Ratings On Multiple European Bank Hybrids Raised On Revised Analytical Expectations

November 21, 2025

- We have reappraised the default risks of certain European bank capital instruments.
- For the banks that issued capital instruments with 7% or 8% common equity Tier 1 (CET1) principal conversion or write-down triggers, we no longer consider these going concern triggers.
- Most of these high trigger instruments qualify as additional Tier 1 (AT1) capital and retain intermediate equity content in our risk-adjusted capital (RAC) analysis. Where these high trigger instruments have no discretionary coupons, they now have no equity content in our RAC analysis.
- For banks issuing capital instruments from nonoperating holding companies (NOHCs) that regulators designate as resolution entities, we no longer see them as facing meaningfully higher default risks than equivalent instruments issued by operating holding companies.
- As a result, we raised our issue ratings on multiple AT1 and Tier 2 capital instruments. We also reviewed the junior subordinated instruments for banks that have lower-than-peers' headroom above their regulatory capital requirements and affirmed our ratings on them.

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LONDON (S&P Global Ratings) Nov. 21, 2025--S&P Global Ratings today said it took the following rating actions on European bank capital instruments:

- Barclays PLC, Lloyds Banking Group PLC, NatWest Group PLC, and Standard Chartered PLC: We raised our issue credit ratings on these issuers' junior subordinated instruments two notches and their subordinated instruments one notch.
- UBS Group AG: We raised our issue credit ratings on its high-trigger junior subordinated instruments two notches.
- AIB Group PLC, Bank of Ireland Group PLC, KBC Group NV, and Santander UK Group Holdings PLC: We raised our issue credit ratings on these issuers' junior subordinated and subordinated instruments one notch.
- HSBC Holdings PLC and ING Groep NV. We raised our issue credit ratings on these issuers' subordinated instruments one notch.
- SBAB Bank (publ): We raised our issue credit ratings on its high-trigger junior subordinated instruments one notch.

- CCF Holding S.A.: We raised our issue credit ratings on its 7%-trigger subordinated instruments one notch.
- BPCE. We affirmed our issue credit ratings on its 7%-trigger subordinated instruments.
- BNP Paribas & Nordea Bank Abp: We affirmed our issue credit ratings on these issuers' junior subordinated instruments.

See the rating list below for full details.

Our issuer credit ratings on these banks are unaffected, as are our issue credit ratings on other European banks' hybrid capital instruments.

We have reviewed the expectations that underlie our issue ratings on European bank hybrids, including the capital instruments (not senior nonpreferred debt). This is in the context of a decade having passed since banks started to issue Basel III-compliant capital instruments, and a decade since we moved from an analytical base case of government support for failed systemic banks to one of resolution. It also reflects our observations of how supervisors apply the rules when faced with troubled banks. We focused specifically on European bank hybrids because regulation and supervision differ by region--notably around the intervention triggers and consequences--and the specific features of capital instruments also differ.

We have not amended our hybrid capital methodology. Instead, we reconsidered how to apply the methodology in a European bank context. We revised our analytical expectations in two specific respects related to how we perceive default risks for some instruments:

- Starting point: Where regulators have designated a NOHC issuer as the resolution entity (that is, the point of bail-in/recapitalization under a SPE or MPE resolution approach), we now consider that its hybrids do not face meaningfully higher default risks than equivalent instruments issued by operating holding companies (OHCs). We therefore now use the group stand-alone credit profile as the starting point for rating these instruments, as we do for OHC issuers.
- Step 2a: Many rated banks in northwest Europe issued AT1 capital instruments with 7% or 8% CET1 principal conversion or write-down triggers. These banks have relatively high minimum capital requirements and ratios well above those requirements. Our base-case scenario now assumes that the banks will not be a going concern by the time they hit these triggers. These instruments are therefore no longer in scope for notching under step 2a. which is aligned with our approach for instruments with 5.125% triggers.

