance



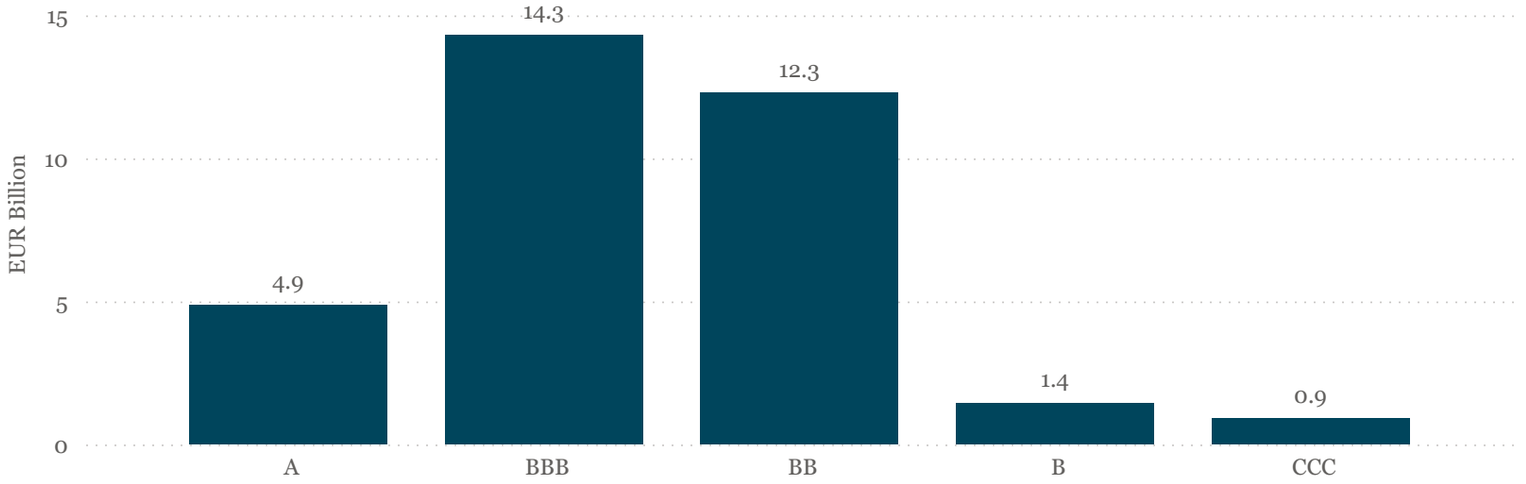
CoCo capital triggers

49.2% of the Tier 1 CoCo instruments issued by European GSIBs during 2025 FY were originated on the basis of a 5.125% capital trigger. The remaining 50.8% carried a capital trigger of 7%.

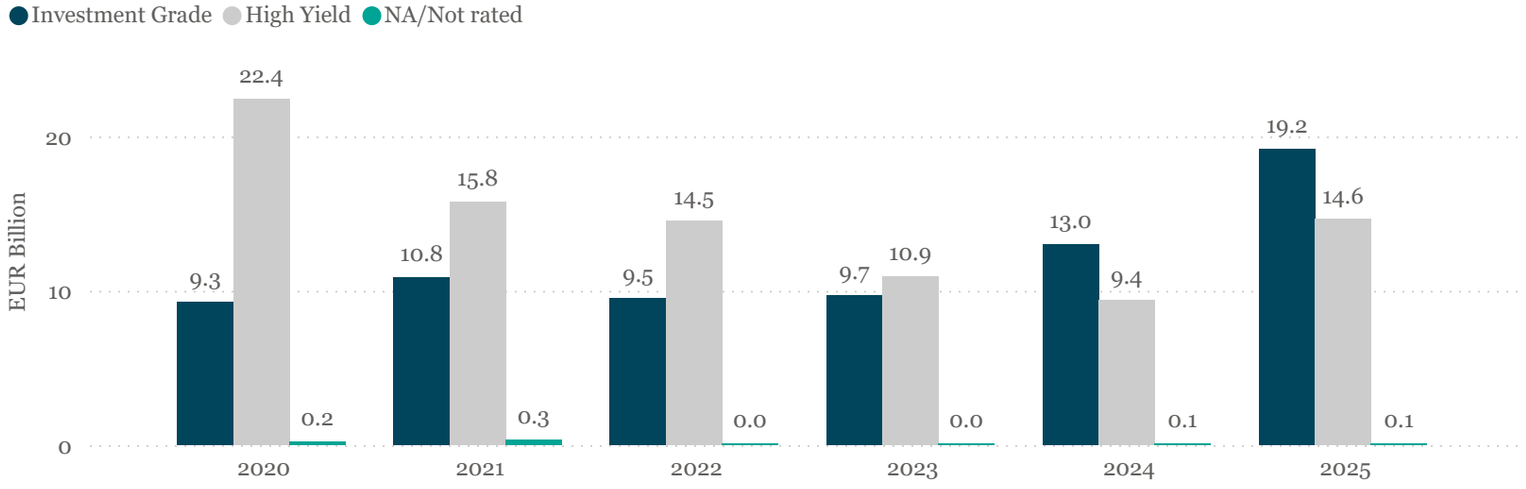
The almost equal distribution in capital triggers between 5.125% and 7% is similar to what was observed in 2023. Conversely, the majority of Tier 1 CoCo issued in 2024 carried a capital trigger of 7%.

