

# IMPACT OF FINAL BASEL III

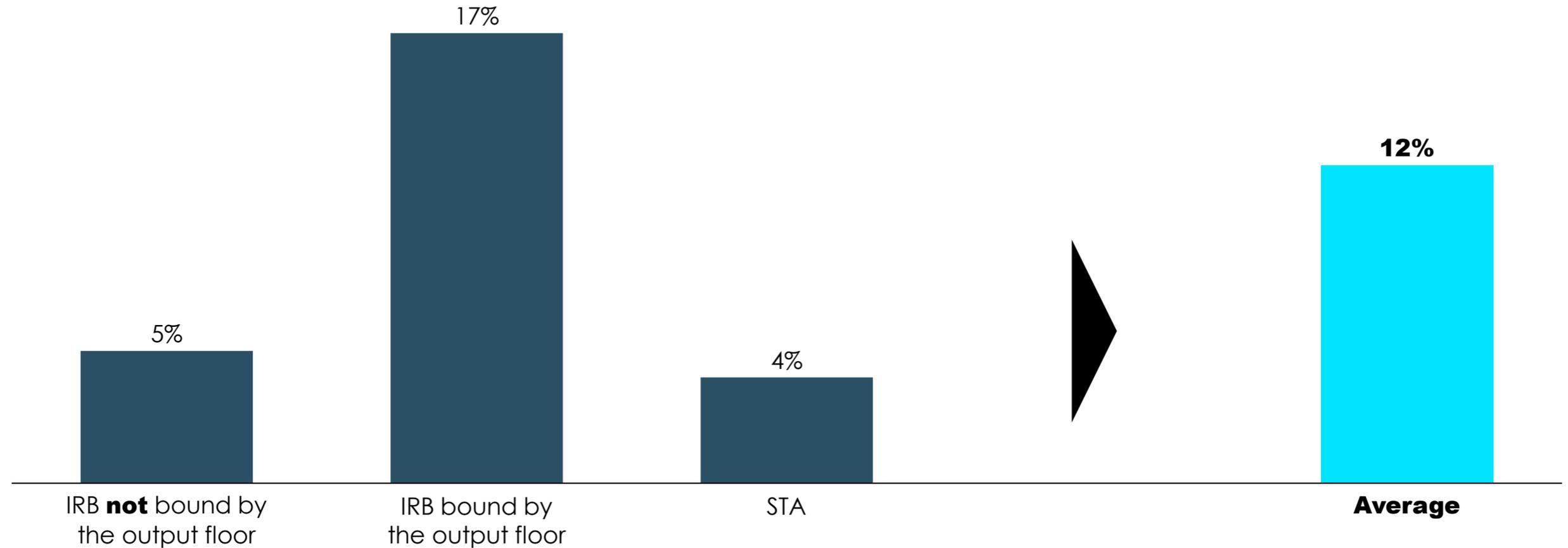
Fundamental changes to capital cost  
allocation in the European banking sector

