



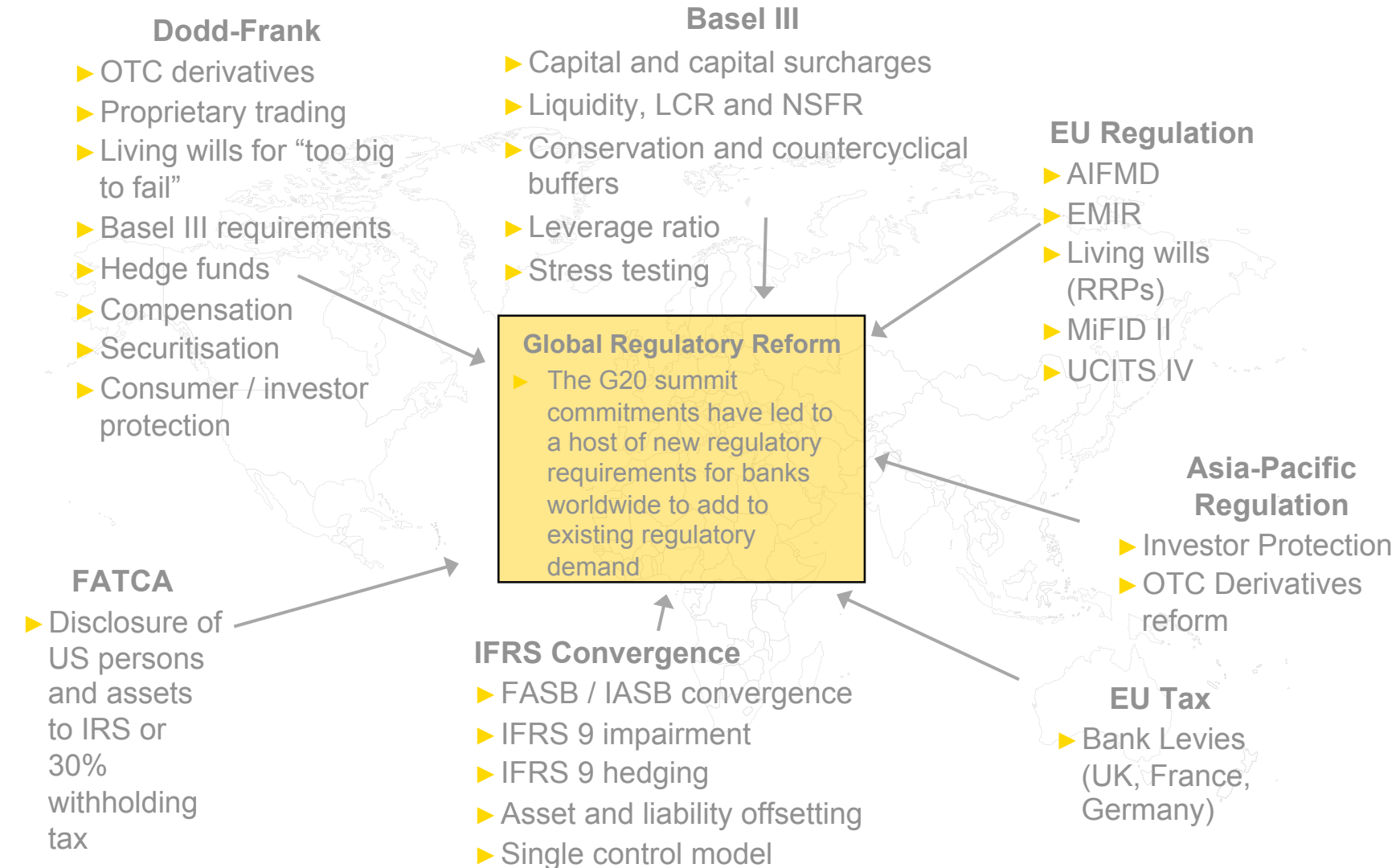
# Dealing with Basel III

*Pan-European Investor Relations  
Meeting 2012*

Gerd-Jan van Wiggeren  
12 June 2012

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# Global regulation



# Basel 3 in a nutshell

## *Increasing the quantity and quality of bank capital and increasing capital requirements*

### **Quality of bank capital:**

- ▶ Tier1 will be largely equity and reserves

### **Leverage ratio**

- ▶ Backstop ratio to prevent excessive lending

### **Quantity of capital the overall ratios will rise:**

- ▶ Capital conservation
- ▶ Countercyclical capital buffer
- ▶ G-SIB buffer
- ▶ EU Action

