

# Prudential data report

## EU GSIBs prudential capital

Q3: 2015



# Contents

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Fresh capital raised by EU banks.....	3
Change in CET1 and RWAs by EUGSIB (Ytd,%, end-point).....	4
<b>Highlights .....</b>	<b>3</b>
<b>Major upcoming regulatory, legislative and policy initiatives .....</b>	<b>4</b>
1 Capital ratios .....	5
1.1 CET1 ratio: phased-in (weighted average) .....	5
1.2 Cumulative percentage change of CET1, RWAs and CET1 ratio (phased-in) .....	5
1.3 CET1: phased-in (EUR bn) .....	5
1.4 RWAs: phased-in (EUR bn).....	6
1.5 CET1 ratio: end-point (weighted average).....	6
1.6 Change in CET1 by components .....	6
1.7 Difference between current CET1 ratios and 2019 minimum requirement incl. G-SIB buffer by bank .....	7
1.8 Weighted average of EU GSIBs' CET1 ratios relative to end-point target assuming a 2.5% countercyclical buffer .....	7
1.9 Tier 1 ratio: phased-in (weighted average).....	7
1.10 Cumulative percentage change of T1, RWAs and T1 ratio (phased-in) .....	8
1.11 Tier 1 ratio: end-point (weighted average) .....	8
1.12 RWAs by risks.....	8
1.13 RWAs by risks and EU GSIB.....	9
1.14 RWAs densities (weighted average).....	9
1.15 Leverage ratio: end-point (simple average) .....	9
2 Debt securities and contingent convertibles .....	10
2.1 EU GSIBs simple average long-term credit rating .....	10
2.2 EU GSIBs debt outstanding by seniority.....	10
2.3 Maturity profile of EU 28 Banks' outstanding debt securities (EUR bn, maturity in years).....	10
2.4 CoCos by capital tiering (EUR bn).....	11
2.5 CoCos by loss absorbing mechanism (EUR bn) .....	11
2.6 CoCos by loss absorbing mechanism (EUR bn) .....	11
2.7 CoCos by credit rating at date of issuance (EUR bn) .....	12
2.8 CoCos by trigger (EUR bn).....	12
2.9 CoCos by maturity at date of issuance (EUR bn).....	12
2.10 CoCo prices by capital tiering.....	13
2.11 CoCo prices by risk and location .....	13
2.12 Recently issued CoCos by European Banks.....	14
<b>Summary of the methodologies adopted in this report.....</b>	<b>15</b>
<b>Annex.....</b>	<b>19</b>

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## Highlights

European systemically important banks (or EU-GSIBs<sup>1</sup>.) continue improving their capital and leverage positions during 3Q15, in compliance with CRDIV.

The CRDIV rules comprise minimum requirements on capital adequacy, liquidity and leverage positions, which seek to enhance the soundness of bank's balance sheets.

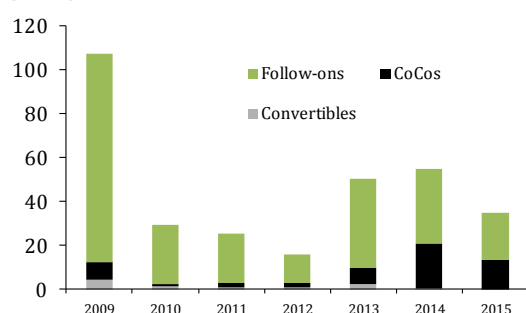
Among the main findings of this report are:

- EU GSIBs increased their end-point Common Equity Tier 1 Capital ratio (CET1 ratio) to 11.5% in 3Q15, from 11.4% in 2Q15 and 10% in 4Q13.
- End-point Tier 1 ratios increased in the third quarter of the year to 12.7%, from 12.5% in 2Q15 and 10.7% in 4Q13.
- Leverage ratios also continue improving in 3Q15, with a simple average ratio of 4.6% in 3Q15 calculated on an end-point basis, from 4.5% in 2Q15 and 3.8% in 4Q13.

The findings of this report are consistent with the observed increase in aggregate capital raising since 2009 (see graph in left panel). Since the 2009 crisis, EU banks have raised around €318bn in fresh capital from the markets, of which €254bn is in equity and €64bn in CoCos and other convertible debt (in total about 2.3% of EU28 GDP at current prices). This estimate, however, does not take into account capital raised through internal generation (retained earnings) and balance sheet restructuring.

*“EU GSIBs have increased their Common Equity Tier 1 Capital ratio (CET1 ratio) from 10% in 4Q13 to 11.5% in 3Q15.”*

**Fresh capital raised by EU banks (€bn)**



Source: Dealogic

## Main findings

### Capital and leverage ratios

CET1 ratios improved in 3Q15, compared both on an annual and quarterly basis, ratifying the continued effort by European banks in strengthening their balance sheets and adjusting their business lines in compliance with the Basel III rules.

By components, the quarterly increase in CET1 ratio was explained by a decrease of 1.2% in capital, compensated by a 1.7% reduction of Risk-Weighted Assets (RWAs).

11 of the 14 EU GSIBs have increased their end-point CET1 ratios since December of 2014. By banks<sup>2</sup>, seven banks increased<sup>3</sup> their RWAs and CET1 from the values reported on 4Q14, one bank reduced both RWAs and CET1, and four

<sup>1</sup> . The Banks aggregated in this report are the 14 EU GSIBs as designated by the FSB in 2014, which was in force in 3Q15. In November 2015, the FSB updated the list of systemically important banks, changing the number of EU GSIBs from 14 to 13. The assignment of the GSIBs to the respective buckets will apply from 1 January 2017.

<sup>2</sup> 12 of the 14 banks that reported end-point RWAs and capital levels. One bank reports on a semi-annual basis and the data is correct as of 2Q15.

<sup>3</sup> Variations based on the values reported in the original currencies of the financial statements

banks increased CET1 but reduced their RWAs (see graph on left panel below).

Leverage ratios have also improved across all EU GSIBs. The average end-point leverage ratio increased from 3.8% in 4Q13 to 4.6% in 3Q15. This ratio is above the minimum internationally required of 3% due to be in force by 1 January 2018.