AEFR presentation  
March 2023

# Primarily banks bound by the output floor will see strong increases in capital requirements

## Increase in capital requirements for different mortgage portfolios

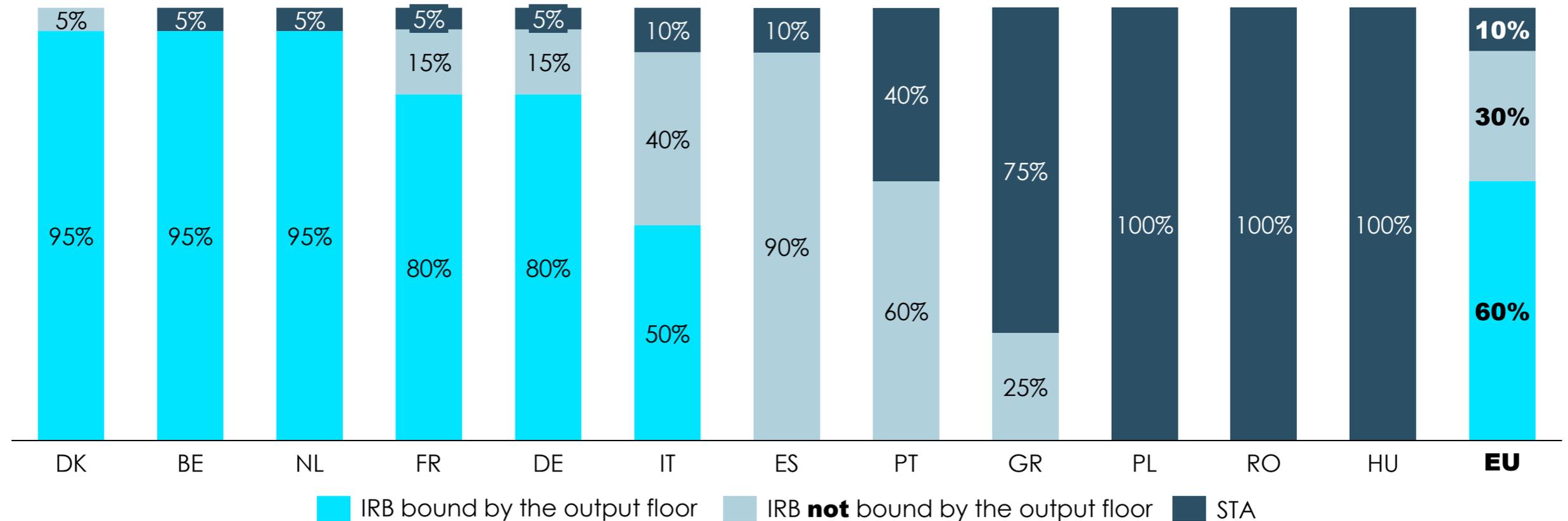
% of original CET1 requirements



# The extent to which the output floor is binding varies between countries

## Share of banking markets bound by the output floor

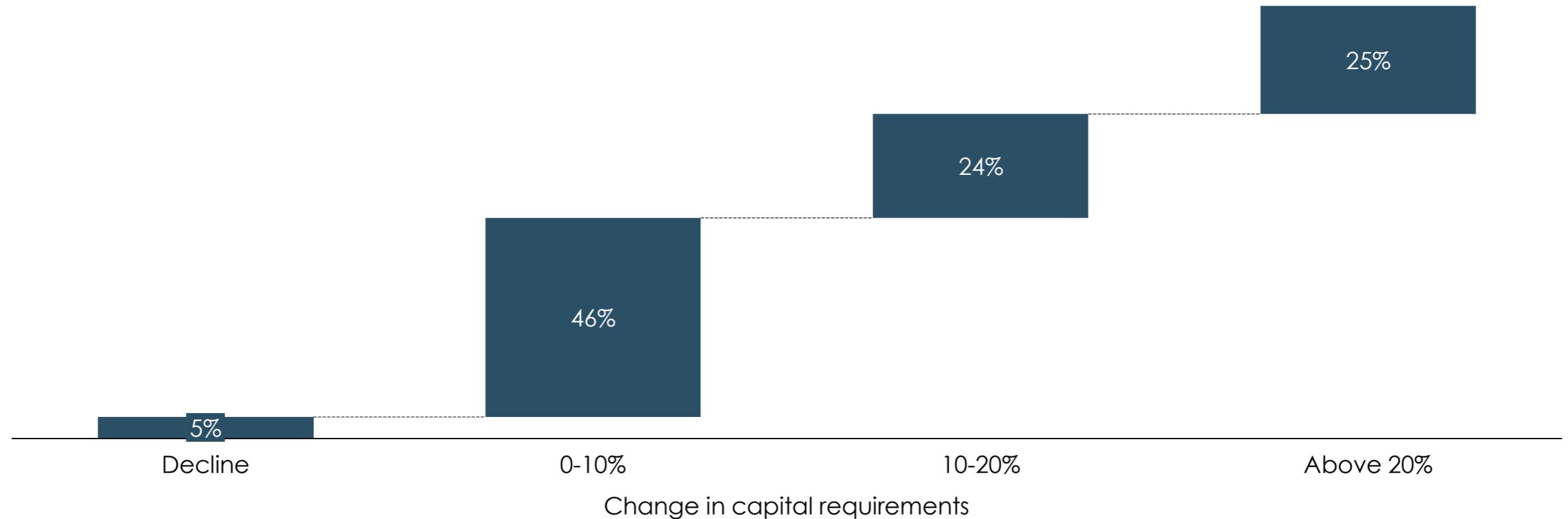
% of total assets (rounded numbers)