European CoCo issuance

CoCo issuance by credit rating: 2025 FY



CoCo issuance by credit risk



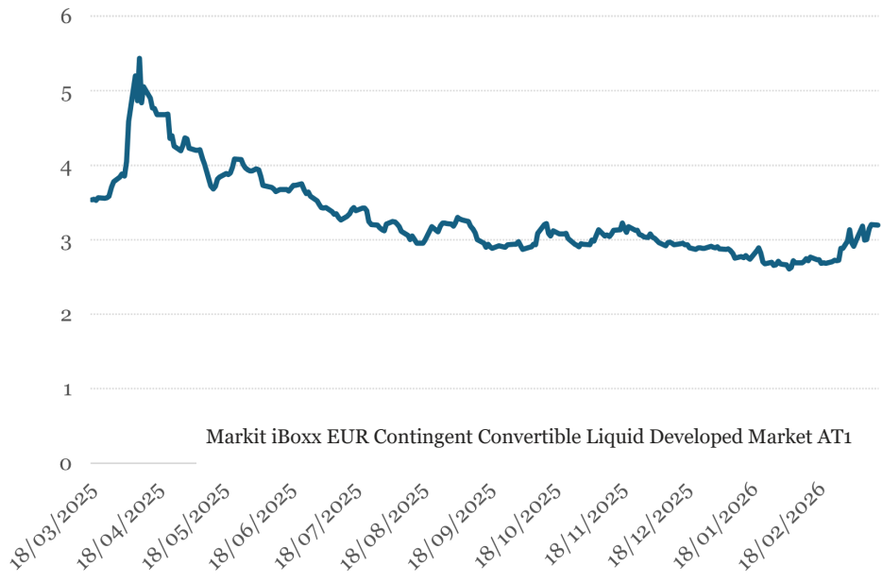
Higher credit quality of latest CoCo issuance

In 2025 FY, Investment-grade CoCo instruments represented the majority of total issuance (56.6%), while the remaining share consisted of high yield securities (43.1%) and not rated (0.3%). This continues the shift initiated in 2024, which was the first year dominated by investment-grade CoCo issuance.

CoCo securities with a BBB rating accounted for 42.3% of the total 2025 issued amount. Those rated BB represented 36.4%, A-rated securities represented 14.5% and the remaining 6.8% consisted of B and CCC.

afme/ CoCo risk premia

AT1 CoCo option-adjusted spread (OAS) (%)



Tier 2 CoCo option-adjusted spread (OAS) (%)

AT1 and Tier 2 Risk Premia continued to decline at Q4 2025 but show early signs of rebound in 2026

