



TNP
HARNESS THE UNPREDICTABLE



POSITION PAPER

RISK WEIGHTED ASSETS OPTIMIZATION LEVERS AND FRAMEWORK

In the ever-evolving landscape of the global finance, the pursuit of economic resilience is the major challenge for banks. As the banking environment has been shocked by economic issues from the late 2000s to present day, European banks are under increasing pressure to bolster their capital efficiency. Among these problematics, TNP stands at the forefront, offering strategic insights and optimization frameworks to master the complexities of Risk Weighted Assets (RWA).

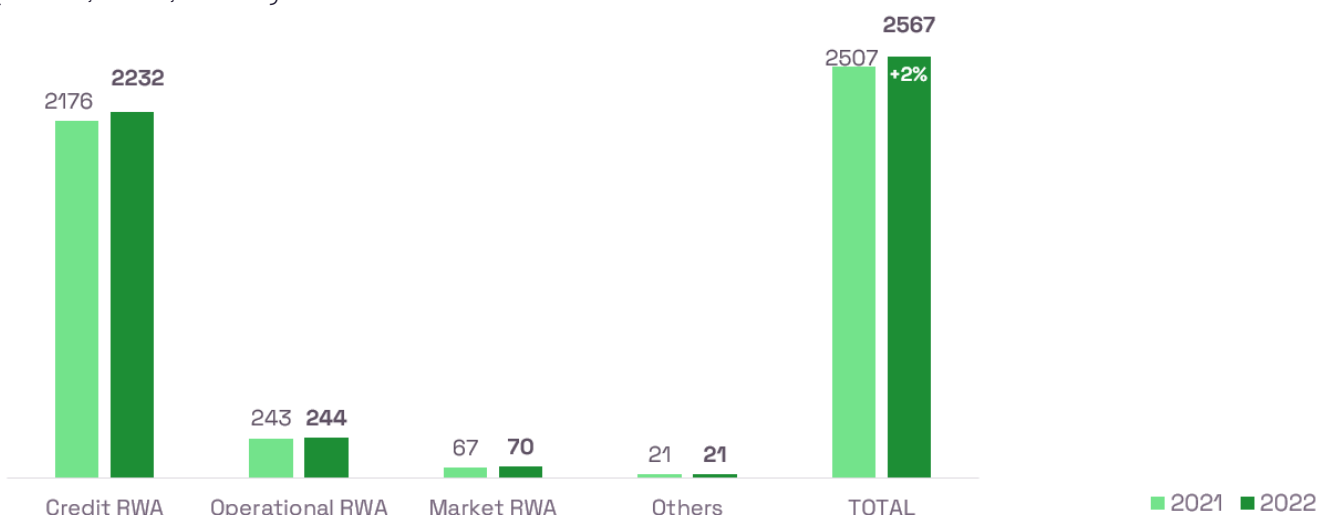
Current prudential landscape

2022 European banks prudential situation remains overall solid despite a slight downwards trend (due to a complex macroeconomic environment : strong inflation, high rates).

French banks have steadily improved their capital ratios since 2008. This can be explained by several factors but mainly: the improvement of the overall T1 Equity (following pressure from the regulator) and the decrease of the RWA (following several internal initiatives & programs to identify rooms for improvement).