*“Leverage ratios have improved across all EU GSIBs. The average end-point leverage ratio increased from 3.8% in 4Q13 to 4.6% in 3Q15”*

### Issuance: Contingent Convertibles (CoCo)

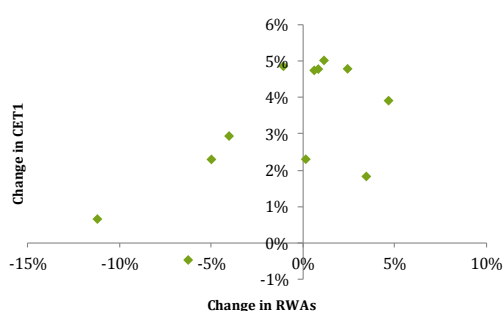
The issuance of loss-absorbing debt securities has contributed to the improvement of European bank's capital positions.

European banks raised a total of €26.6 bn of fresh capital in the form of CoCos during the first three quarters of 2015, a decrease of 11% compared with the value observed during 1Q-3Q of 2014. During 3Q15, CoCo issuance accumulated a total of € 5.4 bn in the quarter, above the amount observed in 2Q15 (€ 0.9 bn).

### Prices: contingent convertibles

CoCo prices decreased during the first three quarters of 2015 (between -2.5% and -0.1% YtD losses depending on the sub-asset class), with a subsequent adjustment in the first months of 4Q15. As of November, Tier I CoCo prices have returned 0.7% on a YtD basis.

Change in CET1 and RWAs by EUGSIB (YtD,%, end-point)<sup>4</sup>



Source: EU GSIBs balance sheets

## 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:

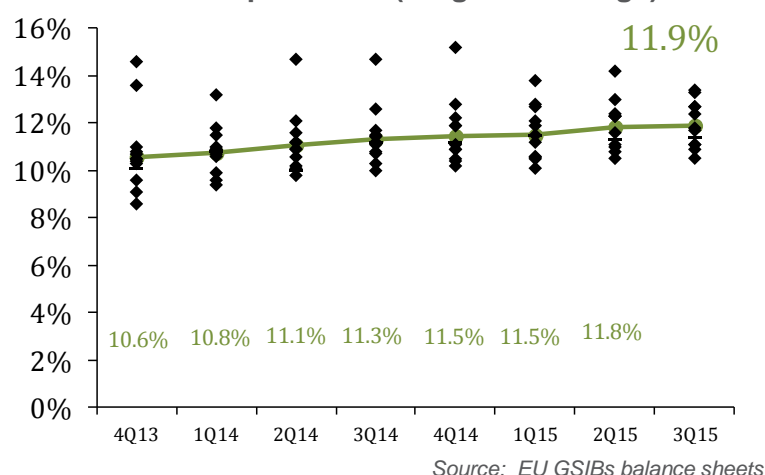
- Review of the Leverage Ratio
- Fundamental Review of the Trading Book
- Credit Valuation Adjustment
- IRB models, revised Standardised Approaches & capital floors
- Interest Rate Risk in the Banking Book

AFME is actively contributing on all of these fronts.

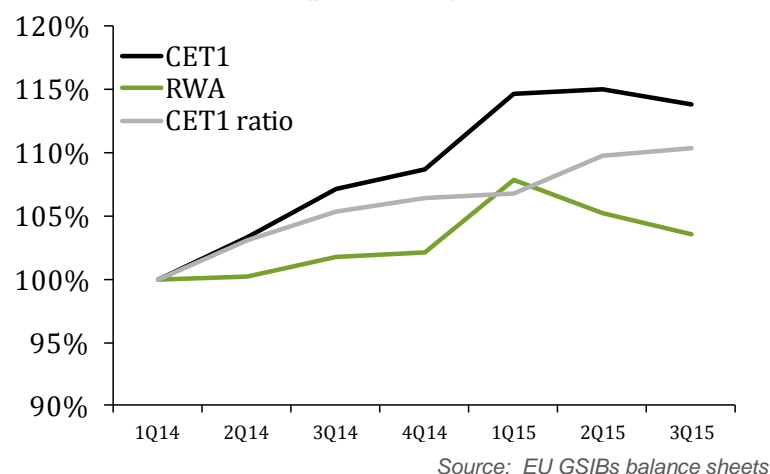
<sup>4</sup> The quarterly changes are expressed in the original reporting currencies

## 1 Capital ratios<sup>5</sup>

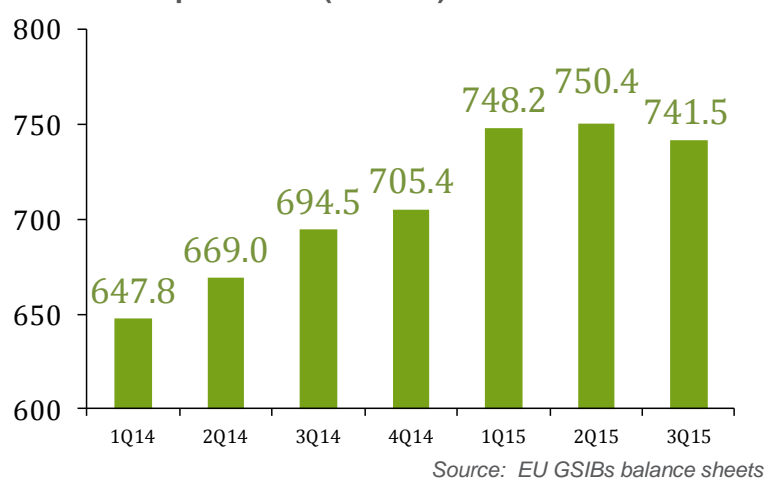
### 1.1 CET1 ratio: phased-in (weighted average)



### 1.2 Cumulative percentage change of CET1, RWAs and CET1 ratio (phased-in)<sup>6</sup>



### 1.3 CET1: phased-in (EUR bn)



### CET 1 ratio: phased-in

EU GSIBs have complied with the CRDIV rules which entered into force on 1 January 2014.

The weighted average of EU GSIB's Common Equity Tier 1 capital (CET1) ratios has increased<sup>7</sup>, on a phased-in approach, from 10.6% in December 2013 to 11.9% in September 2015.

During the latest quarter, CET1 ratios on a phased-in basis increased marginally to 11.9%, compared to the ratio observed in 2Q 2015, 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 14% in CET1 capital in EUR terms from March 2014 to September 2015, which more than compensated the cumulative 4% increase of RWA during the same period.

The amount of CET1 capital of 13 of the 14 EU GSIBs on a phased-in basis has increased by €93 bn, from €647 bn in March 2014 to €741 bn in September 2015.