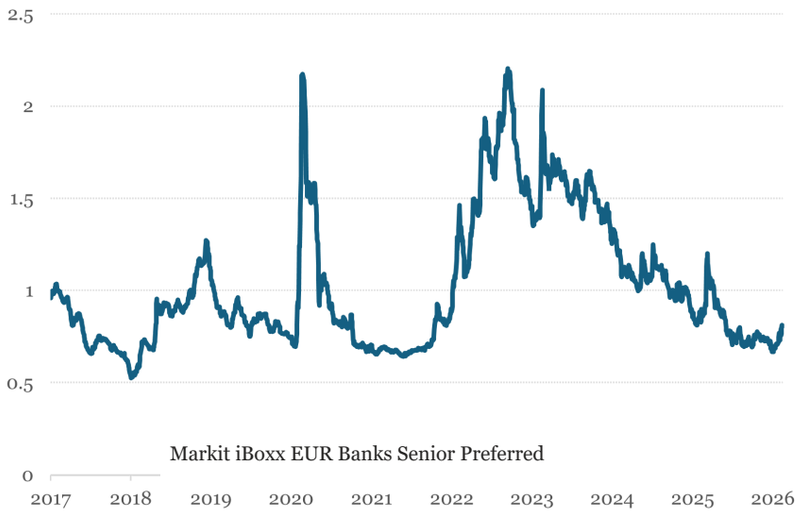
The Option-Adjusted Spread (OAS) of European Additional Tier 1 and Tier 2 CoCo instruments experienced two significant increases in the last five years. The initial surge occurred in Q1 2020 following the onset of the COVID-19 pandemic. The subsequent major shock took place in March 2023, albeit of marginally lower magnitude, following the write-down of a major Swiss bank's AT1 securities.

Option-Adjusted Spreads for AT1 and T2 temporarily increased by 100bps in early April 2025 following the US tariff announcement, before consistently trending downward since then.

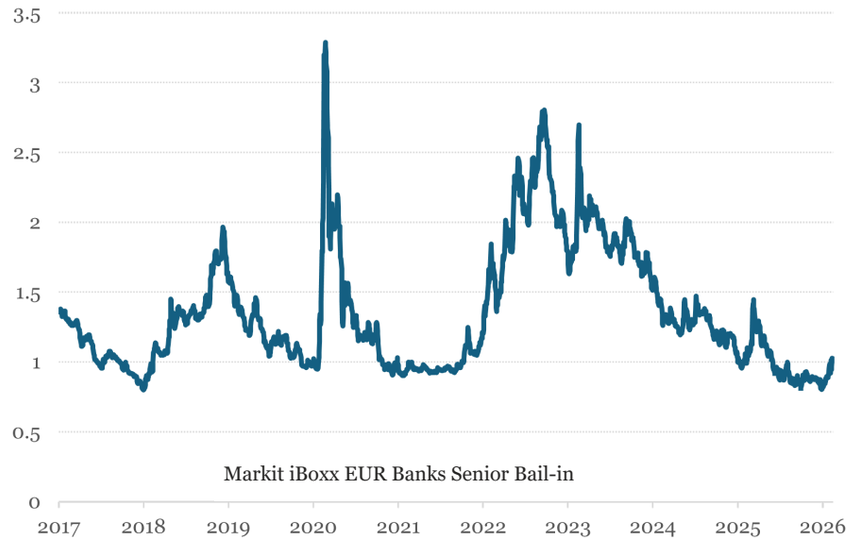
AT1 and T2 OAS closed Q4 2025 at 2.9% and 1.3% respectively.

afme/ Other capital instruments

Senior Preferred (SP) option-adjusted spread (OAS) (%)



Senior Non-Preferred (SNP) Bail-in option-adjusted spread (OAS) (%)