2021-2022 RWA: 6 MAIN FRENCH BANKING GROUPS

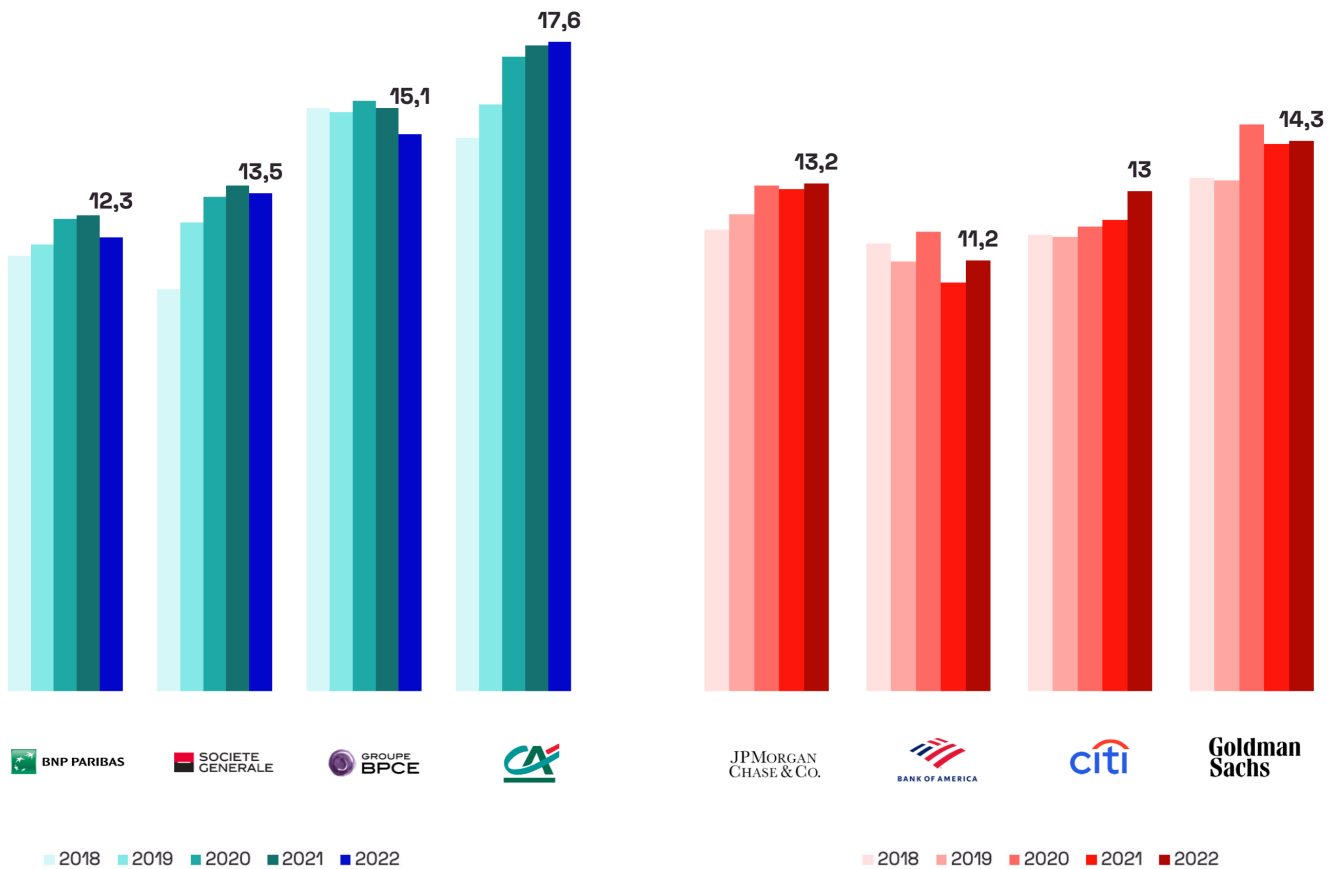
(COREP ; ACPR ; EUR BN)



Regulatory dynamics and capital requirements

Regulatory oversight, on behalf of the European Central Bank’s Supervisory Review and Evaluation Process (SREP), continues to shape the capital landscape for Eurozone banks. Simultaneously, the U.S. unveils stricter Basel III endgame regulations, highlighting the imperative of robust risk management practices. These dynamics underscore the critical need for proactive RWA optimization strategies.

CAPITAL ADEQUACY: A TRANSATLANTIC PERSPECTIVE



Data sourced from each bank’s Financial Statements.

Benefits and optimization levers

Unlocking capital reserves tied to RWAs is like releasing latent potential within banks. This unleashing enhances lending capacities, increases profitability, and strengthens financial resilience. The delicate equilibrium between business and regulatory capital is pivotal, fostering profitability while ensuring compliance with stringent regulatory mandates.



Release capital

Identify and rectify areas of capital inefficiency to unlock latent reserves.



Enhance data linkages

Improve data integrity and efficiency to refine RWA calculations.



Refine capital allocation

Optimize decision-making processes and analytics for judicious capital allocation.



Revisit business models

Tailor business strategies to align with risk appetite frameworks and reduce RWA impact.



Improve process/data quality

Elevate process and data maturity levels to boost reliability and performance.

The primary levers for improving capital ratios and reducing RWA include: In the dynamic realm of banking, RWA optimization emerges as a crossing for sustained resilience and profitability. TNP is poised to empower banks through this transformative journey, leveraging insights, expertise, and structured frameworks to navigate challenges and seize opportunities in the pursuit of financial excellence. TNP provides diagnosis, gap analysis and supports its clients to build up concrete business cases in order to improve their capital situations.

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