The increase in CET1 capital observed in 1Q15 was partially explained by the abnormal depreciation of the EUR against non-EUR currencies in which some of the EU GSIBs report their financial statements (USD and GBP). This factor, however, partially reversed in 2Q15 and 3Q15.

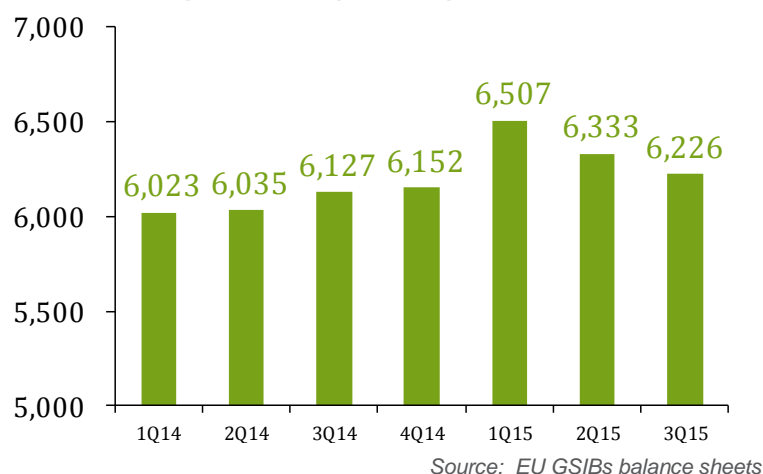
Estimating the quarterly change in the original reporting currencies (isolating FX effects), it was observed that five EU GSIBs decreased their CET1 capital during the quarter, with a median change of +0.1% when taking into account all EU GSIBs.

<sup>5</sup> The Banks aggregated in this report are the 14 EU GSIBs as designated by the FSB in 2014 which was in force in 3Q15

<sup>6</sup> The lines represent the cumulative percentage change of aggregate RWAs, CET1 capital and the weighted average CET1 ratio.

<sup>7</sup> 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.

#### 1.4 RWAs: phased-in (EUR bn)



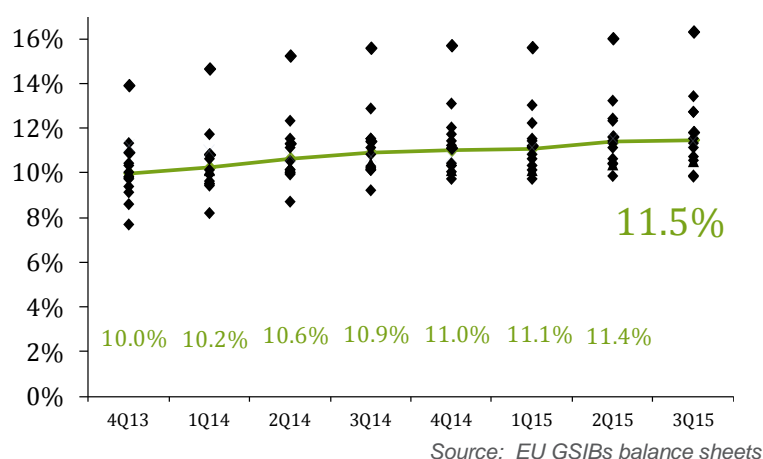
The amount of RWAs has increased from €6tn in March 2014 to €6.2tn in September 2015, representing a cumulative change of 4% during the period.

Over the last quarter, RWAs decreased from €6.3tn to €6.2tn, equivalent to a decrease of 1.7% QoQ.

As with CET1 capital, a significant increase was observed in 1Q15, partly explained by the abnormal depreciation of the EUR against the USD and the GBP.

During the latest quarter, the median quarterly change of RWAs in the currencies in which banks report their financial statements stood at -0.9% (simple average of 0%), suggesting that factors beyond macroeconomic FX corrections may explain the decrease in RWAs.

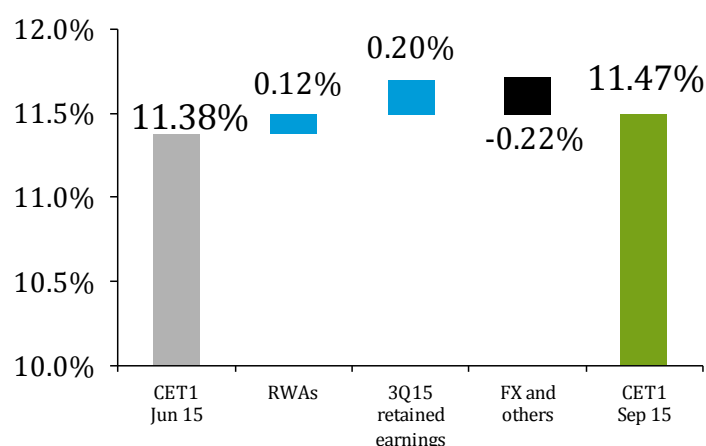
#### 1.5 CET1 ratio: end-point (weighted average)



#### CET1 end-point basis

On an end-point basis<sup>8</sup>, the average CET 1 ratio has increased from 10.0% in December 2013 to 11.5% in September 2015. These ratios are comparable with a minimum required CET1 ratio of 4.5% in 2015 and between 8%-12% required from 2019 onwards, depending on factors such as the size of the bank and the countercyclical buffer applied in the bank's domicile<sup>9</sup>.

#### 1.6 Change in CET1 by components



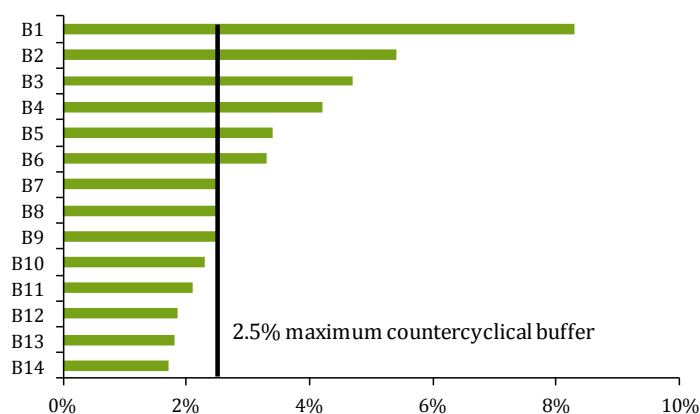
In 3Q15, the quarterly decrease in RWAs and retained earnings for the 3Q15 period contributed to improve CET1 end-point ratios in 12 bps and 20 bps respectively. FX fluctuations and other factors different from the above contributed to a decrease in the ratio by 22 bps during the quarter.