Senior Preferred and Bail-in Spreads Reach Multi-Year Lows

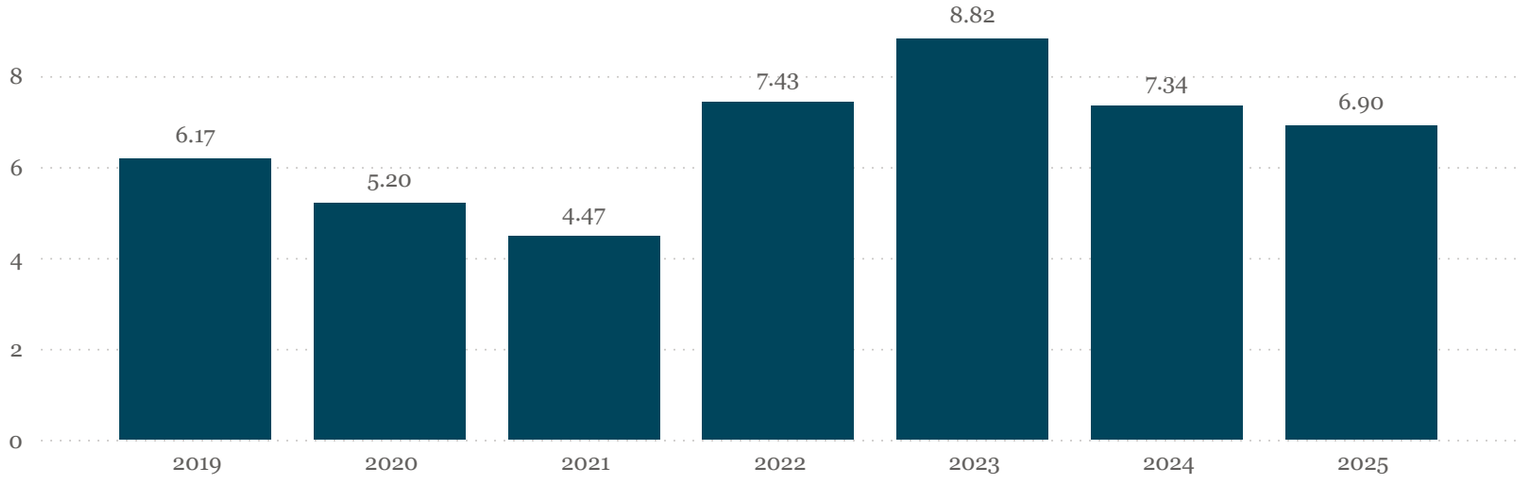
The Option-Adjusted Spread (OAS) of Senior Preferred (SP) and Senior Non Preferred (SNP) Bail-in instruments has undergone several periods of volatility over the last ten years. The most notable increases occurred in early 2020 at the onset of the COVID-19 pandemic.

Spreads saw a brief upward pressure in early April 2025, consistent with reactions across the broader CoCo market, before resuming their downward trajectory in the second half of the year.

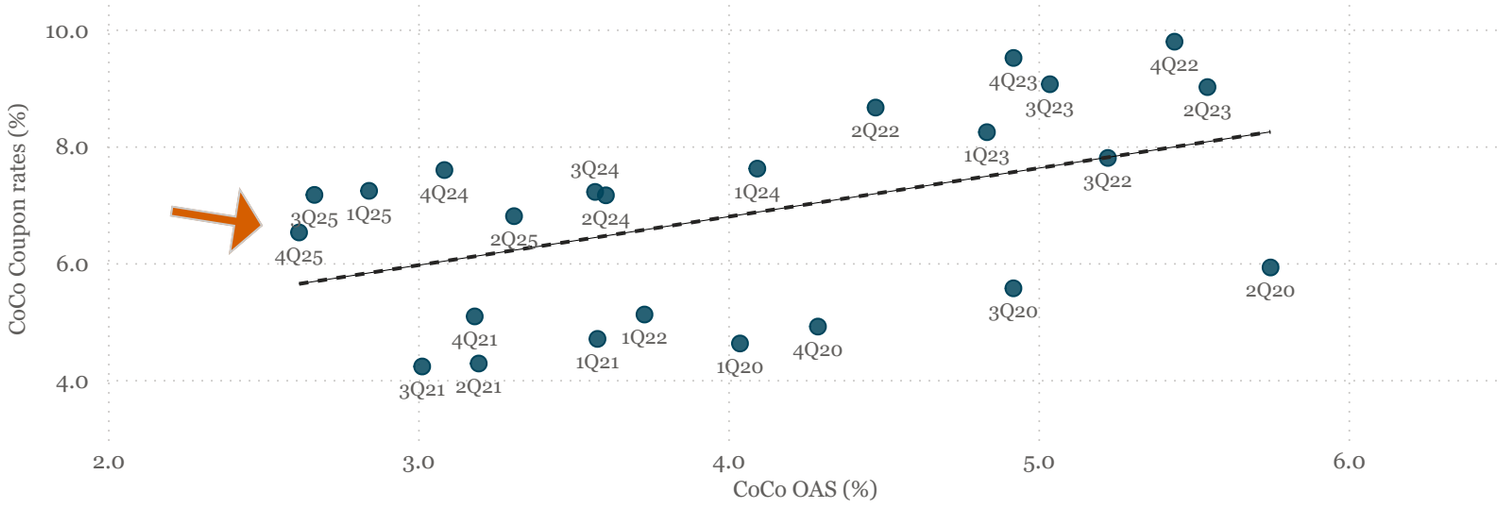
By the end of Q4 2025, risk premia in both segments had compressed to multi-year lows.