### **Capital requirements increasing:**

- ▶ Trading book and securitisations

### **Global requirements for liquidity buffers:**

- ▶ Liquidity coverage ratio – requires stock of high quality liquid assets
- ▶ Net stable funding ratio – illiquid assets have to be backed by stable funding

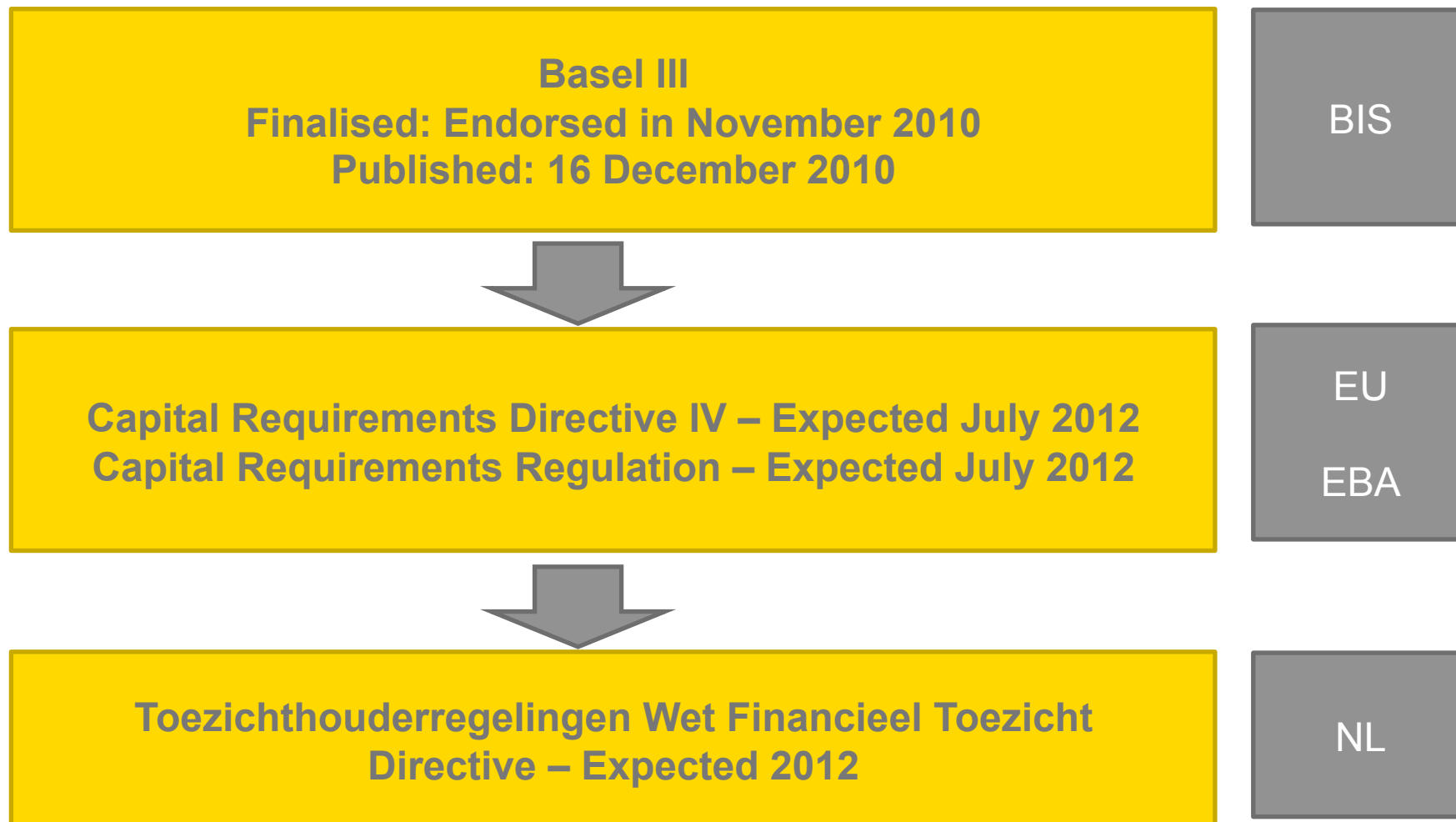
### **Counterparty risk:**

- ▶ Changes to risk management governance and processes