The changes acknowledge that these instruments face lower default risk than we had previously assessed. As a result, we upgraded many related capital instruments up to two notches. There are also several banks in northern Europe that issued 7% or 8% trigger instruments but which we had not notched under step 2a due to their very high (more than 700 basis points [bps]) headroom above the trigger. Step 2a considerations similarly no longer apply to these instruments, but the issue ratings are unaffected.

Where these instruments count for AT1 regulatory capital, they retain intermediate equity content in our RAC analysis due to their ability to absorb losses through coupons. For the small number of high trigger instruments that had nondeferrable coupons, they now have no equity content in our RAC analysis, although they remain eligible to be included as additional loss absorbing capacity.

Concurrently, for four banks that currently or prospectively have lower-than-peer headroom above their capital requirements, we reviewed the risk they could be forced to not pay or defer

coupon payments on their AT1 instruments. In all cases, their capital ratios are near or less than 200 bps above their risk-weighted asset based overall capital requirement (for EU and U.K. banks), or having been recently about 50 bps of their leverage-MDA or Swiss going concern leverage requirements. In all cases, we see mitigating elements that mean we do not apply additional notching under step 2b for now, but there is limited scope for this headroom to narrow further without risking a downgrade to their AT1 instruments.

- Barclays PLC: At Sept. 30, 2025, Barclays' 14.1% CET1 ratio was 190 bps above its current 12.2% Supervisory Review and Evaluation Process maximum distributable amount (SREP-MDA) CET1. The headroom was 170 bps, including the pro forma impact of the cancellable share buyback that Barclays announced alongside third-quarter earnings. The bank's guidance indicates that it will continue to operate toward the upper half of its 13%-14% CET1 target. We see mitigating elements to its SREP-MDA CET1 headroom, including its improving capital generation, diversified business profile, and capacity to flex risk exposures in its trading book. Its capital requirements are fluid, with the Pillar 2A buffer likely to decrease as more risks move into Pillar 1, and the upcoming Bank of England review of U.K. banks' minimum thresholds.
- BNP Paribas: At Sept. 30, 2025, BNPP's 12.50% CET1 ratio was nearly 200 bps above its current 10.51% SREP-MDA requirement, and its leverage ratio was 4.34%, nearly 50 bps above its 3.85% leverage-MDA requirement. In recent years, it has routinely operated near these levels (putting aside the temporary boost from its sale of Bank of the West). Offsetting elements, however, include the benefits from the group's strong revenue and risk diversification, along with its solid capital generation. Furthermore, BNPP has indicated it will operate with a target minimum CET1 ratio of 13% by 2027, despite a likely slightly reduced Pillar 2 requirement in 2026. Its leverage-MDA headroom will therefore likely be the most important metric for our hybrid notching.
- Nordea Bank Abp: At the same date, Nordea's 15.9% CET1 ratio was 230 bps above its current 13.6% SREP-MDA requirement. Nordea's new strategy includes a capital policy that it will at least maintain a 150 bp buffer above requirements, but also that it plans to maintain a CET1 ratio of about 15.5%. We therefore expect that it will maintain headroom of about 200 bps in practice. Despite Nordea's strong earnings capacity and predictability, we would view headroom of 150 bps as inconsistent with the current issue rating.
- UBS Group AG: The Swiss capital framework (for going concern and gone concern requirements) does not have the same mandatory consequences for coupon nonpayment as the EU's MDA regime. We view its headroom as tightest for its going concern leverage--a ratio of 5.8% at Sept. 30 versus a 5.0% requirement, having been about 50 bps at end-June. Its capital requirements are in flux as Swiss authorities update their too-big-to-fail framework. We will monitor how its headroom evolves in the context of these requirements.

Our issuer credit ratings on the above banks are unaffected. This is because our updated analysis has no implication for our view of their creditworthiness at a corporate level.