<sup>8</sup> 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.

<sup>9</sup> 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.

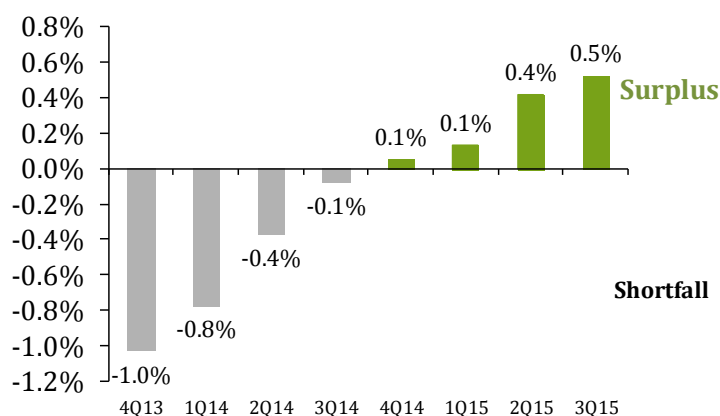


### 1.7 Difference between current CET1 ratios and 2019 minimum requirement incl. G-SIB buffer by bank (3Q15, end-point, absolute difference in %)



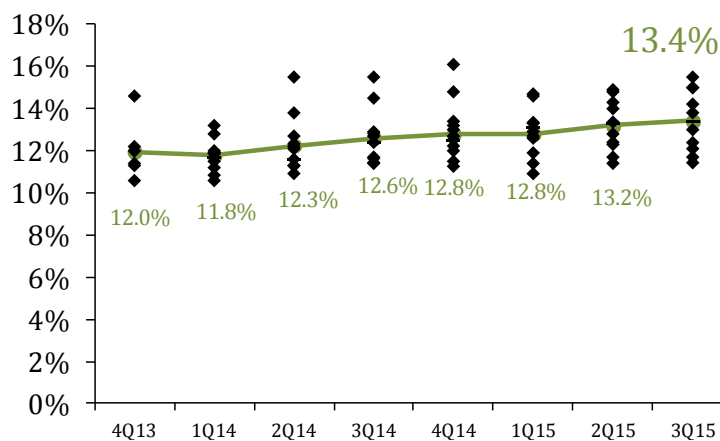
Source: EU GSIBs balance sheets

### 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 (weighted average)



Source: EU GSIBs balance sheets

### Surplus in minimum requirements<sup>10</sup>

Assuming that EU GSIBs maintain their current GSIB bucket allocation and assuming a 0% countercyclical buffer, data as of 3Q15 suggest that all banks have already complied with the 2019 ratios required due to their systemic importance (rows in 1.6).

Taking a step further, assuming that the maximum 2.5% Countercyclical Buffer (vertical line in Chart 1.7) is applied to all EU GSIBs in 2019, nine of the 14 banks are found to be above this requirement.

On an aggregate basis, the weighted-average<sup>11</sup> of EU GSIB's CET1 ratios stood in 3Q15 above the maximum Pillar I requirements due to be in force in 2019. This measure (Chart 1.8) 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 assumes the GSIB bucket allocation in 3Q15, which however was recently updated by the FSB, affecting in particular two EU GSIBs bucket allocation.

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 (0.1% difference) in 4Q14.

### Tier 1 Capital

EU GSIBs have also complied with the requirements on Tier 1 capital ratios. T1 capital is a comprehensive measure of capital that encompasses CET1 capital and Additional Tier 1 capital<sup>12</sup>. The ratio is measured as proportion of RWAs.

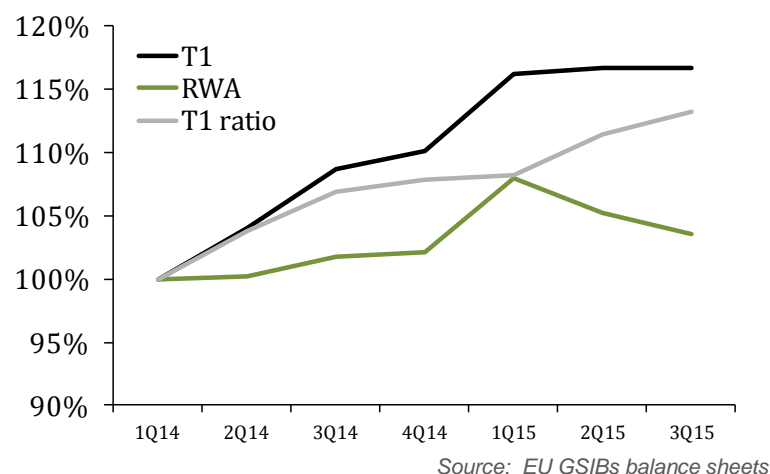
On a phased-in basis, EU GSIBs have increased on average their T1 ratios from 12.0% in 4Q 2013, to 13.2% in 3Q15. There was also a quarterly improvement from the figure observed in 2Q15.

<sup>10</sup> 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%.

<sup>11</sup> Weighted by RWAs value.

<sup>12</sup> Contingent Convertible bonds, subject to conditions, are included in AT1 capital. This market is discussed in Section II of this report.

### 1.10 Cumulative percentage change of T1, RWAs and T1 ratio (phased-in)<sup>13</sup>

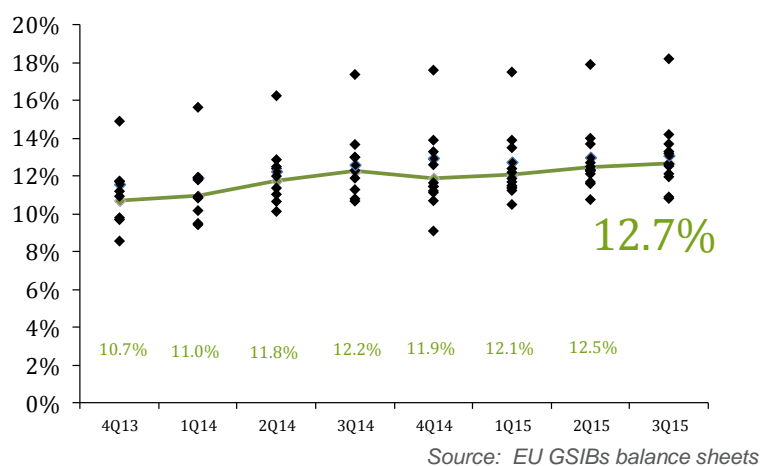


By components (Chart 1.10), the cumulative increase in the Tier 1 ratio is explained by an increase of 17% in the amount of Tier 1 capital from March 2014 to September 2015, which more than compensated the increase in EUR terms in RWAs of 4% during the period.