# Implementation timelines

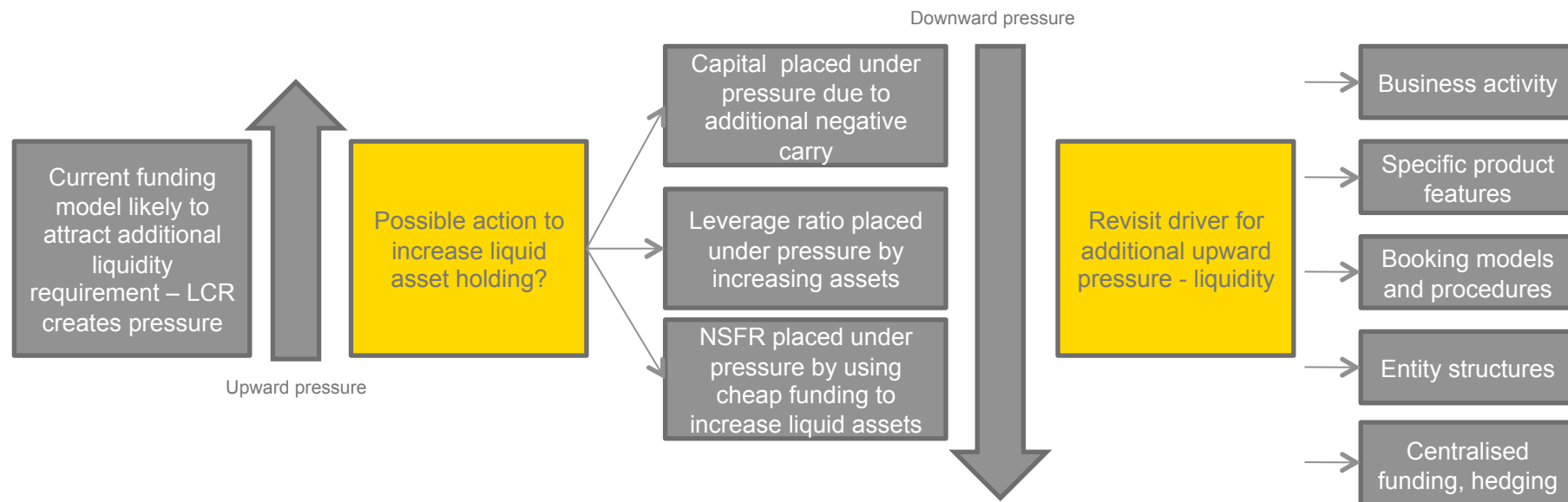
## *Basel 3 and CRD4/CRR*

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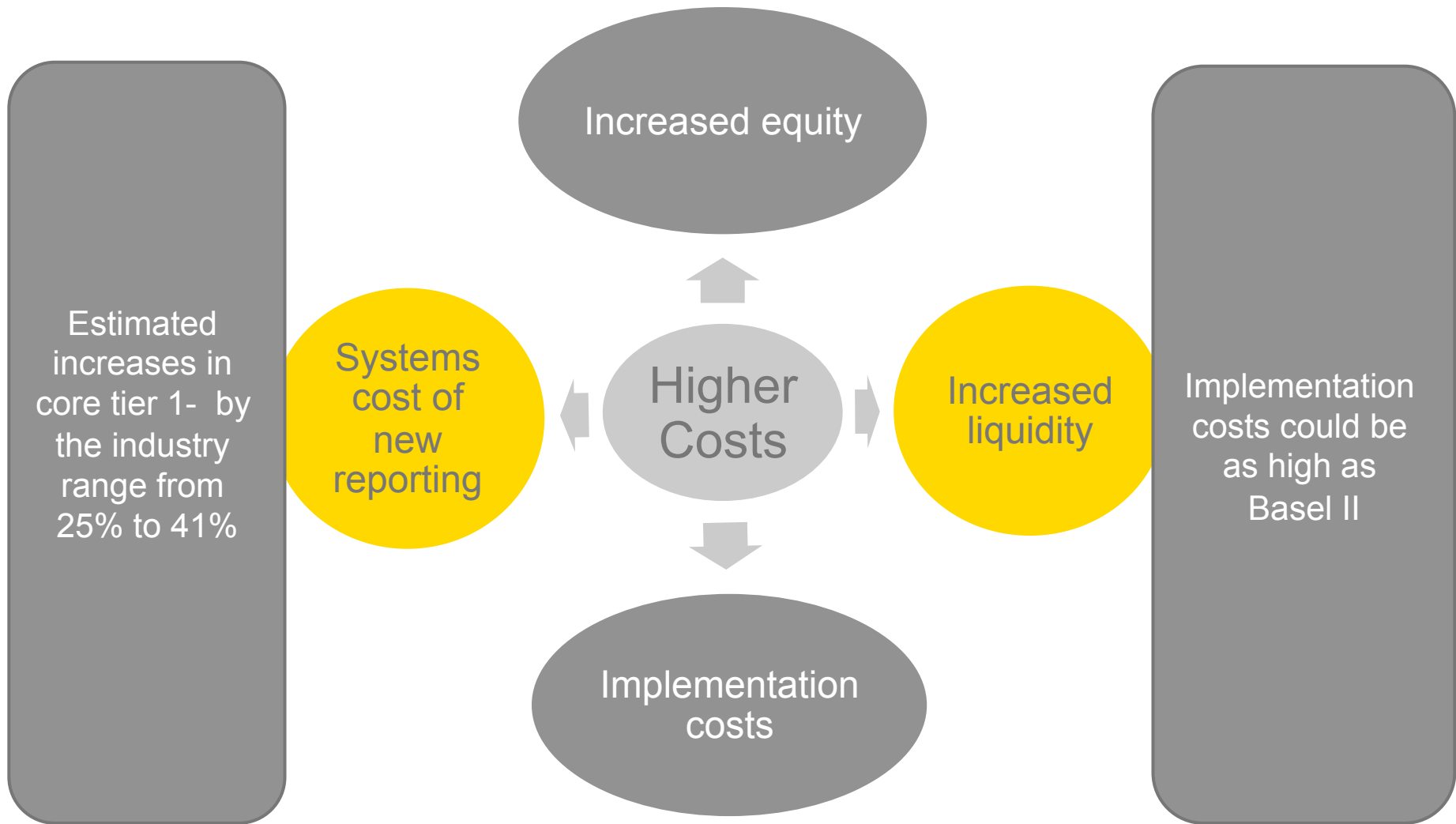


# Strategic implications

- ▶ The proposed Basel III framework will impact and constrain business models across all aspects of balance sheet and off balance sheet use.
- ▶ Strategic planning and review is needed across products and business platforms including some entity structures – a number of fundamental factors are changing and the rationale for current practices may no longer be relevant.
- ▶ Current focus is on areas of substantial capital increase, but the impact of new liquidity and leverage constraints are often interrelated and conflicting in nature.



