

Regulatory and
Economic Capital
January 2024



Capital Cockpit

Holistic oversight, management
and optimisation of your capital



www.pwc.nl

Capital is THE bottleneck for banks, and supervisory expectations continue to rise! PwC's Capital Cockpit facilitates making the best use of your capital stock

Why would you consider performing a capital optimisation?

✓ **As a response to new regulation:**

Supervisory capital requirements were significantly increased with the implementation of Basel III. Over and above this, new measurement approaches for the Pillar 1 risks are currently being implemented following the introduction of Basel IV/CRR III.

How is this affecting your bank?

✓ **To determine internal capital adequacy:**

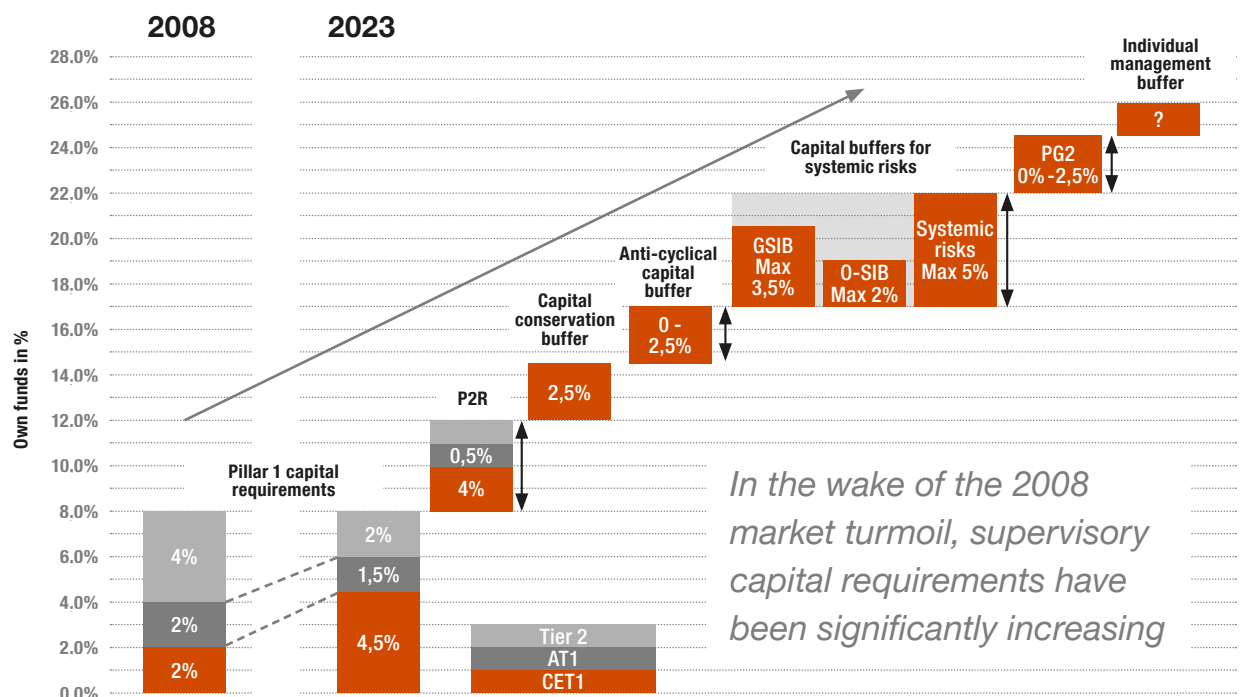
The ICAAP and the underlying approaches have been overhauled by the ECB as well as DNB in recent years. Material capital risks will have to be covered by economic capital, but there's both a high degree of discretion on the methods applied as well as ongoing adequacy assessments by the regulatory watchdogs.

How much risk is your bank assuming, what amount of economic capital do you need for this and how do you justify your approaches?

✓ **To monitor and forecast your capital situation:**

Your business strategy and the medium-term business forecasts as well as your risk appetite determination and associated capital allocation needs to be supported by a robust and detailed capital plan.

How do you anticipate your future capital needs? How are you demonstrating this to the supervisory authorities?