During 3Q15, the amount of Tier 1 capital stood unchanged from 2Q15, while the amount of RWAs decreased 1.7% QoQ, supporting a quarterly increase in the T1 ratio from 13.2% to 13.4%.

On an end-point basis, Tier 1 capital ratios have improved on average from 10.7% in December 2013 to 12.7% in September 2015. This ratio is comparable with a minimum required ratio of 6% in 2015 and between 9.5% and 13.5% in 2019<sup>14</sup>.

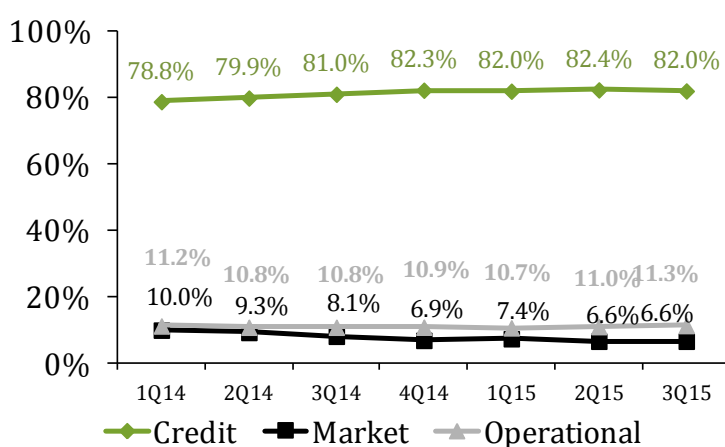
### 1.11 Tier 1 ratio: end-point (weighted average)



### 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, 11.3% by operational risks and 7% by market risks. These proportions are comparable with the breakdown observed in 1Q14 of 79% in credit risks, and 11.2% and 10% in operational and market risks respectively.

### 1.12 RWAs by risks

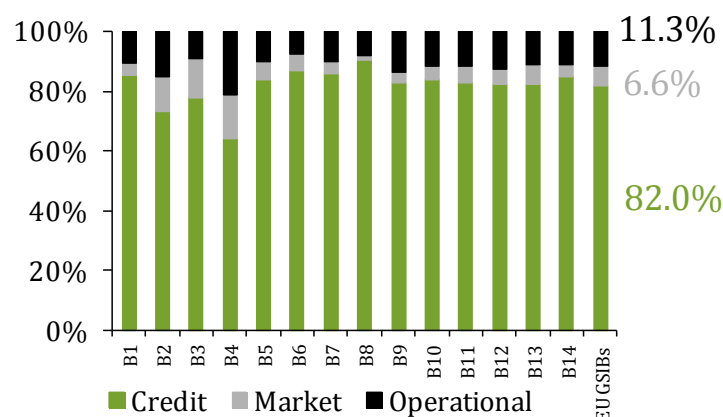


<sup>13</sup> The lines represent the cumulative percentage change of aggregate RWAs, T1 capital and the weighted average T1 ratio.

<sup>14</sup> 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.

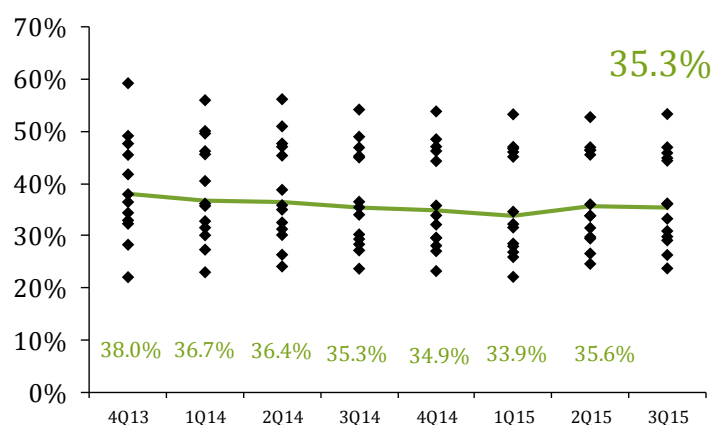


### 1.13 RWAs by risks and EU GSIB<sup>15</sup>



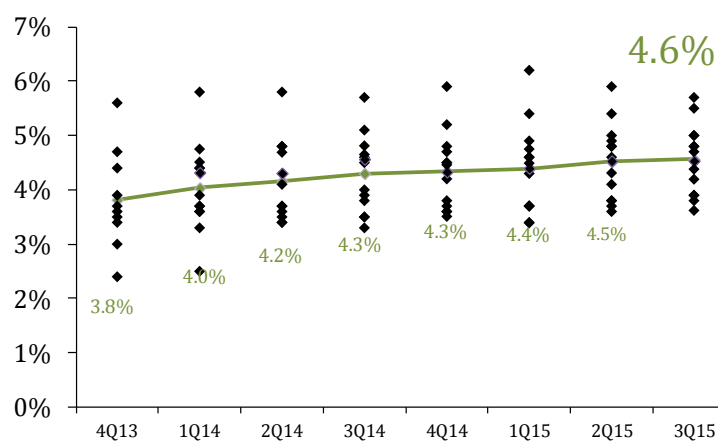
Source: EU GSIBs balance sheets

### 1.14 RWAs densities (weighted average)<sup>16</sup>



Source: EU GSIBs balance sheets

### 1.15 Leverage ratio: end-point (simple average)



Source: EU GSIBs balance sheets

The breakdown of RWAs by risk components has low variation between EU GSIBs. In the third quarter of 2015, 11 of the 14 EU GSIBs had an exposure to credit risks above 80% of RWAs (with a maximum of 90% and a minimum of 64%), while 3 of the 14 EU GSIBs reported an exposure above 10% to market risks (range between 14% and 1.8%). In relation to operational risks, 11 of the 14 EU GSIBs reported an exposure above 10% of RWAs to operational risks (range between 21.3% and 7.6%).

### RWA densities

The ratio of RWA as proportion of total assets marginally decreased in 3Q15 to 35.3%, from 35.6% observed in 2Q15. Total assets in EUR decreased 0.7% on a quarterly basis.