# Half of all institutions see little impact – ¼ of the market will see significant increases

## Distribution of increase in capital requirements

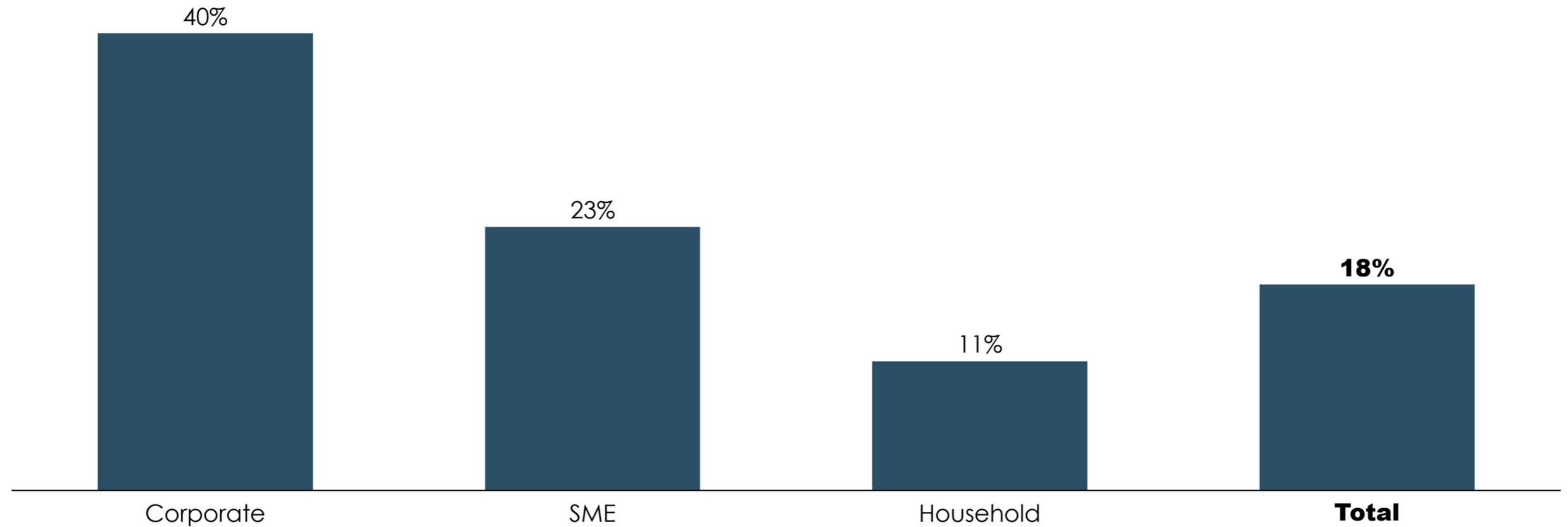
Share of banking market



# Largest impact for the corporate portfolio

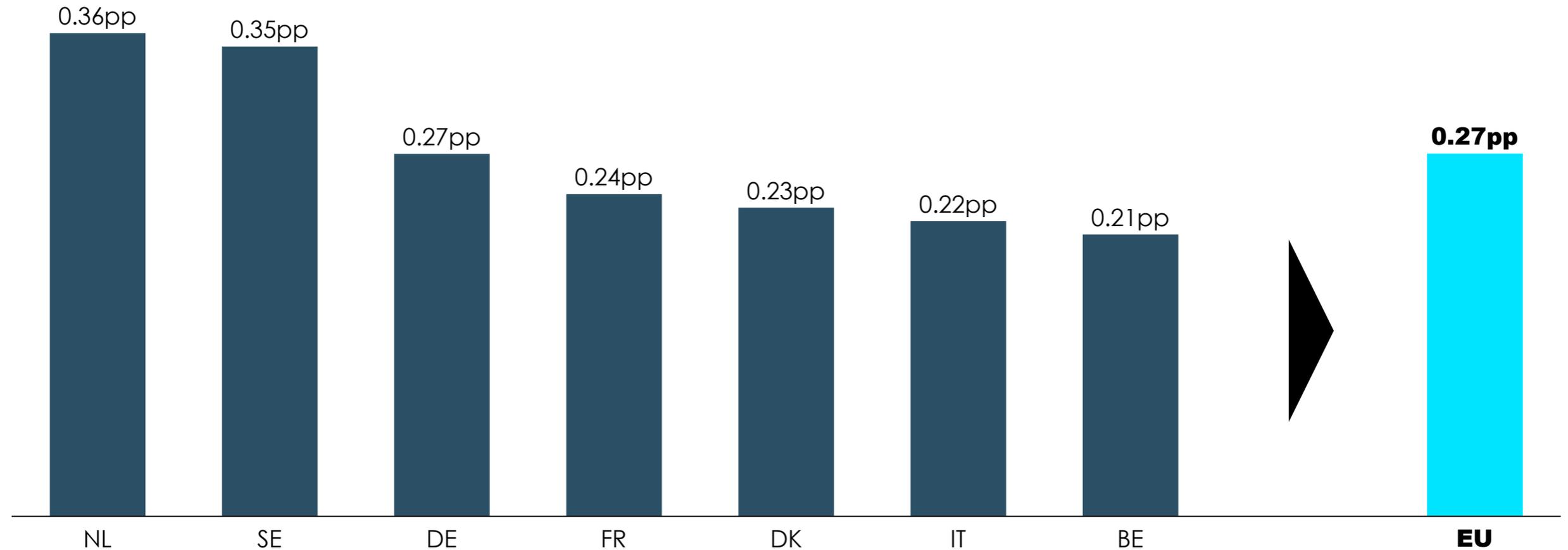
## Increase in capital requirements for different mortgage portfolios