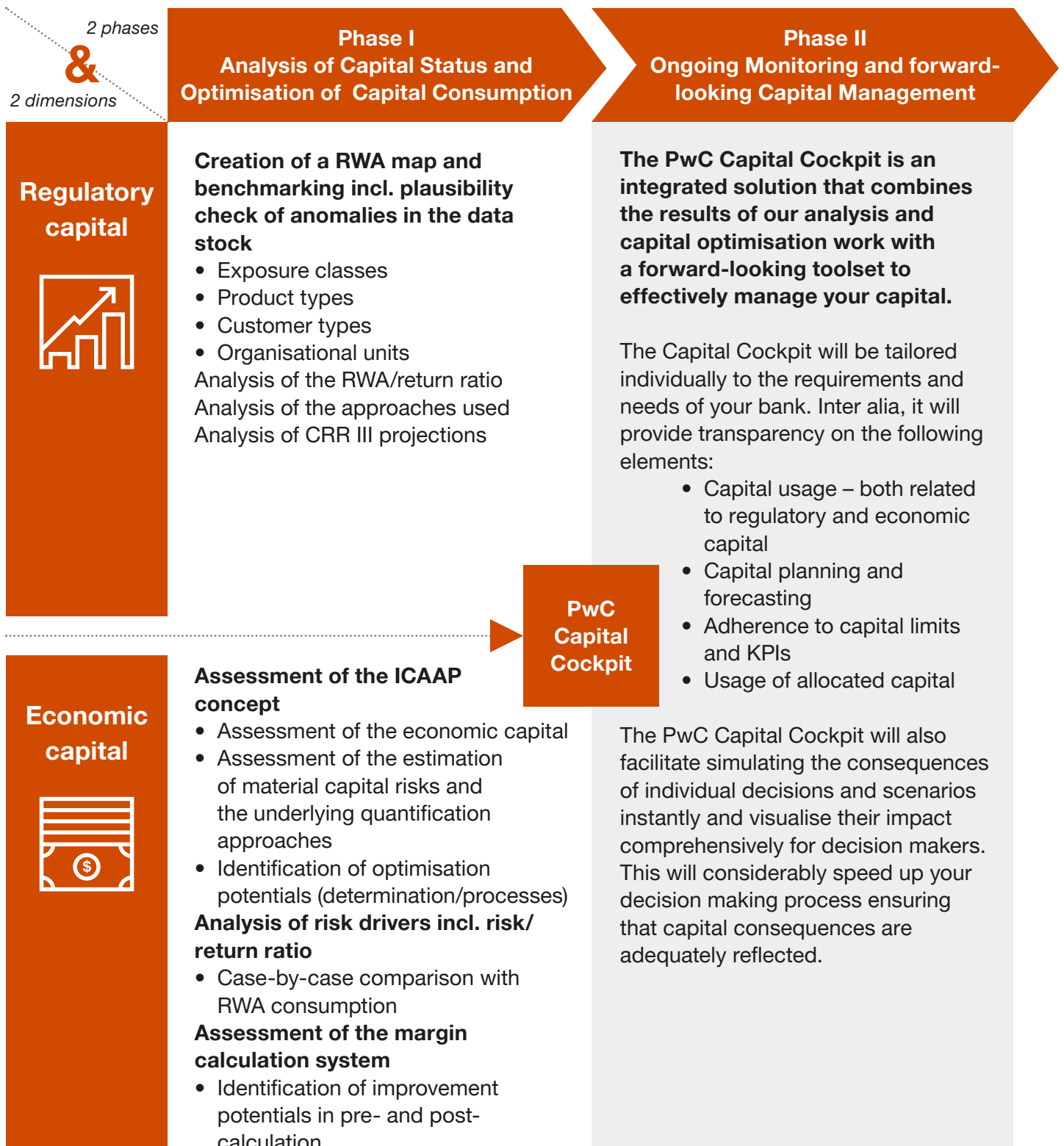


..... Do you really make the best use of your capital?

- Are you applying capital-efficient approaches to cover your risks
- Do you know the risk-return relation of the capital you have invested
- Are you taking informed decisions when assuming new business – and risks?
- Do you have a holistic overview of your future capital requirements?

In most cases this is a self-funding exercise!

Our approach is based on two phases across two dimensions



Why not unlocking hidden values in your bank?

Benefit from PwC's experience and knowledge

Added value for managing your regulatory capital

- 1 **Creating transparency on assets with particularly unfavourable return/RWA ratios**
- 2 **Reduction of RWA through targeted measures:**
 - Disposals of certain positions with high capital consumption and/or low returns
 - Reducing leverage
 - Process optimisation (e.g., avoidance of erroneous or severely delayed collateral recognition)
- 3 **Effective use of the freed-up RWA**
 - Acquisition of positions with lower risk weights
 - Generation of additional P&L income

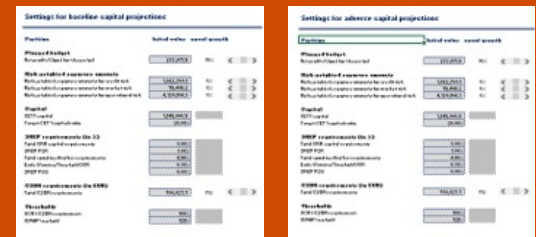
Added value for managing your economic capital

- 1 **Transparency about risk drivers including the possibility to control the risks**
- 2 **Reduction of economic capital utilisation through targeted measures**
 - Use of capital efficient risk quantification methods
 - Review materiality classification
- 3 **Increasing cost transparency and improving margins**
 - (appropriate) consideration of
 - Interest rate turnaround/increased interest rate volatilities
 - Refinancing costs
 - Targeting growth where it is appropriately remunerated

Less risk and higher returns for the capital deployed

Risikokategorie	RWA Basis II (SfR 1 zu 10)	Risiko Scale II** (Position 100) (Kwars)	Bruttorendite***	RuRWA CfR II	Royale Kw. 100 Pk.
AZGR: GARANTIE-KONTRAKTE (BIC)	100%	4%	4,8%	4,0%	122,0%
Resten über nur Sprachatikel					
- GfBs: Finanzl. BBS, H. 3 J. LZ:	20% / 100%	30%	4,4%	2,3%	14,7%
- Profik. Corporate BBS, H. 3 J. LZ:	100% / 100%	6%	3,8%	3,8%	63,3%
- GfBs: Finanzl. BBS, H. 3 J. LZ:	100% / 100%	30%	3,6%	0,3%	15,7%
Aktion	100% / 250%	66%	4,0%	1,8%	6,7%
Immobilien	100% / 170%	15%	4,6%	2,4%	26,7%
in Bestand	141% / 287%	14%			
Belegungen	keine eingehende Betrachtung wegen überwiegend strategischer Charakter				

Efficient monitoring of your capital KPIs



Instant forecasting of your capital requirements and scenarios



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PwC's Capital Cockpit
will help you exercising
a holistic oversight,
management and
optimisation of both
your regulatory and
economic capital

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