The 3Q15 figure is also below the density observed in 4Q13, when the weighted average RWA density stood at 38%.

### Leverage ratio

EU GSIBs have progressively improved their leverage ratios since 2013. Leverage ratios are a measure of Tier 1 capital as 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 4.6% in September 2015. The leverage ratios have also improved compared to 2Q15, from 4.5% reported a quarter ago.

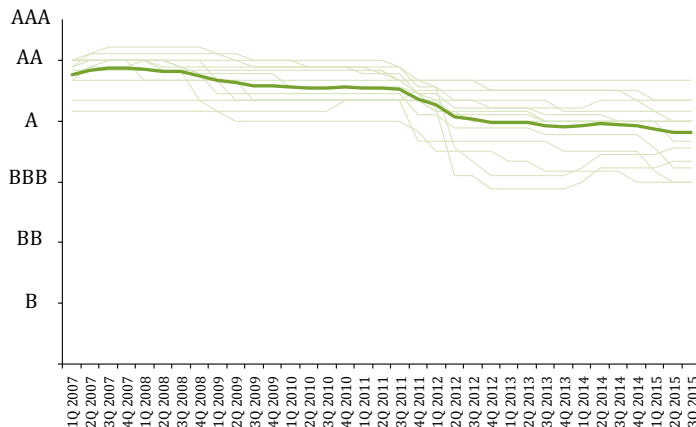
These ratios are comparable with a global minimum standard of 3% according to the Basel III accord.

<sup>15</sup> Breakdown as of 3Q15 for 10 of the 14 EU GSIBs. Others are presented as of latest available

<sup>16</sup> Phased-in RWAs as proportion of total assets.

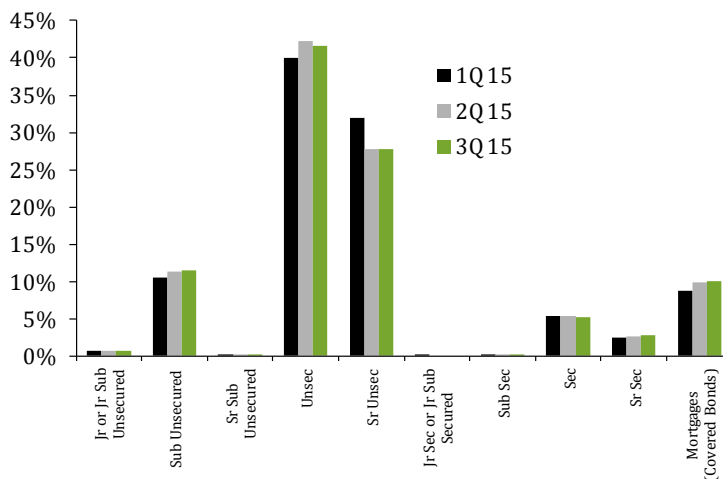
## 2 Debt securities and contingent convertibles

### 2.1 EU GSIBs simple average long-term credit rating



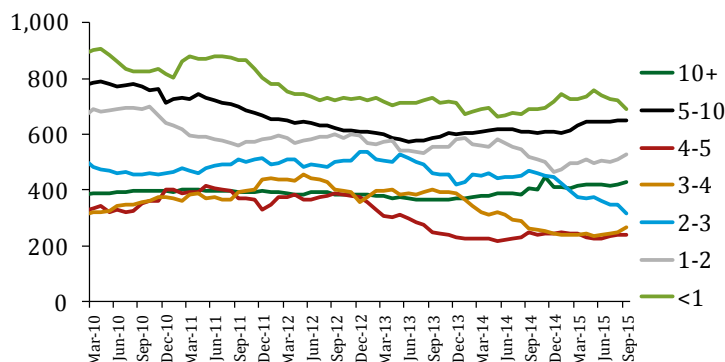
Source: Thomson Reuters Eikon with information of Moody's, Fitch and S&P

### 2.2 EU GSIBs debt outstanding by seniority



Source: Thomson Reuters Eikon

### 2.3 Maturity profile of EU 28 Banks' outstanding debt securities (EUR bn, maturity in years)



Source: ECB

### Credit ratings

The average long-term credit rating of EU GSIBs stood unchanged in the third quarter of the year, compared to the observed in 2Q 15.

In 3Q15, the median long-term credit rating continued at A (or A2 in the Moody's scale).

There were no rating changes during the quarter; however, in November two banks<sup>17</sup> had their credit ratings upgraded by at least one credit rating agency. These changes will be reflected in the 4Q15 data aggregations.

### 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). The proportion has maintained almost unchanged throughout 2015.

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

### Maturity profile

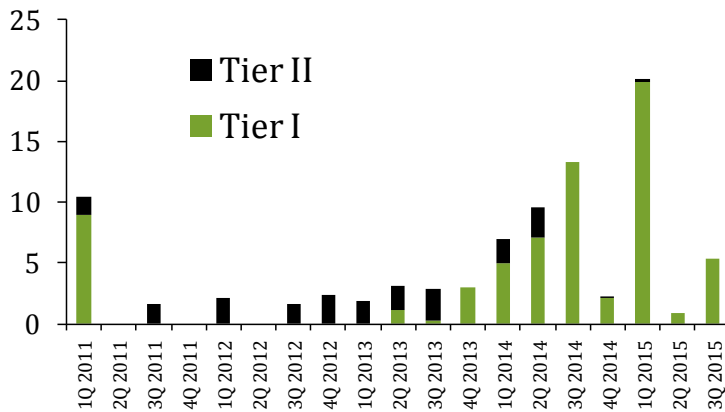
EU28 banks' outstanding debt securities stood at €3.11 tn in September 2015 (€3.2 a year ago), where €689 bn (22%) was comprised by debt with maturity below one year; €1.35 tn of securities with maturity between one and five years; and €1.1tn of securities with maturities above 5 years.

The average maturity of outstanding debt securities has increased from 4.7 to 4.9 years between 3Q14 and 3Q15<sup>18</sup>.

<sup>17</sup> One of these two banks is however no longer a GSIB according to the 2015 FSB updated list.