% of original CET1 requirements



# Significant increase in capital cost for corporates when the output floor is binding

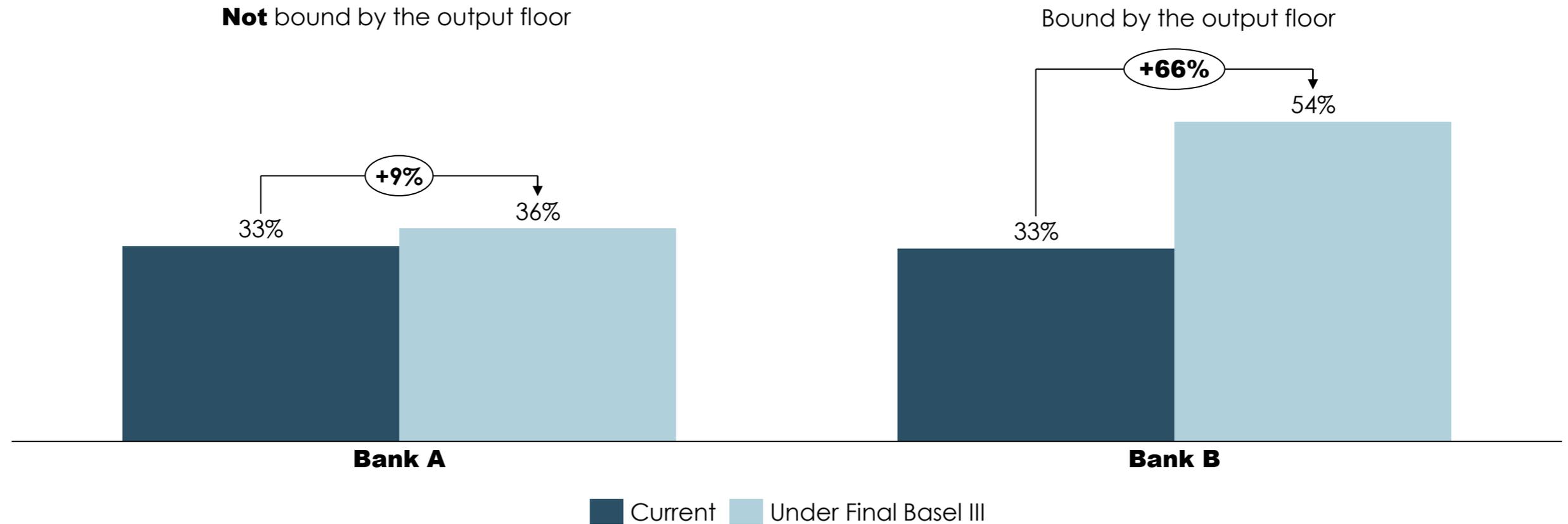
**Increase in cost of capital for the corporate portfolio for IRB banks bound by the output floor**  
Percentage point change from current cost of capital



# Two lenders operating on the same market can get very different impact on capital requirements

## Increase in risk weights for the corporate portfolio – illustrative example

Risk weights



# Implications for capital costs allocation



# Hard facts. Clear stories.

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