# Implications for individual banks (1)



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# Implications for individual banks (2)

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- ▶ Fee and non-exposure based activities could be more popular- fund management
- ▶ Strategic planning needed- which businesses to expand, which to reduce, which to exit
- ▶ Current focus is on areas of massive capital increase- e.g. securitisation
- ▶ Overall increase in capital required for trading books will make activities less profitable



Overall effect could be greater  
disintermediation

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# Impact on disclosures

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- ▶ Improving transparency:
  - ▶ Full reconciliation of regulatory capital elements to audited balance sheet
  - ▶ Full disclosure of regulatory adjustments
  - ▶ Common Equity Tier 1 versus Core Tier 1 capital
  - ▶ Terms and conditions of instruments including in regulatory capital base



# Basel III

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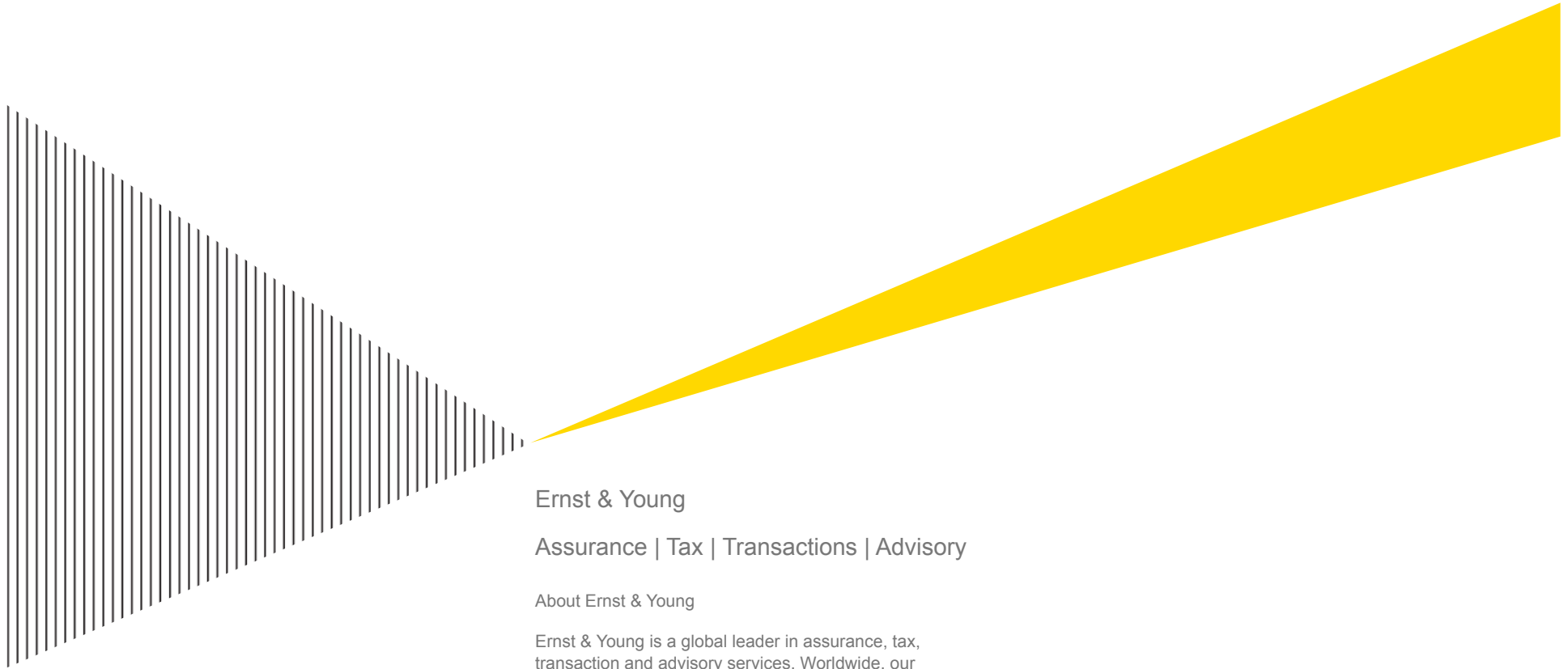
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