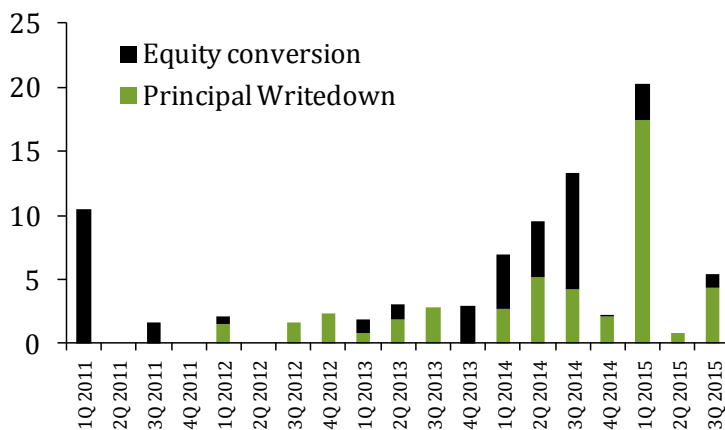
<sup>18</sup> This calculation assumes that bonds with maturities above 10 years (including perpetual) have a weighted average maturity of 15 years.

## 2.4 CoCos by capital tiering (EUR bn)



Source: Dealogic

## 2.5 CoCos by loss absorbing mechanism (EUR bn)



Source: Dealogic and Thomson Reuters Eikon

## 2.6 CoCos by loss absorbing mechanism (EUR bn)

	2010	2011	2012	2013	2014	YtD 3Q 2015
Writedown	1.3	0.0	5.5	5.6	14.3	22.6
Conversion to Equity	0.1	12.0	0.6	5.1	17.8	3.9
Conversion to Equity (%)	8%	100%	10%	48%	55%	15%
Total European	1.4	12.0	6.1	10.8	32.1	26.6

Source: Dealogic and Thomson Reuters Eikon

## Contingent capital

Contingent Convertible (CoCo) bonds are hybrid capital securities that absorb losses when the capital of the issuing bank falls below a certain pre-determined threshold<sup>19</sup>.

European banks have issued a total of €26.6 bn in CoCo bonds during the first three quarters of the year, representing a decrease of 11% compared to the observed in the first three quarters of 2014 at €29.8 bn.

By capital tiering, €26.1bn issued instruments in 2015 YtD were structured contingent on Tier I performance and €0.3 bn of CoCos conditional on Tier II. The composition by capital tiering is similar to the observed during 2014 FY, when the majority of issues (86%, or €27.6 bn) were structured on the basis of Tier I performance.

On a quarterly basis, the issuance volume in 3Q15 stood significantly below the amount observed in the first quarter of 2015 (€20.2 bn), although above the observed in 2Q15 (€0.9 bn). All 3Q15 issues were structured contingent on Tier I performance, of which four were issued on the basis of principal write down and one as conversion to equity.

## CoCos by absorbing mechanism

During the first three quarters of 2015, most CoCo instruments were structured on the basis of principal write down, with a total of €22.6 bn issued (85% of the total), and €3.9 bn in the form of equity conversion. The breakdown is above the observed in 2014 and 2013, when, for example, 45% of the 2014 FY volume was issued on the basis of principal write down.

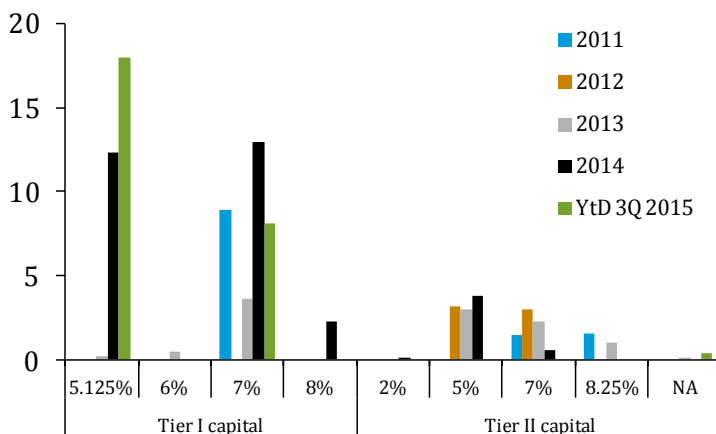
<sup>19</sup> BIS (2013) "CoCos: a primer". BIS Quarterly Review, September 2013.

## 2.7 CoCos by credit rating at date of issuance (EUR bn)

	2011	2012	2013	2014	YtD 3Q 2015
AAA					
AA-	9.0				
A-				0.8	
BBB+	1.5			4.1	
BBB			3.0	9.9	7.0
BBB-	1.6	6.1	1.5	0.9	3.9
BB+			1.0	5.8	13.2
BB			2.5	7.7	1.5
BB-			1.2	2.6	1.0
Not rated			1.6	0.2	
N/A				0.1	
<b>Total</b>	<b>12.0</b>	<b>6.1</b>	<b>10.8</b>	<b>32.1</b>	<b>26.6</b>

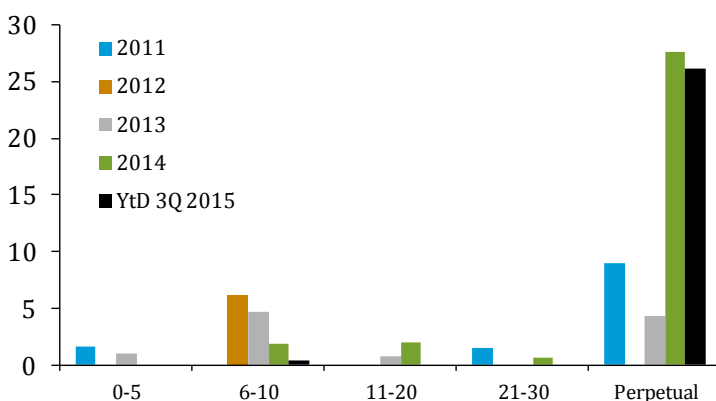
Source: Dealogic

## 2.8 CoCos by trigger (EUR bn)



Source: Dealogic

## 2.9 CoCos by maturity at date of issuance (EUR bn)



Source: Dealogic

## CoCos by credit rating

In relation to credit ratings, CoCo securities issued in the first three quarters of 2015 have been assessed at issuance date with ratings between BBB and BB-. €7 bn of the equivalent value of issued instruments were rated BBB (26% of the total issuance value), while €1 bn were rated BB-. The breakdown is comparable with the ratings observed in 2014, when issued CoCos were rated between A- and BB-.