CoCo coupon rates

Weighted average coupons of fixed-rate CoCos (%)



Weighted average coupons of fixed-rate CoCos (%)



Coupon rates continue to decline from 2023 highs

The weighted average coupon of fixed-rate CoCo instruments issued in 2025 stood at 7.06%, continuing the decline from the 2023 peak of 8.82%.

Coupon rates have gradually decreased over the last two years from the peak values observed in 2023, mainly driven by lower inflation expectations, a general decline in long-term yields, and lower risk premia (OAS) for AT1 instruments.

Recently issued CoCo

Pricing Date	Issuer	Tier Capital	Deal Total value (Euro)	Trigger	Conversion mechanism	Issue Rate	Effective Rating (Launch)	Maturity	Coupon
27-Oct-25	Barclays plc	Tier I	331,147,758	7.00%	equity conversion	Fixed rate conv. to floating rate note	BBB-	Perpetual	4.65
27-Oct-25	Lloyds Banking Group	Tier I	860,067,085	7.00%	equity conversion	Fixed rate	BBB	Perpetual	6.62
30-Oct-25	TC Ziraat Bankasi AS	Tier I	515,818,432	5.13%	writedown	Fixed rate	B-	Perpetual	8.38
03-Nov-25	BBVA	Tier I	1,000,000,000	5.13%	equity conversion	Fixed rate	BB+	Perpetual	5.62
03-Nov-25	Eurobank Holdings	Tier I	600,000,000	5.13%	writedown	Fixed rate	BB-	Perpetual	6.25
04-Nov-25	Standard Chartered plc	Tier I	867,754,252	7.00%	equity conversion	Fixed rate	BB+	Perpetual	7.00
10-Nov-25	Barclays plc	Tier I	1,500,000,000	7.00%	equity conversion	Fixed rate adjustable	BB+	Perpetual	6.12
12-Nov-25	BPER Banca SpA	Tier I	750,000,000	5.13%	writedown	Fixed rate adjustable	BB-	Perpetual	5.88
13-Nov-25	NOBA Bank Group AB (publ)	Tier I	68,494,089	5.13%	writedown	Floating rate note		Perpetual	0.00
18-Nov-25	OSB Group plc		170,222,424	7.00%	equity conversion	Fixed rate conv. to floating rate note	BB	Perpetual	7.75
19-Nov-25	NLB Bank	Tier I capital	300,000,000	5.13%	Write Down	Fixed rate	BB-	Perpetual	6.50
20-Nov-25	Banca Transilvania	Tier I capital	500,000,000	5.13%	Write Down	Fixed rate adjustable	B+	Perpetual	7.12
24-Nov-25	Deutsche Bank	Tier I capital	1,000,520,000	5.13%	Write Down	Fixed rate adjustable	BB	Perpetual	6.75
25-Nov-25	BNP Paribas SA	Tier I capital	420,285,794	5.13%	equity conversion	Fixed rate conv. to floating rate note	BBB	Perpetual	7.00
08-Dec-25	BNP Paribas	Tier I capital	1,073,514,256	5.13%	equity conversion	Fixed rate	A+	Perpetual	6.88

Source: Dealogic

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