For further details, see "Hybrid Capital Horizons: Why We Upgraded Certain European Bank Hybrids", Nov. 21, 2025

Webinar:

Join our ratings analysts for a live interactive webinar on Nov. 25, 2025, at 8:00 a.m. EST/1:00 p.m. UTC/2:00 p.m. CEST. The team will discuss the rationale for these rating actions. To register for this webinar and submit advance questions, visit:

https://event.on24.com/wcc/r/5149193/50E87D238E495DEB75BDBA16D4D7571F?partnerref=MR

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015

Related Research

- Hybrid Capital Horizons: Why We Upgraded Certain European Bank Hybrids, Nov. 21, 2025
- Bulletin: Debate To Enhance Regulation After Credit Suisse Enters The Next Phase, Leaving Most Questions Open For Now, Oct. 2, 2025
- Banking Brief: Unpacking Proposed Revisions To Switzerland's Too-Big-To-Fail Framework, June 9, 2025
- Europe's AT1 Market Faces The COVID-19 Test: Bend, Not Break, April 22, 2020

Ratings List

Ratings List

	AIB Group PLC	
Upgraded		
	To	**From**
AIB Group PLC		
Subordinated	BBB	BBB-
Junior Subordinated	BB+	BB
	Banco Santander S.A.	
Upgraded		

Ratings List		
	To	**From**
Santander UK Group Holdings PLC		
Subordinated	BBB-	BB+
Junior Subordinated	BB	BB-
	Bank of Ireland Group PLC	
Upgraded		
	To	**From**
Bank of Ireland Group PLC		
Subordinated	BBB	BBB-
Junior Subordinated	BB+	BB
	Barclays PLC	
Upgraded		
	To	**From**
Barclays PLC		
Subordinated	BBB	BBB-
Junior Subordinated	BB+	BB-
	BNP Paribas	
Ratings Affirmed		
BNP Paribas		
Junior Subordinated	BBB-	
BNP Paribas Fortis SA/NV		
Junior Subordinated	BB+	
Junior Subordinated	BBB-	
	BPCE	
Ratings Affirmed		
BPCE		
Subordinated	BBB	
	CCF Holding	
Upgraded		
	To	**From**
CCF Holding		
Subordinated	B+	B
	HSBC Holdings PLC	
Upgraded		
	To	**From**
HSBC Holdings PLC		
Subordinated	BBB+	BBB
	ING Groep N.V.	
Upgraded		
	To	**From**
ING Groep N.V.		
Subordinated	BBB+	BBB
	KBC Group N.V.	

Ratings List

Upgraded		
	To	**From**
KBC Group N.V.		
Subordinated	BBB+	BBB
Junior Subordinated	BBB-	BB+
	Lloyds Banking Group PLC	
Upgraded		
	To	**From**
Lloyds Banking Group PLC		
Junior Subordinated	BBB	BBB-
Junior Subordinated	BBB-	BB
Preference Stock	BBB-	BB+
HBOS PLC		
Junior Subordinated	BBB	BBB-
Lloyds Banking Group PLC		
HBOS PLC		
Subordinated	BBB+	BBB
	NatWest Group PLC	
Upgraded		
	To	**From**
NatWest Group PLC		
Subordinated	BBB+	BBB
Junior Subordinated	BBB-	BB
	Nordea Bank Abp	
Ratings Affirmed		
Nordea Bank Abp		
Junior Subordinated	BBB	
	SBAB Bank AB (publ)	
Upgraded		
	To	**From**
SBAB Bank AB (publ)		
Junior Subordinated	BB+	BB
	Standard Chartered PLC	
Upgraded		
	To	**From**
Standard Chartered PLC		
Subordinated	BBB	BBB-
Junior Subordinated	BB+	BB-
Preference Stock	BBB-	BB
	UBS Group AG	
Upgraded		
	To	**From**
UBS Group AG		

Ratings List

Junior Subordinated	BBB-	BB

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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