Regarding the 3Q15 issued instruments, one security with a face value of €1 bn was rated BBB; one security with €1.4 in face value was rated BBB-; two securities totalling €2.1 bn were rated BB+; and one security rated BB- and face value of €0.9bn was issued in the quarter.

## Average trigger

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

In the first three quarters of the year, 68% of the issuance value was structured with a 5.125% trigger contingent on Tier I performance, while 30% was issued with a 7% trigger conditional on the same form of capital. Four of the five 3Q15 issues were structured on the basis of Tier I performance with a 5.125% trigger.

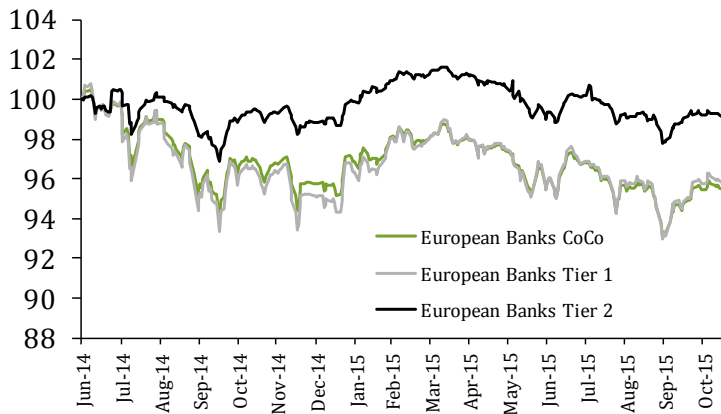
## Average maturity

Most CoCo instruments issued in 2014 and in the first three quarters of 2015 were structured in the form of perpetual bonds.

During 3Q YtD of 2015, 98% 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.

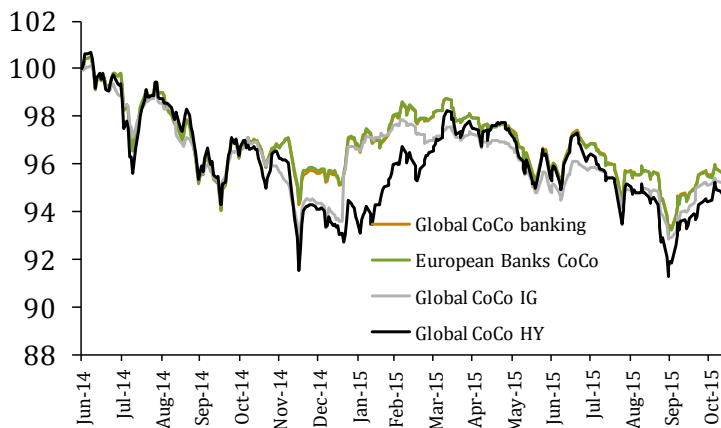
All 3Q15 issues were structured in the form of perpetual bonds.

## 2.10 CoCo prices by capital tiering



Source: Barclays

## 2.11 CoCo prices by risk and location



Source: Barclays

## Valuation

CoCo prices registered devaluations during the first three quarters of 2015 (between -2.5% and -0.1% YtD losses depending on the sub-asset class), with a subsequent adjustment in the first months of the fourth quarter.

As of 30 October, Tier I prices rose above Tier II instruments on a year-to-date basis. Tier I CoCos returned 0.65% YtD while Tier II instruments increased by 0.4% YtD.

From a risk perspective, Investment Grade (IG) CoCo instruments appreciated above High Yield (HY) CoCo instruments on YtD. HY CoCos indices have returned 0.79% from January to October, comparable with a 0.31% YtD return of IG CoCo instruments.

## 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
12-Aug-15	BNP Paribas	Tier I capital	1,360,976,274	5.125%	Writedown	Fixed rate	BBB-	Perpetual	7.375
10-Sep-15	Intesa Sanpaolo SpA	Tier I capital	894,774,517	5.125%	Writedown	Fixed rate	BB-	Perpetual	7.7
15-Sep-15	ABN AMRO Bank NV	Tier I capital	1,000,000,000	5.125%	Writedown	Fixed rate	BB+	Perpetual	5.75
22-Sep-15	HSBC Holdings plc	Tier I capital	1,000,000,000	7.000%	Equity conversion	Fixed rate	BBB	Perpetual	6
22-Sep-15	Societe Generale SA	Tier I capital	1,109,582,353	5.125%	Writedown	Fixed rate	BB+	Perpetual	8

Source: Dealogic and Thomson Reuters Eikon



## Summary of the methodologies adopted in this report

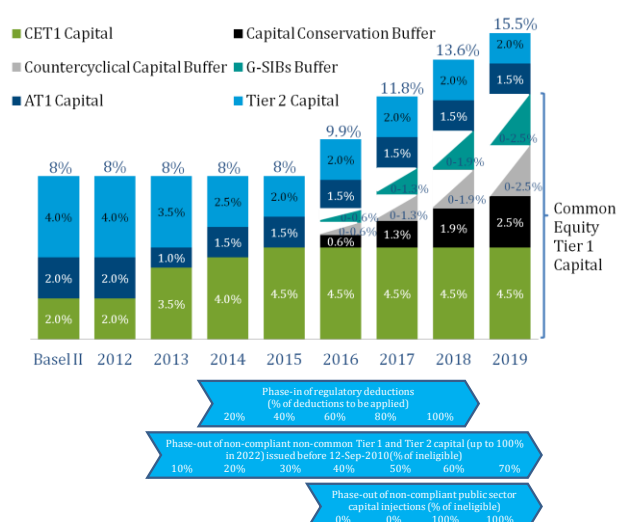
### 1. Balance Sheets – Overview

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. 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	1.13	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	13	14	12	14
1Q15	13	13	13	11	13	11	12	14
2Q15	13	13	14	12	13	11	12	14
3Q15	13	13	14	12	13	9	13	14

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.

For charts 1.3 and 1.4, for purposes of aggregation in EUR currency, the balance sheets items reported in USD and GBP were converted to EUR terms using the end-of-quarter exchange rate as certified by the ECB. The specific exchange rates are the following:

	EUR/USD	EUR/GBP
4Q13	1.3791	0.8337
1Q14	1.3788	0.8282
2Q14	1.3658	0.8015
3Q14	1.2583	0.7773
4Q14	1.2141	0.7789
1Q15	1.0759	0.7273
2Q15	1.1189	0.7114
3Q15	1.1203	0.7385

Source: ECB

### 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 weighted 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 1 capital 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.



## Annex

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### Disclaimer

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